MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Monte dei Paschi di Siena Group
Consolidated Half-yearly Report as at 30 June 2023

Half-yearly Report
Monte dei Paschi di Siena Group
30 June 2023

Banca Monte dei Paschi di Siena S.p.A.
Share Capital: € 7,453,450,788.44 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

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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 136

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HALF-YEARLY REPORT ON OPERATIONS

Results in brief

Below are the main economic and financial values of the Montepaschi Group as at 30 June 2023, compared with those for the same period of the previous year and at the end of the previous year, respectively. The Alternative Performance Measures (APMs) identified by the Directors to facilitate the understanding of the economic and financial performance of the Group's operations are also presented. The APMs, which are built using the reclassified data reported in the Reclassified Income Statement and Reclassified Balance Sheet chapters, are 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 APMs are not envisaged by the IAS/IFRS international accounting standards and, although they are calculated on financial statement data, they are not subject to a full scope audit.

These measures take into account the Guidelines provided by the European Securities and Markets Authority (ESMA) on 5 October 2015, which the Italian stock exchange regulator, Consob, incorporated in its supervisory practices (Communication no. 0092543 of 3 December 2015). These Guidelines became applicable as of 3 July 2016. With reference to the context resulting from the COVID-19 pandemic and the military conflict between Russia and Ukraine, it should be noted that, in line with ESMA guidelines, no new indicators were introduced, nor were changes made to the indicators normally used. 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 Consolidated Report on Operations. These formats were constructed on the basis of the financial statements envisaged by Bank of Italy Circular no. 262/2005 and subsequent updates following the same aggregation and classification criteria adopted in the previous year, with the exception of some changes, illustrated in more detail in the section "Income statement and balance sheet reclassification principles" of this report.

INCOME STATEMENT AND BALANCE SHEET FIGURES			
MONTEPASCHI GROUP			
INCOME STATEMENT FIGURES (EUR mln)	30 06 2023	30 06 2022**	Chg.
Net interest income	1,082.8	658.5	64.4%
Net fee and commission income	670.0	728.9	-8.1%
Other income from banking business	100.3	141.4	-29.1%
Other operating income and expenses	(1.9)	23.9	n.m.
Total Revenues	1,851.2	1,552.8	19.2%
Operating expenses	(913.8)	(1,074.4)	-14.9%
Cost of customer credit	(204.9)	(224.9)	-8.9%
Other value adjustments	1.6	1.7	-5.9%
Net operating income (loss)	734.1	255.2	n.m.
Non-operating items	(118.8)	(211.1)	-43.7%
Parent company's net profit (loss) for the period	619.0	53.1	n.m.
EARNINGS PER SHARE (EUR)	30 06 2023	30 06 2022***	Chg.
Basic earnings per share	0.491	5.295	-90.7%
Diluted earnings per share	0.491	5.295	-90.7%
CONSOLIDATED BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	30 06 2023	31 12 2022	Chg.
Total assets*	120,801.1	120,235.3	0.5%
Loans to customers	76,056.0	76,265.3	-0.3%
Direct funding	84,142.3	81,997.6	2.6%
Indirect funding	94,704.3	92,420.7	2.5%
of which: assets under management	56,867.1	57,733.6	-1.5%
of which: assets under custody	37,837.1	34,687.1	9.1%
Group net equity*	8,499.5	7,860.1	8.1%
OPERATING STRUCTURE	30 06 2023	31 12 2022	Chg.
Total headcount - end of period	16,843	17,020	(177)
Number of branches in Italy	1,362	1,362	-

** The balance sheet values as at 31 December 2022 were restated, compared to those published at the reporting date, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the associated insurance companies. For further details on the impacted items, please refer to the paragraph Adoption of the accounting standard "IFRS 17 Insurance contracts" and "IFRS 9 Financial instruments" in AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni" of this Half-yearly Consolidated financial report.*

*** The income statement value as at 30 June 2022 were restated, compared to those published at the reporting date, in addition to the aforementioned retrospective application in accounting standards for the insurance associates, also to take into account (i) the discontinued application of the reclassifications on PPA and Rents and (ii) the introduction of the reclassification to "Other net allocations to provisions for risks and charges" of the reimbursements of interest and commissions to customers referring to previous years and for which allocations had been made to the provision for risks and charges as a balancing entry to the aforementioned income statement items.*

**** Basic and diluted earnings per share as at 30 June 2022 were restated, compared to the figures posted at the reporting date, in addition to the aforementioned retrospective application in accounting standards for the insurance associates, also to take into account the grouping operation of the Parent Company's ordinary shares at a ratio of 1 new ordinary share to 100 ordinary shares held that was carried out on 26 September 2022, pursuant to the resolution issued by the Parent Company's Extraordinary Shareholders' Meeting held on 15 September 2022.*

ALTERNATIVE PERFORMANCE MEASURES			
MONTEPASCHI GROUP			
PROFITABILITY RATIOS (%)	30 06 2023	31 12 2022	Chg.
Cost/Income ratio**	49.4	67.6	-18.2
ROE (on average equity)*	15.1	(2.5)	17.6
Return on Assets (RoA) ratio	1.0	(0.1)	1.1
ROTE (Return on tangible equity) *	15.4	(2.6)	18.0
CREDIT QUALITY RATIOS (%)	30 06 2023	31 12 2022	Chg.
Net NPE ratio	2.1	2.2	-0.1
Gross NPL ratio	3.5	3.6	-0.1
Rate of change of non-performing loans to customers	(3.4)	(19.6)	16.2
Bad loans to customers/ Loans to Customers	0.6	0.6	n.m.
Loans to customers measured at amortised cost - Stage 2/Performing loans to customers measured at amortised cost	13.6	14.9	-1.3
Coverage of non-performing loans to customers	51.5	48.1	3.4
Coverage of bad loans to customers	66.8	65.1	1.7
Provisioning	0.54	0.55	-0.01
Texas Ratio*	32.0	35.5	-3.5

** The balance sheet and income statement values as at 31 December 2022 were restated, compared to those published at the reporting date, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the associated companies. For further details on the impacted items, please refer to the paragraph Adoption of the accounting standard "IFRS 17 Insurance contracts" and "IFRS 9 Financial instruments" in AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni" of this Half-yearly Consolidated financial report.*

*** The income statements as at 31 December 2022 were restated, compared to those published at the reporting date, following (i) the discontinued application of the reclassifications on PPA and Rents and (ii) the introduction of the reclassification to "Other net allocations to provisions for risks and charges" of the reimbursements of interest and commissions to customers referring to previous years and for which allocations had been made to the provision for risks and charges as a balancing entry to the aforementioned income statement items.*

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 Group 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[1] at the end of period and the shareholders' equity at the end of the previous year.

Gross NPL Ratio: gross impact of non-performing loans calculated based on the European Banking Authority (EBA) guidelines[2] 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[3], net of assets under disposal.[3]

[1] Book value of Group shareholders' equity inclusive of profit (loss) for the period, net of goodwill and other intangible assets.
[2] EBA GL/2018/10.
[3] Loans to Banks include current accounts and sight deposits with banks and central banks classified as "Cash" under balance sheet assets.

Rate of change in non-performing loans to customers: represents the rate of growth in gross non-performing loans to customers based on the difference with the stock at end of the previous year.

Coverage of non-performing loans to customers and coverage of bad loans to customers: the coverage ratio on Non-performing loans 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 and the sum, in the denominator, of the relative loss provisions and tangible shareholders' equity.

REGULATORY MEASURES			
MONTEPASCHI GROUP			
CAPITAL RATIOS (%)	30 06 2023	31 12 2022	Chg.
Common Equity Tier 1 (CET1) ratio - phase in	15.9	16.6	-0.7
Common Equity Tier 1 (CET1) ratio - fully loaded	15.9	15.6	0.3
Total Capital ratio - phase in	19.4	20.5	-1.1
Total Capital ratio - fully loaded	19.4	19.5	-0.1
FINANCIAL LEVERAGE INDEX (%)	30 06 2023	31 12 2022	Chg.
Leverage ratio - transitional definition	6.2	5.8	0.4
Leverage ratio - fully phased	6.2	5.4	0.8
LIQUIDITY RATIO (%)	30 06 2023	31 12 2022	Chg.
LCR	180.5	192.3	-11.8
NSFR	133.7	134.1	-0.4
Encumbered asset ratio	30.7	31.9	-1.2
Loan to deposit ratio	90.4	93.0	-2.6
Spot counterbalancing capacity (bn of EUR)	26.2	25.5	0.7

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[4] quality capital and total *risk-weighted assets* (RWA)[5].

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

Financial leverage ratio: indicator calculated as the ratio between Tier 1 capital[6] 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 after the reporting date.

***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.

[4] Defined by art. 4 of Regulation EU/2013/575 (Capital Requirements Regulation, CRR). It consists of the eligible elements and capital instruments, net of the envisaged adjustments and deductions.
[5] Risk-weighted assets: the result of the application of certain risk weights to exposures, determined according to supervisory rules.
[6] 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

The changes in the Group's main income statement and balance sheet aggregates as at 30 June 2023 are summarised below:

- **Net Interest Income,** equal to EUR 1,083 mln, was up compared to the same period of 2022 (+64.4%). This growth was mainly driven by (i) the greater contribution of the commercial sector, which benefited from higher interest income on loans, generated by the increase in interest rates, only partially offset by the higher interests expense on funding; (ii) the higher contribution of the portfolio of securities, following higher returns. On the other hand, the contribution from relations with central banks was down compared to last year, following the ECB's monetary policy decisions, which introduced a rise in reference rates and some changes, starting from 23 November 2022, to the terms and conditions applied to the existing TLTRO III auctions. The cost of market funding also increased, especially as a result of the rise in rates.

- **Net fee and commission income**, totalling EUR 670 mln, declined compared to the same period of the previous year (-8.1%). This decrease is mainly attributable to income from asset management due to customers' renewed interest in fixed-rate investments (mainly government bonds).

- **Other income from banking business**, equal to EUR 100 mln, decreased by EUR 41 mln compared to the corresponding period of the previous year, mainly due to lower profits of almost EUR 50 mln deriving from the sale of securities classified in the banking book.

- **Other operating income/expenses** is equal to EUR -2 mln, compared to a positive contribution of EUR 24 mln recorded in the first half of 2022.

- As a result of the trends described above, **Total revenues** amounted to EUR 1,851 mln, an increase of 19.2% compared to the same period of the previous year.

- **Operating expenses** amounted to EUR 914 mln, down compared to the first half of 2022 (-14.9%) on all components. In particular, within the aggregate, **Personnel expenses**, equal to EUR 574 mln, were down by 19.4%, benefiting from the downward trend in the workforce, mainly due to the exits through Early retirement plan/access to the Solidarity Fund, pursuant to the agreement with the trade unions executed on 4 August 2022. **Other administrative expenses**, amounting to EUR 253 mln, were down by 5.6%, also thanks to the implementation of a rigorous expenditure management process. **Net value adjustments to property, plant and equipment and intangible assets** totalled EUR 87 mln, a decrease of 7.9%.

- The **Cost of customer credit** stood at EUR 205 mln, down compared to the same period of the previous year (-8.9%). The **Provisioning Rate**[7] is 54 bps (55 bps as at 31 December 2022).

- The **Net Operating Income** for the first half of 2023 stood at EUR 734 mln, compared to net operating income of EUR 255 mln in the first half of 2022.

- In addition to the changes in these profit and loss aggregates, there were **non-operating components** amounting to EUR -119 mln in the first half of 2023 (EUR -211 mln in the corresponding period of 2022). Non-operating components include: **Net provisions for risks and charges**, equal to EUR -2 mln (EUR -79 mln as at 30 June 2022), **Other gains (losses) on investments**, equal to EUR -1 mln (EUR +1 mln as at 30 June 2022), **Restructuring/One-off costs**, equal to EUR +4 mln (EUR -3 mln as at 30 June 2022), costs associated with **SRF (Single Resolution Fund), DGS (Deposit Guarantee Systems) and similar schemes**, equal to EUR -59 mln (EUR -89 mln as at 30 June 2022), the **DTA fee** equal to EUR -31 mln (in line with the first half of 2022), the **Net gains (losses) on property, plant and equipment and intangible assets measured at fair value**, equal to EUR -29 mln (EUR -11 mln as at 30 June 2022), **Gains (losses) on disposal of investments**, equal to EUR +0.2 mln (EUR +0.8 mln as at 30 June 2022).

[7] 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.

- As a result of these trends, combined with the positive impact on **taxes** of EUR 4 mln (compared to a positive contribution of EUR 9 mln in the first half of 2022), the Group recorded a **Profit for the period attributable to the Parent Company of EUR 619 mln**, compared to a profit of EUR 53 mln in the same period of 2022.

- As at 30 June 2023, the Group's **Total Funding** volumes amounted to EUR 178.8 bn, highlighting an increase of EUR 1.0 bn compared to 31 March 2023, mainly on Indirect Funding (EUR +0.9 bn). Direct Funding was essentially stable (EUR +0.1 bn). In particular, with regard to Direct Funding, the increase recorded in repurchase agreements (EUR +0.6 bn) was entirely offset by the decrease in current accounts (EUR -0.5 bn), while time deposits, bonds and other forms of funding remain stable. The increase in Indirect Funding was recorded in Assets under custody (EUR +0.6 bn), as a result of positive net flows due to renewed interest from customers in government bonds, and in Assets under Management (EUR +0.3 bn), which benefit from the positive market effect.

  Total Funding compared to 31 December 2022 recorded an increase in volumes of EUR 4.4 bn due to the increase in Direct Funding (EUR +2.1 bn) and in Indirect Funding (EUR +2.3 bn). The Direct Funding performance shows a decrease in current accounts (EUR -2.8 bn), due to the continuation of actions to optimise the cost of funding and the greater appetite of customers for investments in assets under custody. The increase in Repo transactions (EUR +3.8 bn) more than offset the decline in current accounts; growth was also recorded in time deposits (EUR +0.4 bn) and in the bond component (EUR +0.8 bn), the latter following the placement of a senior preferred bond for EUR 750 mln in the first quarter of 2023.

- **Loans to Customers** reached EUR 76.1 bn as at 30 June 2023, down compared to 31 March 2023 (EUR -1.7 bn), especially on mortgages (EUR -0.9 bn) which reflect the substantial due dates at the end of the first half of the year and the decrease in demand for residential mortgages due to the level of rates. Repurchase agreements (EUR -0.6 bn) and current accounts (EUR -0.3 bn) also decreased. Other loans increased (EUR +0.1 bn), on the other hand, while the non-performing loans component was essentially stable.

  Compared to 31 December 2022, the aggregate decreased slightly (EUR -0.2 bn). The decline in mortgages (EUR -1.2 bn) was only partially offset by the increase in other loans (EUR +0.7 bn), repurchase agreements (EUR +0.2 bn) and current accounts (EUR +0.2 bn).

- As at 30 June 2023, the **coverage ratio of non-performing loans** was 51.5%, up compared to 31 March 2023 when it was 50.2%. The increase in coverage refers to all administrative statuses; in particular, the coverage ratio of bad loans went from 66.7% to 66.8%, the coverage ratio of unlikely to pay rose from 39.4% to 41.5% and, lastly, that of non-performing past due loans increased from 20.8% to 21.8%.

  The coverage of non-performing loans is higher than at 31 December 2022, when it was 48.1%. At individual administrative status level, the changes refer to bad loans (coverage of which rose from 65.1% to 66.8%) and unlikely to pay (coverage of which rose from 37.5% to 41.5%). The coverage ratio of non-performing past due loans was down, however (from 22.7% to 21.8%).

With regard to capital ratios, as at 30 June 2023 the ***Common Equity Tier 1 Ratio*** stood at **15.9%** (compared to 14.4% as at 31 March 2023 and 16.6% as at 31 December 2022) and the ***Total Capital Ratio*** at **19.4%** (compared to 18.0% as at 31 March 2023 and 20.5% as at 31 December 2022).

Reference context

The international scenario

Despite the normalisation of global supply chains and the drop in commodity prices, the global economic cycle, despite a certain solidity at the start of the year, is slowing. The gradual nature of the international inflation recomposition has forced central banks, in the first half of 2023, to continue to apply monetary restriction that has moderated production activity and global trade. Contributing to the weakness of the international economy are the uncertainty regarding the outcome and timing of the resolution of the conflict in Ukraine, trade and diplomatic tensions between the US and China, doubts about the intensity of the recovery of the Chinese economy, and residual risks to financial stability.

In the **United States**, growth was better than expected despite the significant monetary tightening. In the first quarter, GDP was revised upwards in the first quarter (+2% annualised QoQ) and in the second quarter was also higher than expected (+2.4% annualised QoQ) thanks to a more moderate than expected slowdown in consumer consumptions and to the growth in investments. In June, inflation fell to its lowest level in more than two years (to 3% YoY), as did the core component which in any case remains high (at 4.8% YoY); services contribute to the persistence of inflation, due to the stickiness of house prices and the slow moderation of the strong wage trend. The agreement, reached in May, on suspending the federal debt ceiling and the containment of US banking sector disruptions mitigated the uncertainty on the international financial markets.

In the **Eurozone**, after zero growth in the first quarter of the year, GDP increased by 0.3% on a cyclical basis in the second quarter (preliminary figure) but in Germany in technical recession[8], economic indicators point to fragility. The manufacturing sector weakened due to lower global demand and more restrictive financing conditions; services fared better, but decelerated. The recomposition of inflation continued gradually (in June, the general index fell to 5.5% yoy); the long-term repercussions of energy shocks, the repressed demand attributable to the reopening of activities, and wage pressures, in fact, contribute to supporting price levels. The labour market was positive, with unemployment in May remaining at an all-time low of 6.5%.

The European governance reform process has not yet been completed: on 26 April the EU Commission presented the legislative proposals to amend budgetary rules in view of deactivation of the general escape clause of the Stability and Growth Pact, planned for the end of the year. As part of the Recovery and Resilience Facility, to date, European funds have been disbursed for around EUR 153 bn, 33% of the total granted, of which EUR 107 bn in subsidies. Spain and Italy were the largest beneficiaries.

Among the **emerging economies**, in China, GDP in the second quarter of the year recorded growth of +0.8% on a cyclical basis compared to +2.2% in the first quarter. Recent economic indicators have shown a loss of momentum that has prompted the PBoC[9] to cut rates further to support the economy. The trade balance was disappointing, with demand for goods from Beijing proving less intense than expected. The limited expansion in other Asian "emerging markets" contributed to slowing the growth in global trade. In Russia, the repercussions of the conflict have weighed on a context of increased political instability.

Italy: economic context

In **Italy**, despite the fact that GDP recorded a surprise upturn in the first quarter of the year (+0.6% QoQ), in the second quarter the growth contracted (-0.3 % QoQ, preliminary figure). Signs of weakening are accumulating, in particular for industry and construction that could be affected by the less favourable borrowing conditions and the remodelling of incentives; the services sector, on the other hand, continued to advance, albeit at a more moderate pace. The low natural gas prices of assisted the drop in inflation, which in any case remains high (in June the general index stood at 6.4% YoY, the core figure at 5.6%. The slow recomposition of prices together with rising rates had a negative impact on consumption and investments, end market weakness limited Italian exports, and the real estate market slowed. On the other hand, the employment level continued to support the total disposable income of households.

In the first half of the year, in addition to extending in the very short term of certain support measures for households and businesses to contain the impact of energy price hikes and new labour market laws, in particular with regard to reducing the tax wedge and company welfare (Italian Law Decree no. 48 of 4 May 2023, the "Labour Law Decree") Executive Board carried out planning activities. On 11 April, the Government approved the 2023 Economic and Financial Document, in the medium term confirming the objectives of reducing public administration debt (net deficit over GDP set at 2.5% by 2026) and moderation of the fiscal stimulus.

[8] A technical recession occurs when the Gross Domestic Product shows a negative economic change for two consecutive quarters.
[9] The People's Bank of China is the central bank of the People's Republic of China.

With reference to the flood in Emilia-Romagna, Law Decree 61/2023, coordinated whit conversion law No. 100 of 31 July 2023, envisaged, inter alia, a strengthening of Guarantee Fund interventions for small and medium-sized enterprises in the municipalities affected by the flood, urgent support measures for exporting firms, suspension of terms (i.e. accounting, corporate, payments/instalments, etc.) for companies.

On 15 June 2023, the Council of Ministers also approved the European Delegation Law, which among other things envisages:

- the transposition of Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers;
- the adaptation of Italian regulations to Regulation (EU) 2022/2036 on the prudential treatment of global systemically important credit institutions and investment firms. The regulation also amends Directive 2014/59 (BRRD - Bank Recovery Resolution Directive), transposed with Legislative Decree 180/2015 on bank crisis management;
- the adaptation of Italian regulations to the provisions of Regulation (EU) 2018/1672 on controls on cash entering or leaving the Union (with a value equal to or greater than EUR 10,000) and to the provisions of Regulation (EU) 2021/776;
- the adaptation of Italian regulations to Regulation (EU) 2022/2554 and the implementation of Directive (EU) 2022/2556, both relating to digital operational resilience for the financial sector.

With regard to the NRRP, the most recent parliamentary disclosures and the Report on Implementation of the Plan have highlighted the need to start on overall remodelling of the Plan. Discussions are currently underway with the EU Commission for a review which should also cover inclusion of the chapter on REPowerEU. The third instalment of the funds, after being put on standby by the EU Commission, was released. After the formal steps, EUR 18.5 bn should therefore be disbursed in the coming weeks. The EU Government has also approved the changes proposed by Rome to the fourth tranche targets.

Financial markets and monetary policy

Having overcome the financial turbulence linked to tensions in the international banking system, the stock markets have resumed their upward trend, favoured in recent months by the stabilisation of long-term interest rates and the recovery of operator sentiment in the profits of listed companies. From the beginning of the year to 30 June 2023: the FTSE MIB gained over 19%; the Euro Stoxx and the S&P 500 both recorded an increase of around 16%, while the Nikkei rose by over 27% to levels not recorded since the early 1990s; the Chinese Shenzhen exchange was weak (around -1%), hampered by fears over the intensity of the domestic economic recovery.

The long-term interest rate trends, though remaining at high levels, reflected the remodelled intensity of monetary tightening and expectations regarding the timing of when the squeeze could end. The US 10-year yield closed as at 30 June 2023 at 3.84% (approximately 4 basis points lower than at the end of 2022); similarly, the German yield was 2.39%, down from 2.57% on 31 December 2022. The Italian ten-year yield recorded a stronger decline, closing as at 30 June 2023 at 4.07% (64 basis points lower than at the end of 2022). Interest rate curves maintained a negative slope in recent months with a negative spread between long-term and short-term rates, signalling a decline in the macroeconomic scenario. The 10Y BTP-Bund spread closed the half year at around 168 basis points, down compared to 214 points at the end of 2022.

Despite the first pause in the tightening in June, after more than a year of increases, at the July meeting the Fed again increased the cost of money by 25 basis points, bringing the current level of the rate on Fed Funds into the 5.25%-5.50% range, to the highest level since January 2001 and reiterated that the next decision will depend only on the evolution of macroeconomic data.

In July, as expected, the ECB continued its series of increases by adding 25 basis points, bringing the interest rate on the main refinancing transactions to 4.25%, the rate on deposits with the central bank to 3.75% and that on marginal refinancing transactions to 4.50%. The Governing Council will continue to follow a data-driven approach in determining the appropriate level and duration of monetary policy tightening. In particular, interest rate decisions will continue to be based on the assessment of inflation outlook considering the latest economic and financial data, on the dynamics of core inflation and on the strength of monetary policy transmission.

The ECB also decided to set at zero the remuneration of compulsory reserves and announced that this decision, by reducing the total amount of interest payable on reserves, is aimed to preserve the effectiveness and improve the efficiency of monetary policy and to ensure the full transmission of rate decisions to the money markets.

Russia-Ukraine Conflict

This conflict has been underway since the end of February 2022 following Russia's armed invasion of Ukraine, leading to a situation of profound uncertainty in macroeconomic terms, interest rates, energy, gas and commodity prices, trade, inflationary expectations and the cost of debt. The extremely serious situation determined by the conflict was immediately closely monitored and assessed by the Group, also in light of the indications provided by the regulators on the matter[10].

For the Group, the impacts directly related to the Russia-Ukraine conflict are marginal, taking into account that there are no operating activities located in Russia or Ukraine and that credit exposures to customers residing in the afore-mentioned countries or indirectly related to Russian or Ukrainian counterparties are of insignificant entity. In detail, as at 30 June 2023, the exposures are represented by loans and unsecured loans with a balance of approximately EUR 7.0 mln and are classified as 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. With reference to liquidity and market risks, exposures denominated in Russian currency are immaterial, and no negative change has been observed in the main liquidity indicators: LCR, NSFR, GAER.

As regards the potential impacts deriving from rising inflation as well as the higher cost of raw materials and higher rates, an analysis was conducted on the Group's main exposures to such risks. This portfolio, subject to specific management overlay as at 30 June 2023, continues to be subject to careful monitoring and as at the date of drafting of this Consolidated Half-Yearly Report, and showed no particular signs of impairment.

Despite the worsening macroeconomic context, there are no signs of deterioration in the risk parameters envisaged by IFRS 9; the default flow in the first half of 2023 is confirmed as very low (annualised at approximately 1.2%), up slightly on the value observed in 2022 due to defaults recorded in floating-rate retail mortgages during the second quarter of 2023.

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.

Summary of main measures to support households and businesses

With regard to the specific support measures for the production system following calamitous events during the first half of 2023, the Group was involved in a series of initiatives to support families and businesses, among which are include:

- The mandatory suspension of payments due form 1 May 2023 to 30 June 2023 of any instalment loans contracted by companies located in the municipalities affected by the flooding, under the article 11 of Law Decree No. 61 of 1 June 2023, subsequently coordinated with Conversion Law No. 100 of 31 July 2023. The Group has blocked the payment of instalments for approximately 2,000 positions, mainly medium/long-term loans, for a total exposure of around EUR 500 mln.
- The signing on 22 June 2023 between the Extraordinary Commissioner for the 2016 Earthquake Repair and Reconstruction and Banca MPS, of a memorandum of understanding to reserve earmark a ceiling amount EUR 200 mln of credit linked to the use of the 110% Supersismabonus in the reconstruction sites in Central Italy; therefore the reconstruction of private buildings in the four regions hit by the earthquake seven years ago - Abruzzo, Lazio, Marche and Umbria - can take advantage until 2025 of the possibility of benefiting, in

[10] See in particular the documents "*ESMA Public Statement: ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets - 14.03.2022*" and "*ESMA: Public Statement - Implication of Russia's invasion of Ukraine on half-yearly financial reports - 13.05.2022*, "CONSOB draws the attention of supervised issuers to the impact of the war in Ukraine with regard to inside information and financial reports – 22 March 2022" and finally "Warning notice no. 3/22 of 19 May 2022".

addition to the earthquake contribution, also from the super bonus assisted by both the transfer of the tax credit and the discount on the invoice. This memorandum of understanding aims to promote urban recovery and reconstruction activities, with renovation, energy requalification and safety measures for buildings to reduce seismic risk and offer a better recomposition of the building fabric of the Central Apennines.

It should be noted that in relation to the COVID-19 pandemic the Group has provided State-guaranteed loans (in application of the "Liquidity" Law Decree no. 23 of 8 April 2020) for a total of EUR 11.5 bn.

The residual debt on the aforementioned loans totalled EUR 8.5 bn as at 30 June 2023, compared to EUR 9.2 bn as at 31 March 2023 (EUR 9.5 bn as at 31 December 2022). The coverage ratio of guarantees is approximately 87% of the total disbursed, essentially unchanged since the end of 2022.

With regard to moratoria, it should be remembered that the Group identified 30 June 2022 as the final deadline for granting additional COVID-19-related support measures to households and businesses. As at 30 June 2023 there are still residual exposures affected by moratoria for a total of EUR 32.0 mln, almost all referring to stage 2 performing loans.

Shareholders

As at 30 June 2023, the Parent Company Banca Monte dei Paschi di Siena S.p.A. share capital amounted to EUR 7,453,450,788.44, broken down into 1,259,689,706 ordinary shares.

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 2023, directly and/or indirectly hold ordinary shares representing a shareholding exceeding 3% of the share capital of the Issuer and which do 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 2023

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

Information on the BMPS share

Share price and performance

After the widespread and in many cases considerable increases in the first quarter, the main global stock markets only partially confirmed a positive trend in the second quarter of 2023. In the absence of particular catalysts, the focus has remained strongly on economic growth and the price index, the drivers for central bank decisions.

In the USA, in the first two months of the second quarter, the S&P500 index suffered from fears related to the debt ceiling and metabolised the rate hike in May, only to find new momentum in June, the month in which the Fed, after more than a year of consecutive increases, left the reference rate unchanged pending an assessment of its effects on the economy. However, the S&P500 index closed the quarter up +8.3%.

In Asia, the two main economies recorded quite different results, linked in part to the different approaches by the central decision-making bodies. In China, in the absence of economic stimuli from the State Council, the not yet 100% satisfactory economic data contributed to a slight decline of -2.2% in the Shanghai SHCOMP index. In Japan, on the other hand, the accommodative policy of the Central Bank drove the Tokyo Nikkei index to +15.0% for the quarter.

In Europe, it was still inflation that guided European Central Bank (ECB) decisions, albeit with some signs of a slowdown in prices, but with values still far from the ECB target of 2%. In this scenario, in May, June and July the European Central Bank, much as expected, raised rates by a further 25 bps on both occasions. Therefore, the main EU economies saw limited increases: in Germany the Frankfurt DAX index recorded +3.3% and in Spain the Madrid IBEX35 closed the quarter at +3.9%; France was even more cautious, with the Paris CAC40 up by just +1.1%. Among the main European indices, the United Kingdom recorded the worst performance, with the FTSE1000 index closing the quarter down -1.3%.

In Italy, the FTSE MIB index recorded growth of +4.1% in the quarter. In particular, the driving force was the banking securities segment, which showed a solid capital position and good profitability in their quarterly results. The IT8300 "All Italian Banks" index, in fact, closed the quarter with a growth of +9.1%.

The BMPS share closed the second quarter of 2023 at a value of EUR 2.30, up +14.8% in the quarter. The average daily trading volume was around 10.3 mln over the quarter.

SHARE PRICE SUMMARY STATISTICS (from 31/03/2023 to 30/06/2023)	
Average	2.17
Minimum	1.91
Maximum	2.44

Rating

The ratings assigned by the rating agencies are provided below:

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook	Last rating action
Moody's	(P)NP	-	B1*	Positive	31/05/23
Fitch	B	-	B+	Stable	24/11/22
DBRS	R-4	Stable	BB (Low)	Stable	17/05/23

** Long-Term Senior Unsecured Debt Rating*

- On **31 May 2023**, the rating agency **Moody's Investors Service** improved the outlook on long-term deposits and senior unsecured debt ratings from stable to positive, after the rating upgrades in February. The change in the outlook is based on the expectation that the improvement in the Bank's credit profile, reflected in particular in greater and sustainable profitability and in the ability to access the bond market, if confirmed in the next 12-18 months, could lead to an upgrade of the Baseline Credit Assessment (BCA) rating.
- On 24 November 2022, **Fitch Ratings** improved the Bank's ratings, bringing the Long-Term Issuer Default Rating ("IDR") to "B+" from "B" and the Viability Rating ("VR") to "b+" from "b". The outlook changes from "evolving" to "stable".
- On **17 May 2023**, the rating agency **DBRS Ratings GmbH** upgraded the Bank's ratings by 1 notch, bringing the standalone Intrinsic Assessment ("IA") rating and the long-term senior debt rating to "BB (low)" from "B (high)", and the long-term deposit rating to "BB" from "BB (low)". The subordinated debt rating improved by 2 notches to "B (low)" from "CCC".

Significant events in the first half of the year

On **19 January 2023**, as part of the complete pension reform process launched in 2019, the Group carried out the merger of nine defined benefit pension forms present in the MPS Group, within a specific section of the Monte dei Paschi di Siena Pension Fund, without prejudice to the maintenance of the commitment for the future to cover any deficiencies in coverage necessary for the disbursement of social security benefits by the MPS Fund. The transaction, effective as at 1 January 2023, essentially involved:

- the transfer to the MPS Fund of monetary resources equal to the mathematical reserves of the funds at the effective date and the simultaneous release of the segregated assets in the financial statements for the funded funds;
- the simultaneous recognition of surpluses, i.e. the surplus of the assets of the funded funds over the mathematical reserves, so far not recognised in the Financial Statements.

On **26 January 2023**, Consob published its 16-31 January Bulletin in which it announced with reference to Banca MPS that, taking into account (i) the capital increase and (ii) the consequent overcoming of the situation pursuant to Article 2446 of the Italian Civil Code, the monthly disclosure requirements set forth in letter a) of the provision of 22 April 2021 had been exceeded as the significant doubts on the company's ability to continue as a going concern that had been declared in the reports prior to the interim report on operations as at 30 September 2022 had been overcome. In detail, with the aforementioned provision, the Authority had asked the Parent Company to publish, pursuant to art. 114, paragraph 5 of the Consolidated Law on Finance, periodic monthly information taking into account (i) the presence in the independent auditors' report on the financial statements as at 31 December 2020 of the reference about the disclosure on the significant uncertainties on the going concern and (ii) the exceeding of the limit set forth in Article 2446 of the Italian Civil Code with reference to the separate financial statements as at 31 December 2020. The obligation remains pursuant to letter b) of the aforementioned provision of 22 April 2021 referring to the information to be provided on a quarterly basis on the status of the implementation of the business and financial plan, highlighting the deviations of the actual figures from the projected ones.

On **16 February 2023**, the rating agency Moody's Investors Service improved the Bank's ratings by 2 notches, bringing the standalone Baseline Credit Assessment ("BCA") rating to "b1" from "b3", the long-term deposit rating to "Ba2" from "B1", and the subordinated debt rating to "B2" from "Caa1". The rating of the long-term senior unsecured debt was upgraded by 3 notches to "B1" from "Caa1". The upgrade reflects the significant progress that, according to the agency, has been made by the Bank in recent years. *Moody's* also noted that the share capital increase of EUR 2.5 bn made it possible to complete the actions necessary to consolidate the Bank's solvency and rebuild its ability to generate profitability.

On **23 February 2023**, Banca Monte dei Paschi di Siena successfully concluded the placement of a Senior Preferred unsecured fixed-rate bond issue with maturity in 3 years (repayable in advance after 2 years), intended for institutional investors, for an amount of EUR 750 mln and a coupon set at a level of 6.75%.

On **23 March 2023**, the chairman of Banca Monte dei Paschi di Siena S.p.A., Patrizia Grieco, resigned.

On **20 April 2023**, the Shareholders' Meeting resolved, inter alia, the appointment for the 2023-2025 three-year period of 15 members of the Board of Directors under the chairmanship of Nicola Maione. On the same date, the Board of Directors resolved, inter alia, to confirm Mr. Luigi Lovaglio, as Chief Executive Officer of the Bank.

On **24 April 2023** and **29 May 2023**, the merger by incorporation into the Parent Company of the two wholly-owned subsidiaries, MPS Leasing & Factoring S.p.A. and MPS Capital Services Banca per le Imprese S.p.A., was completed. Both transactions became effective for accounting and tax purposes from 1 January 2023 and took place according in the simplified format envisaged for wholly-owned companies. The transactions had no impact on the financial position of the MPS Group as they were recognised in the Financial Statements of the Parent Company, adopting the principle of accounting continuity in reference to the figures resulting from the Group's Consolidated Financial Statements at the date of transfer of the assets.

On **9 May 2023**, the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. unanimously appointed the Independent Director Marco Giorgino as Lead Independent Director of the Bank.

On **30 June 2023**, an agreement was reached between the five leading Italian insurance companies (Allianz Italia, Intesa Sanpaolo Vita, Generali Italia, Poste Vita and Unipol SAI), twenty-five banks distributing Eurovita policies, and some of the main Italian banks (Intesa San Paolo, BPER Banca, Banco BPM, BMPS, Credit Agricole and Mediobanca), on a system transaction aimed at protecting the policyholders of Eurovita, an insurance company under extraordinary administration since 30 March 2023. The entire transaction, which will be divided into several consecutive phases, is subject to obtaining all regulatory authorisations from the competent supervisory authorities. The insurance portfolio of Eurovita will be taken over by the five insurance groups, which will therefore become the new reference companies for existing customers subject to initial transfer of the policies to an insurance NewCo which will be owned by the five insurance companies mentioned above. In this context, IVASS extended until 31 October 2023 the suspension of early surrenders of Eurovita insurance and capitalisation contracts.

The MPS Group was involved in the above "system" solution. In detail, Banca MPS was involved in negotiation of the loan for the pooled share to be made available to the NewCo by a number of leading Italian banks, and Banca Widiba acted as placement bank - with other credit institutions - for placing class III policies with its own customers. In particular, on 30 June, the Parent Company, together with the parties involved in the transaction, each according to their role, signed the term sheet for the loan and the private agreement concerning the rebalancing of costs - in view of the co-involvement of the banks in distributing class III policies, which includes Banca Widiba - among costs that the banks distributing class I policies will incur as part of the key elements of the overall agreement.

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

On **28 July 2023**, the European banking Authority (EBA) announced the results of the 2023 EU-wide stress test in which Banca MPS was subject.

The 2023 EU-wide stress test was conducted by the EBA, in cooperation with the European Central Bank (ECB) and the European Systemic Risk Board (ESRB). The adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2023-2025). The stress test has been carried out applying a static balance sheet assumption as of December 2022 and a number of constraints to the profit and loss accounts.

The Common Equity Tier 1 ratio (CET1%) fully loaded in 2025 as per the stress test exercise is equal to (the delta vs the level of 15.64% reported as at 31 December 2022 is presented in parentheses):

- <u>Base scenario</u>

  18.61% (+297bps) rising to 19.83% (+419bps) considering the benefits of the listed below HR cost savings;

- <u>Adverse scenario</u>

  10.13% (-551bps) rising to 11.98% (-366bps) considering the benefits of the listed below HR cost savings.

The results, as reported in the EBA note, under the stress test methodology do not consider the benefits – in terms of higher profits and additional capital – generated by the HR cost savings of Eur 857 mln in 2023-2025 period, related to >4,000 staff exits concluded on 1st December 2022.

The 2023 EU-wide stress test does not contain a pass fail threshold and instead is designed to be used as an important source of information for the purposes of the SREP. The results of the stress test will assist the competent Authorities in assessing the Group's ability to meet the applicable prudential requirements under stressed scenarios.

On **3 August 2023** the Bank signed an agreement for the disposal of NPEs for a gross book value of approximately EUR 0.2 bn to a group of Italian and foreign institutional investors. The deconsolidation of the loans is expected by year-end.

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 financial statements**: significant strengthening of the Bank's capital position following the completion of the capital increase of EUR 2.5 bn carried out in November 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 legacy** of extraordinary legal risks through an approach based on factual elements and the experience gained on the matter.

These strategies will be supported by three distinctive factors of the Group: the reputation of the brand and of the historical business of BMPS, employee capabilities and motivation, and the Bank's historic ESG culture. For more information on the implementation of the strategic directives relating to the 2022-2026 Group Business Plan, please refer to the Annual Financial Report as at 31 December 2022.

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. On 2 August 2022, the MEF (Italian Ministry of Economy and Finance) announced that DG Comp had approved a revision of the "Commitments" that had been taken by the Italian Republic in order to allow for the Bank's precautionary recapitalisation in 2017 pursuant to EU and Italian regulations and that the revised commitments are consistent with the objectives of the 2022-2026 Business Plan. On 3 October 2022, the European Commission published the new commitments that the Bank is required to respect and which are already reflected in the Plan actions.

Status of implementation of the Plan at the date of preparation of this Report

On 4 November 2022, the Parent Company's share capital increase concerning 1,249,665,648 newly issued shares was completed for the total equivalent value of EUR 2,499.3 mln. At the end of last year Banca MPS received the final decision from the European Central Bank (ECB) regarding the capital requirements that must be observed effective 1 January 2023. These requirements are in line with the requirements for 2022 and are already largely met. Lastly, it should be noted that, considering the success of the capital increase and the consequent capital strengthening, the ECB has also removed the prohibition on the distribution of dividends replacing it with an obligation for the bank to obtain a prior authorisation from the Supervisory Authority.

With regard to the actions of the Plan, the three new Commercial Departments were set up already in 2022: Retail, Corporate and Private, Large Corporate & Investment Banking as part of the reorganisation of the Parent Company. In addition, two dedicated units were set up, one for Premium customers and the development of wealth management and another for consumer finance, to support the development of commercial revenues. Lastly, a Cost Governance structure was set up to ensure effective expenditure management.

The agreement between the Parent Company and the Trade Unions for the management of 3,500 voluntary exits as at 1 December 2022, was reached on 4 August 2022 and was subsequently supplemented in order to take into account the additional requests received by the end of September. Taking into account the positive outcome of the share capital increase, the Group recognised a one-off cost of approximately EUR 0.9 bn in the third quarter of 2022. The number of employees at the end of December 2022 had already reduced by approx. 4,000 resources compared to September 2022; in the first quarter of 2023, following the completion of the redundancy process, the number of employees decreased further to 16,905 resources. The reduction also continued in the second quarter, with the number of employees standing at 16,843 as at 30 June 2023.

In November 2022, the new model of central and regional coordination structures was also introduced with a view to streamlining the levels of organisation. 14 Regional Retail Departments have been created, which report to the Chief Commercial Officer Retail, divided into 132 Districts with approximately 10 branches each. 14 Regional Corporate and Private Departments were created, which report to the Chief Commercial Officer Corporate and Private, with 127 Specialised Centres, of which 73 Business Centres and 54 Private/Family Office Centres. Also starting from November 2022, the organisational model in the distribution network was optimised extending the "Commercial Module" model to branches with a workforce of up to 9 employees. The reorganisation was supported by a HR training and retraining programme, a branch manager rotation programme, a gradual extension of the commercial chain (approx. 600 affluent specialists) and the reallocation of resources from central functions and main subsidiaries to the Network (approx. 280 reallocated resources).

With a view to simplifying the Group's structure, on 5 December 2022 the subsidiary Consorzio Operativo Gruppo MPS was merged by incorporation into the Parent Company with accounting and tax effects starting from 1 January 2022. As a result of the merger, a new "Information Technology" structure was created, reporting to the Chief Operating Officer, to ensure greater efficiency in the design and implementation of IT systems. On 20 April 2023 and 5 May 2023, the deeds of merger of MPS Leasing & Factoring S.p.A. and MPS Capital Services Banca per le Imprese S.p.A. into Banca MPS were signed, with statutory effects from 24 April 2023 and 29 May 2023, respectively, and accounting and tax effects from 1 January 2023. The corporate reorganisations were carried out in keeping with the specific features of the core activities dedicated to the development and structuring of high value-added products and with a view to fostering new synergies and market opportunities.

Among the strategic initiatives included in the Plan aimed to support the commercial activity, in May 2022 the Bank launched the personal loans business, which is expected to support the growth of the net interest income and risk-adjusted profitability, due to the moderately attractive margins of this type of product.

During the first half of 2023, the "Mugello" project for the transfer without recourse of non-performing loans was launched as part of the NPE Plan 2023. The portfolio disposed consists of non-performing loans originated by the Parent Company and the subsidiary Banca Widiba for a total gross exposure of EUR 0.2 bn, of which EUR 0.1 bn relating to secured bad loans and EUR 0.1 bn relating to unsecured bad loans. The negotiation phase ended on 3 August 2023 with signing of the related transfer agreements and effectiveness deferred to a date in the fourth quarter of the year. As at 30 June 2023, loans in this portfolio were classified under asset item 120 of the Balance Sheet - "Non-current assets held for sale and disposal groups" and measured at the expected price of disposal.
The aforementioned disposal, together with that carried out last year for a gross book value of approximately EUR 0.9 bn, contribute to achievement of the target NPE ratio stated in the Business Plan.
In parallel, lending processes were further enhanced by implementing mechanisms for monitoring early warning signals, which make it possible to promptly identify loans that could increase the risk profile and manage them in such a way as to reduce the risk of their decline into non-performing loans.
Lastly, the Bank improved its funding profile, reactivating access to the senior preferred bond market in February 2023 with an issue of EUR 750 mln that recorded orders for EUR 1.6 bn.
The strengthening of Banca MPS's performance and its capital level, together with the improvement in asset quality and new access to the debt market, led the rating agencies upgrading their ratings: on 24 November 2022, *Fitch* upgraded the Parent Company's capital strength rating by one notch, from "B" to "B+". The outlook improved from "evolving" to "stable". On 17 May 2023, DBRS upgraded the Bank's ratings by one notch, taking the standalone Intrinsic Assessment and the long-term senior debt rating to "BB low" from "B high". The outlook remains stable. The subordinated debt rating improved by two notches to "B (low)" from "CCC".
On 31 May 2023, Moody's Investors Service improved the outlook on long-term deposits and senior unsecured debt ratings from stable to positive, after the rating upgrade by two notches in February in the long-term deposit rating and by three notches in the long-term senior unsecured rating. The change in the outlook is based on the expectation that the improvement in the Bank's credit profile, reflected in particular in greater and sustainable profitability and in the ability to access the bond market, if confirmed in the next 12-18 months, could lead to an upgrade of the Baseline Credit Assessment (BCA) rating.
Implementation of the IT investment plan continues according to plan, with the release of new developments consistent with the priorities of the Strategic Plan, such as digitalisation of the commercial platform, streamlining of processes also in light of the organisational simplification, strengthening of cybersecurity and evolution of the Banca Widiba platform.

In terms of economic and financial targets, the net result for 2022, as well as the profitability indicators (Cost income, ROE, ROTE, ROA), were all better than the Plan expectations. Again in the first half of 2023, the Plan saw improved results, continuing to benefit from the rise in interest rates despite a worse than expected market context as regards assets management. Operating expenses in the first half of the year were also better than forecasts as a result of the greater participation in the personnel redundancy process and the careful control of costs, despite the impacts of persistent inflation.

The Group is continuing its process of fully integrating ESG criteria into strategies and processes, as well as pursuing the ESG actions and objectives set out in the Business Plan. The Sustainability Plan definition and the launch of a specific "ESG Program" project, focused on the implementation of the initiatives identified for the four ESG *framework* areas ("Strategy & Governance", "Business Model", "Risk and Regulation", "Reporting and Communication") are a further step in the practical integration process of the Group's commitment to

Sustainable transition. The Program is divided into eight distinct project strands whose activities are monitored by a Project Manager Officer (PMO). The Program is aimed at implementing initiatives also with a view to pursuing the international commitments subscribed by the Group. The additional progress made by the Program during the first half of 2023 is highlighted below, in addition to what is reported in more detail in the Annual Financial Report as at 31 December 2022 and in the 2022 Non-Financial Statement:

- ESG criteria/objectives integrated into the 2023 remuneration policies in order to determine variable remuneration;
- credit strategies further integrated with new ESG logics in order to take into account the customer's sustainability and a new credit standard, the ESG questionnaire, integrated into investment and financing policies, as well as the definition of the strategic direction to be developed with the customer;
- continuous support for customer transition through the partnership with SACE New Green Deal, through specific initiatives and products, integrating ESG criteria into investment and financing policies, exploiting the potential offered by the NRRP;
- continuous implementation of initiatives aimed at compliance with subscribed international commitments and realisation of analyses for financed emissions analyses, as well as the baseline for the identification of the most involved sectors and the subsequent definition of NZBA targets, announced to the market on 4 August 2023;
- the “Mutuo Mio Immobili Green” (“My Green Mortgage”) product was released (intended for properties in energy performance certification -APE- classes A and B), the Advisor was appointed for issue of the Green and Social Bond (GSS) and definition of the ESG framework began;
- increase in positions of responsibility held by women to 36.9%.

Credit strategies

On 20 February 2023, the Board of Directors approved the new credit strategies, developed with regard to a geopolitical and macroeconomic context where the default risk is expected to increase due to the pressure on interest rates deriving by the restrictive monetary policies implemented to deal with inflation.

As a result, having to coexist with the objective of maintaining a high level of asset quality, the planned growth in loans aims to favour commercial transactions or investments with a view to “debt sustainability”.

For **businesses**, in continuity with what was launched in 2022, lending policies combine sector outlooks with green lending incentive mechanisms and, through the use of ESG questionnaires, reviewed in collaboration with the risk management function, aim to mitigate risk transition by providing, for companies with a higher risk profile, greater sensitivity in the assessment, for decision-making purposes, of the prospective debt sustainability.

With respect to **private customers**, strategies were integrated within acceptance algorithms which guarantee standardisation and make it possible to achieve higher process efficiency at the same level of effectiveness. These models will be strengthened by expanding them through the use of internal and external data so as to increase digitalisation, productivity and operational efficiency rates. With regard to consumer credit, lending strategies envisage greater use of ex-ante risk customers stratification to activate dynamic procedures and an increase in the automatic decision-making rate. In the first half of 2023, the Group launched the Green offer of the “Mutuo Mio Acquisto Abitazione” (“My Home Purchase Mortgage”) product for the *Green Mortgage* market, and through which discounted spreads are applied for the purchase of properties in high energy classes (A and B) with respect to the standard product in the catalogue.

For the purposes of monitoring **credit strategies**, the monthly dashboard/report was renewed, based on the extraordinary mergers of the two product companies MPSLF and MPSCS, and focusing more on the performance of credit stocks and risk indicators. The trend in the first half of the year showed a slowing of gross credit production, particularly for private customers, and a default rate in line with expectations.

In order to mitigate emerging risks, in continuity with the first quarter of 2023, the internal EWS score is used to submit, as a priority, to credit analysts the relationships referring to customers showing early signs of deterioration (“Operational Credit Plans”).

As regards origination, the objective is to maintain current market shares during the business plan time-frame through a continuous pricing reviews policy and through the partnerships with third-party operators to expand volumes. The use of external indicators will also make it possible to establish limits within which to operate for each debtor, in order to guarantee the sustainability of repayments.

Commercial strategy

Sales strategies in the first half of 2023, in continuity with the process already started in the previous year directed the business towards core areas to relaunch the Group's economic performance, confirming customer support, and towards a more sustainable development model, through projects in the following areas. The detailed description of the strategies is contained in the Annual Financial Report as at 31 December 2022, to which reference should be made; the new aspects of the first quarter of 2023 are reported below.

Private

- development of new solutions in the bancassurance segment through the release of a new Multi-segment savings policy called *Investiplan*, placed with both Retail and Private customers. Launch of two new Protected Unit policies called *Progetto Protetto New - Global and Technology* and *Progetto Protetto New Global Dividends* to be placed with Retail and Private customers; Launch of a new Unit policy called *Sviluppo Graduale* with gradual access to stock markets to better seize market opportunities;
- focus on the acquisition of new customers and the recovery of deposits by means of the offer of new deposit accounts (CID) lines and of dedicated commercial initiatives that on the various current account lines provide temporary fee waivers for active customers that do not hold current accounts or prospect customers and dedicated initiatives on asset management products. For the Premium Market, the Winback and Multibank Customers initiatives were activated for funding recovery with dedicated levers;
- in a market scenario that recorded a significant increase in interest rates, the offer of consumer mortgages was adjusted, with the introduction of new offer reserved only for new disbursement, to guarantee favourable conditions for mortgages with a loan to value less than or equal to 60% and for mortgage destined for purchase of properties in the highest energy efficiency class through the launch of the green product.;
- development of relations through the synergy between the Premium market and the Small Business market, with the aim of acquiring new customers (shareholders, legal representatives and/or owners of companies that are already customers) by providing qualified support in response to the personal and business needs of customers. With the same objective, a structured approach was developed to assist preventive management of generational handovers through promotional initiatives and levers to acquire and retain potential beneficiaries;
- support for the direct funding volumes of Private customers, also through the establishment of specific limits to support both liquidity retention and the acquisition of new assets; In this context, from June, a 24-month Flex Fidelity CID was made available at an introductory rate;
- with the aim of improving the quality of the advisory approach to Premium customers, initiatives were released for the rebalancing of portfolios that were out of alignment with certain efficiency parameters (adequacy and adherence in terms of composition and market risk). The activity was also supported by making centralised advisory proposals available directly on the Athena platform;
- focus, especially for Value customers, on insurance solutions related to home protection, with the preparation of sales campaigns and dedicated advertising media;
- resumption of training activities targeting Premium and Value employees on specific topics related to finance and protection, with webinars and dedicated one-day sessions structured with the collaboration of the main partners; for Value employees, organisation and performance of Axa Mps campuses dedicated to generic protection training and the mandatory online training course on IVASS MiFID issues;
- strengthen the development of business customers relationships, through the synergy between the Private and the Business market, with the aim of providing qualified support in response to customers' personal and business needs;
- support the direct funding volumes of Private and Family Office customers, also through the establishment of specific limits to support both liquidity retention and the acquisition of new assets;
- systematically monitor the quality of Private and Family Office customers' financial portfolios, through specific initiatives aimed at expanding the advisory service, with a view to continuously improving the ability to meet customer needs, also through specific solutions particularly useful to customers in the reference market context;
- provide customers with functional support for the management of generation-to-generation handover and business continuity, thanks in particular to fiduciary services, which allow effective management of the portfolio's transfers.

Companies

- continuing support to the trade policy to relaunch our country's businesses, working alongside them as they resume activities, supporting development projects and local activities and economies through specific initiatives and products, integrating environmental, social and governance (ESG) criteria within investment and lending policies and exploiting the potential of the NRRP. The opportunities linked to the latter also represent an important lever for expanding the customer base through important development activities, identifying high-potential companies, to guarantee increases in loans and revenues; in particular in this area, having adhered to the ABI CDP Ministry of Tourism Agreement, the Parent Company has effectively promoted the Business Revolving Fund to support businesses and development investments in tourism, whose branch was opened in March 2023, allocating a limit of EUR 100 mln with the aim of encouraging energy redevelopment, environmental sustainability and digital innovation in the tourism sector;
- supporting companies' green projects with the Agreement, renewed in May 2023, between SACE and the Parent Company with a view to incentivising projects aimed at reducing environmental impacts by launching a sustainable transformation. A total of EUR 625 mln was allocated (corresponding to SACE Guarantees of up to EUR 500 mln) to be used in 2023 and the first quarter of 2024. SACE will intervene with the issue of green guarantees, at market conditions, counter-guaranteed by the State, for a share equal to 80% of the special-purpose loans disbursed by Banca MPS, to support companies and finance projects in Italy aimed at facilitating the transition towards a lower environmental impact economy, integrating production cycles with low-emission technologies for the production of sustainable goods and services and promoting new mobility with lower polluting emissions, in line with the guidelines of the NRRP;
- responding to the needs of medium, small and very small companies, but also of family businesses operating in the agrifood sector, through the activities of the 15 Agrifood centres launched as part of the MPS Agrifood project. In particular, the Bank intends to target the PDO Economy segment as a reference point for Made in Italy agri-food excellence.
- furthermore, following adoption of the CDP/MASAF[11] Agreement for the Fourth and Fifth Call supply chain projects, the Bank has confirmed 15 supply chain contracts as an Authorised Bank. The Bank also continues with the CDP FRI confinement activities with the granting of over EUR 130 mln under the aforementioned agreements as lending bank;
- on 9 May 2023, MASAF and Banca MPS signed a memorandum of understanding in support of the Italian Agri-food Sector which envisages a dedicated pool of EUR 1 bn expiring 31 December 2026 to facilitate access to credit for the growth and development of the entire agri-food sector and to support NRRP-related Supply Chain Projects.

Process digitalisation and platform development

- promoting participation in the Remote Digital Signature service to encourage the online signing of documents and contracts (*Remote Collaboration*) through the activation of information campaigns to customers who do not use the service (Digital Banking pop-up) and DEM submission;
- strengthening the anti-fraud control, through targeted messaging and the expansion of controls on on-line transactions carried out with prepaid cards;
- adapting digital processes to regulatory obligations in order to maintain on-line functionalities active: i) introduction of the mandatory delivery of the KID (Key Information Document) on operations in Funds and SICAVs from January 2023; ii) redirection to the Preventivass website when renewing Motor TPL policies to allow on-line comparison of Motor TPL rates (IVASS Regulation 51/2022 in force since 28 February 2023);
- guaranteeing compliance with legal provisions on anti-money laundering and counter-terrorism by extending KYC compliance controls to the agents/joint account holders of primary Digital Banking account holders, which involve restrictions to online operations also for an agent/other joint account holder until the position is in order.
- making privacy information more comprehensive and accessible, for the collection for security purposes of information on the device used and more explicit consents required by the Banca MPS Digital Banking App for the use of the device's own tools;
- improving the efficiency of branch activities on the Digital Branch platform, by: (i) optimising the user experience for Collection and Payment functions, also made accessible to visually impaired and blind people;

[11] Minister of Agriculture, Food Sovereignty and Forests

(ii) simplifying sales processes, available only in "quick sale" mode, for Digital Banking products from February 2023 and MPS MIO accounts from May 2023;

- reducing the risk of customer erosion by reinstating three Cash-Out ATMs at branches closed in previous years, in uncovered areas, so as to offer customers, opportunely advised with specific campaigns on remote channels, a point of reference and support for routine transactions (withdrawals, payments, checking account balances);
- digitalising processes (Digital Only) to reduce operational risks and eliminate paper, speeding up front-end activities: in all branches, the use of electronic signatures has been made mandatory for the signing of certain documents (deeds and contracts for around 20 types of transactions, including the MiFID questionnaire).

Consumer finance

Pursuing the enhancement of the new Consumer Finance business model in Banca MPS with the objective of enhancing personal loans production and maximising business margins and customer experience, thanks to the improvement of decision-making and disbursement timing, but also makes it possible to shorten the "transmission belt", supporting commercial policies with a view to cross selling and acquisition. In the first quarter of 2023, in consideration of the commercial focus on the consumer credit sector, strongly referred to also in the Business Plan, in order to continue the strategic objective of strengthening margins and improving the quality of the service offered, a specific periodic training program was organised, aimed at improving the specialisation of branches in this business segment. In the second quarter, with the aim of continuing to develop the range of MPS Personal Loans, increasing the value proposition and strengthening the process of insourcing the Consumer Finance factory, the "MPS Prestito UNIAMO" product was released, a loan that makes it possible to combine the instalments of other personal loans in progress in a single monthly instalment.

Funding strategy

As part of the Group's Liquidity and Funding Strategy, the profile of the maturities for the 2023-2025 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 broken down as follows: EUR 4 bn maturing in 2022; EUR 20 bn maturing in 2023 and EUR 5.5 bn in 2024. In this regard, in light of the changed context of the rates applied by the European Central Bank following the monetary policy decisions adopted in the second half of 2022, the Group anticipated the reduction in the total amount of the long-term refinancing operations with the ECB by repaying in December 2022, in addition to the EUR 4 bn at the natural maturity, an additional EUR 6 bn, bringing the total of TLTRO auctions in place to EUR 19.5 bn, as at 31 December 2022. Following the maturity on 28 June 2023 of EUR 11 bn, the total TLTRO outstanding as at 30 June 2023 amounted to EUR 8.5 bn. On the same date, the Parent Company participated in the weekly MRO auction for EUR 6.75 bn, therefore the total exposure to the ECB as at 30 June 2023 was EUR 15.25 bn.

On 23 February 2023, the Parent Company closed the placement of a senior preferred bond of EUR 750 mln maturing in March 2026 and callable in March 2025 (for which it collected a demand of approximately EUR 1.6 bn) and a coupon of 6.75%.

Also, in the three-year period 2023-2025 the other maturities are represented by institutional bonds, for a total of EUR 4.8 bn to be repaid, of which:

- EUR 3.1 bn in 2024 (EUR 2.3 bn in covered bonds and EUR 0.75 bn in senior unsecured bonds);
- EUR 1.75 bn in 2025 (EUR 1 bn in covered bonds and EUR 0.75 bn in senior unsecured bonds);

In 2025, the call will be exercised on two Tier 2 subordinated securities issued in January and September 2020, for a nominal amount of EUR 400 mln and EUR 300 mln, respectively.

Lastly, also in the 2023-2025 three-year period, bilateral funding transactions are maturing for a total of EUR 0.5 bn (of which EUR 0.2 bn with eligible collateral). As at 30 June 2023, the residual amount falling due was EUR 0.25 bn (of which EUR 0.14 with eligible collateral).

Against the planned maturities, the Group's funding strategies aim to maintain liquidity indicators at adequate levels, broadly above regulatory limits, as well as guarantee - as concerns public bond issue plans in particular - the satisfaction of MREL requirements. These strategies are defined in accordance with the Risk Appetite Statement (RAS), their operational definition is represented by the annual Funding Plans and they are consistent with the MREL requirements.

Commitments connected to the 2022-2026 Business Plan

The Commitments reviewed by the European Commission, made public on 3 October 2022, are reported below:

1. acquisition prohibition: the Bank may not acquire either companies or business units, without prejudice to certain possible exceptions for selected cases. With regard to the possible exceptions, please note that the Bank may carry out acquisitions: (i) in exceptional circumstances, with the approval of the Commission, if necessary to re-establish financial stability or ensure competition, as well as (ii) if the purchase price of the individual transaction and on a cumulative basis during the period is below certain defined thresholds;
2. prohibition against distribution of dividends: the Bank cannot distribute dividends, unless both the CET 1 ratio and the Total Capital Ratio are above the SREP guidance provided by the ECB by at least [50-100] basis points, provided no prohibitions established by the ECB or the SRB are in place against the distribution of dividends;
3. advertising prohibition: the Bank cannot make use of the State aid measures or the State's equity investment in its share capital to promote the bank's products or its market positioning;
4. sustainable trade policy and prohibition against aggressive pricing policies: BMPS should not implement aggressive commercial strategies that would not have been implemented in the absence of State support;
5. remuneration of Bank employees and managers: the Parent Company will need to apply strict Executive managers remuneration policies, and the remuneration of any employee cannot exceed 10 times the average remuneration of the Bank's employees. Without prejudice to what is set forth above, the Bank may be exempted from this requirement for a limited number of managers of key functions provided the commitment pursuant to no. 12 below concerning the State equity investment is met and the additional remuneration is variable and aligned with the EBA Guidelines, on the basis of Directive 2013/36/EU;
6. number of branches: the number of Bank branches may not exceed [1350-1370] by the end of 2022, [1300-1350] by the end of 2023 and 1,258 by the end of 2024;
7. number of employees: the number of Bank employees may not exceed [20,000-21,100] by the end of 2022, [18,000-20,000] by the end of 2023 and 17,634 by the end of 2024;
8. *Cost/income ratio*: the Bank's *cost /income ratio* may not exceed the higher between the *average cost/income ratio* reported over time by the EBA for significant Italian credit institutions included in the *Risk Dashboard* sample and the following objectives: [70-80]% in 2022 (with a tolerance margin of [200-250] basis points), [60-70]% in 2023 (with a tolerance margin of [150-200] basis points) and 60% in 2024 (with a tolerance margin of [100-150] basis points);
9. Operating costs: operating costs (personnel expenses, other administrative expenses, depreciation and amortisation) may not exceed, with a tolerance margin of [0-5] percentage points, EUR [2,000-2,500] mln in 2022, EUR [1,500-2,000] mln in 2023 and EUR 1,872 mln in 2024;
10. Total asset target: the Bank's total assets should not exceed EUR [140-150] bn;
11. *Loan to deposit ratio: the ratio between the bank's net loans and deposits should not exceed 87% by the end of 2024, with a tolerance margin of [200-250] basis points;*
12. State divestment: the Italian Republic should transfer its equity investment in the Bank by a defined date and must make all reasonable efforts to transfer its equity investment before that deadline. Furthermore, the State will need to sell the shares acquired in the context of the 2017 precautionary recapitalisation. If the State's equity investment is transferred by means of a merger, only commitments no. 6, 15 and 22 will remain in force until a predefined date. In all other cases of disposal of the State equity investment, the following commitments will remain in force until a predefined date: nos. 2, 3, 4, 6, 7, 8, 13, 14, 15, 16, 17, 18, 20, 21 and 22;
13. Deposit price: BMPS will need to continue to price deposits for which agreements have been entered into or renewed after the date of adoption of the Commission's decision so as to maintain the rate in line with that of the Italian banking industry average, as reported by the Bank of Italy, with a tolerance margin of [0-10] basis points. Furthermore, the Bank will need to continue to price its credit products provided after the date of the decision at a level no lower than the market average for products with similar characteristics;
14. MP Banque: the Bank will need to continue with the process of discontinuing its operations on the basis of a defined timetable, within which its total assets should be [75-85]% lower than the volume of its total assets as at 31 December 2017, when they amounted to EUR 1,231 mln. In addition, MP Banque may not carry out activities not required for the process of discontinuing its current operations or new activities;
15. Leasing portfolio: the Group will need to continue to reduce the leasing portfolio, which must result in a reduction in assets of EUR [0-5] bn compared to 31 December 2021 equal to EUR 3.341 bn;

16. Non-performing loans: the Group should not exceed the higher between a gross NPL ratio of 4%, with a tolerance margin of [25-75] basis points, and the average NPL ratio reported over time by the EBA for significant Italian credit institutions included in the Risk Dashboard sample;
17. Real estate disposals: the Group will need to dispose of real estate for an amount of EUR 100 mln within a predefined period;
18. Disposal of non-strategic equity investments: the Parent Company will need to dispose of its equity investments in Visa, Bancomat, Veneto Sviluppo, MPS Tenimenti Poggio Bonelli e Chigi Saracini S.p.A. and Immobiliare Novoli S.p.A. by 31 December 2024 or, alternatively, must dispose of its equity investment in the Bank of Italy.
19. Closure of foreign branches: the Parent Company will need to close the Shanghai branch by the end of 2024;
20. Separate management of the equity investment of the Italian Republic in banks under public ownership: the Italian Republic undertakes to guarantee that every bank owned by the State will remain a separate economic unit with independent decision-making powers pursuant to EC Regulation 139/2004 on the control of concentrations between undertakings and Commission Consolidated Jurisdictional Notice under Council Regulation (EC) No. 139/2004 on the control of concentrations between undertakings. In particular, the Italian Republic undertakes to ensure that: (i) all information that is confidential, sensitive from the commercial or personal perspective provided to government bodies shall be processed accordingly and will not be transmitted to other banks and investee companies of the Italian Republic; (ii) Italy will manage and maintain its equity investment in the Bank separately from the management of its equity investments in any other investee bank; (iii) the exercise of any right whatsoever held by Italy and the management of Italy's equity investments in any bank shall take place on a commercial basis and shall not significantly impede, limit, distort or reduce or hinder effective competition. Any disposal of Italy's equity investment must be carried out within a transparent, public and competitive process;
21. Confirmation of several 2017 commitments: the Bank should not violate any commitment adopted and will continue to respect internal policies and behaviours that it has adopted in order to meet commitments 12 (a)-(j), 13 and 22 of Commission decision C(2017)4690;
22. Monitoring trustee: full respect of the commitments will be monitored by a Monitoring Trustee independent of the Italian Republic that has no conflicts of interest.

Commitment monitoring began in early 2023 and no critical issues have emerged.

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

Consolidated balance sheet

	Assets	30 06 2023	31 12 2022*
10.	Cash and cash equivalents	11,769.1	12,538.6
20.	Financial assets measured at fair value through profit or loss	7,848.0	6,756.7
	a) financial assets held for trading	7,381.1	6,299.4
	c) other financial assets mandatorily measured at fair value	466.9	457.3
30.	Financial assets measured at fair value through other comprehensive income	3,675.1	4,352.3
40.	Financial assets measured at amortised cost	88,900.1	88,464.6
	a) Loans to banks	3,452.2	3,255.6
	b) Loans to customers	85,447.9	85,209.0
50.	Hedging derivatives	971.6	1,077.1
60.	Change in value of macro-hedged financial assets (+/-)	(808.3)	(908.7)
70.	Equity investments	677.3	750.7
90.	Property, plant and equipment	2,293.5	2,375.9
100.	Intangible assets	137.1	162.6
	- of which goodwill	*7.9*	*7.9*
110.	*Tax assets*	2,065.6	2,216.4
	a) current	556.5	718.3
	b) deferred	1,509.1	1,498.1
120.	Non-current assets held for sale and disposal groups	121.8	65.5
130	Other assets	3,150.2	2,383.6
	Total Assets	**120,801.1**	**120,235.3**

** The balance sheet values as at 31 December 2022 were restated, with respect to those published at the reporting date, following the retrospective application of IFRS 17 and IFRS 9 by the insurance associates.*

continues: Consolidated balance sheet

Total Liabilities and Shareholders' Equity		30 06 2023	31 12 2022*
10.	Financial liabilities measured at amortised cost	101,222.1	103,283.4
	a) due to banks	17,181.1	21,382.8
	b) due to customers	74,590.4	73,349.6
	c) debts securities issued	9,450.6	8,551.0
20.	Financial liabilities held for trading	4,102.3	3,988.5
30.	Financial liabilities designated at fair value	101.3	97.0
40.	Hedging derivatives	312.1	301.6
50.	Change in value of macro-hedged financial liabilities (+/-)	(48.3)	(77.4)
60.	Tax liabilities	7.0	6.6
	a) current	1.1	-
	b) deferred	5.9	6.6
80.	Other liabilities	5,081.0	3,188.9
90.	Provision for employees severance pay	67.7	70.2
100.	Provision for risks and charges:	1,455.6	1,515.5
	a) financial guarantees and other commitments	148.6	142.5
	b) post-employment benefits	3.7	26.6
	c) other provisions	1,303.3	1,346.4
120.	Valuation reserves	(18.4)	(30.6)
150.	Reserves	445.4	615.5
170.	Share capital	7,453.5	7,453.5
190.	Non-controlling interests (+/-)	0.8	0.9
200.	Net Profit (loss) for the period (+/-)	619.0	(178.4)
	Total Liabilities and Shareholders' Equity	**120,801.1**	**120,235.3**

** The balance sheet values as at 31 December 2022 were restated, with respect to those published at the reporting date, following the retrospective application of IFRS 17 and IFRS 9 by the insurance associates.*

Consolidated income statement

Items		30 06 2023	30 06 2022*
10.	Interest income and similar revenues	1,979.3	955.4
	of which interest income calculated applying the effective interest rate method	*1,663.0*	*776.5*
20.	Interest expense and similar charges	(896.7)	(297.2)
30.	**Net interest income**	**1,082.6**	**658.2**
40.	Fee and commission income	783.1	841.1
50.	Fee and commission expense	(109.6)	(112.9)
60.	**Net fee and commission income**	**673.5**	**728.2**
70.	Dividends and similar income	15.7	18.1
80.	Net profit (loss) from trading	44.1	(4.5)
90.	Net profit (loss) from hedging	0.1	7.8
100.	Gains/(losses) on disposal/repurchase of:	-	50.4
	a) financial assets measured at amortised cost	-	49.5
	b) Financial assets measured at fair value through other comprehensive income	0.2	0.9
	c) financial liabilities	(0.1)	-
110.	Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss	3.4	38.4
	a) financial assets and liabilities designated at fair value	1.3	20.3
	b) other financial assets mandatorily measured at fair value	2.1	18.1
120.	**Net interest and other banking income**	**1,819.4**	**1,496.6**
130.	Net impairment (losses)/reversals on	(200.0)	(223.8)
	a) financial assets measured at amortised cost	(200.8)	(223.7)
	b) financial assets measured at fair value through other comprehensive income	0.8	(0.1)
140.	Modification gains/(losses)	(0.3)	1.1
150.	**Net income from banking activities**	**1,619.1**	**1,273.9**
190.	Administrative expenses:	(1,009.4)	(1,212.9)
	a) personnel expenses	(560.6)	(715.1)
	b) other administrative expenses	(448.8)	(497.8)
200.	Net provision for risks and charges:	(13.6)	(84.6)
	a) commitments and guarantees issued	(7.9)	(6.6)
	b) other net provisions	(5.7)	(78.0)
210.	Net adjustments to/recoveries on property, plant and equipment	(54.5)	(60.1)
220.	Net adjustments to/recoveries on intangible assets	(32.0)	(33.8)
230.	Other operating expenses/income	93.7	133.0
240.	**Operating expenses**	**(1,015.8)**	**(1,258.4)**
250.	Gains (losses) on investments	40.6	38.6
260.	Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(28.8)	(10.8)
280.	Gains (losses) on disposal of investments	0.2	0.8
290.	**Profit (loss) before tax from continuing operations**	**615.3**	**44.1**
300.	Tax (expense)/recovery on income from continuing operations	3.6	8.9
310.	**Profit (loss) after tax from continuing operations**	**618.9**	**53.0**
320.	Profit (loss) after tax from discontinued operations	-	-
330.	**Profit (loss) for the period**	**618.9**	**53.0**
340.	Net Profit (loss) attributable to non-controlling interests	(0.1)	(0.1)
350.	**Parent company's net profit (loss) for the period**	**619.0**	**53.1**

	30 06 2023	30 06 2022**
Basic Earnings per Share (Basic EPS)	**0.491**	**5.295**
of continuing operations	0.491	5.295
Diluted Earnings per Share (Diluted EPS)	**0.491**	**5.295**
of continuing operations	0.491	5.295

** The Income Statement figures as at 30 June 2022 were restated, compared to those published at their reporting date, following retrospective application of the IFRS 17 and IFRS 9 by the insurance associates.*

*** Basic and diluted earnings per share as at 30 June 2022 were restated, compared to the figures posted at the reporting date, to take into account (i) the retrospective application of IFRS 17 and IFRS 9 changes by the insurance associates, and (ii) the grouping operation of the Parent Company's ordinary shares at a ratio of 1 new ordinary share to 100 ordinary shares that was carried out on 26 September 2022, pursuant to the resolution issued by the Parent Company's Extraordinary Shareholders' Meeting held on 15 September 2022.*

Consolidated statement of comprehensive income

	Items	30 06 2023	30 06 2022*
10.	**Profit (loss) for the period**	**618.9**	**53.0**
	Other comprehensive income after tax not recycled to profit or loss	**(11.1)**	**(9.2)**
20.	Equity instruments designated at fair value through other comprehensive income	(1.3)	0.9
30.	Financial liabilities designated at fair value through profit or loss (change in the entity's own credit risk)	(0.7)	(1.2)
50.	Property, plant and equipment	(15.9)	(12.9)
70.	Defined benefit plans	6.8	12.3
90.	Share of valuation reserves of equity-accounted investments	-	(8.3)
	Other comprehensive income after tax recycled to profit or loss	**23.4**	**(121.2)**
110.	Exchange differences	(0.8)	1.7
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	27.4	(118.8)
160.	Share of valuation reserves of equity-accounted investments	(3.2)	(4.1)
170.	**Total other comprehensive income after tax**	**12.3**	**(130.4)**
180.	**Total comprehensive income (Item 10+130)**	**631.2**	**(77.4)**
190.	Consolidated comprehensive income attributable to non-controlling interests	(0.1)	0.1
200.	**Consolidated comprehensive income attributable to Parent Company**	**631.3**	**(77.5)**

** The Income Statement figures as at 30 June 2022 were restated, compared to those published at their reporting date, following retrospective application of the IFRS 17 and IFRS 9 by the insurance associates.*

Consolidated Statement of changes in equity – 30 June 2023

				Allocation of profit from prior year		Change during the period											
							Shareholders' equity transactions										
	Balance as at31 12 2022*	Change in opening balance	Balance as at 01 01 2023	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 as at 30 06 2023	Total equity as at 30 06 2023	Group equity as at 30 06 2023	Non-controlling interests as at 30 06 2023
Share capital:	7,454.1	-	7,454.1	-	-	-	-	-	-	-	-	-	-	-	7,454.1	7,453.5	0.6
a) ordinary shares	7,454.1	-	7,454.1	-	-	-	-	-	-	-	-	-	-	-	7,454.1	7,453.5	0.6
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	614.7	-	614.7	(178.6)	-	10.8	(2.6)	-	-	-	-	-	-	-	444.3	445.4	(1.1)
a) from profits	742.4	-	742.4	(178.6)	-	13.5	-	-	-	-	-	-	-	-	577.2	578.3	(1.1)
b) other	(127.7)	-	(127.7)	-	-	(2.6)	(2.6)	-	-	-	-	-	-	-	(132.9)	(132.9)	-
Valuation reserves	(29.3)	-	(29.3)	-	-	-	-	-	-	-	-	-	-	12.3	(17.0)	(18.4)	1.4
Profit (loss) for the period	(178.5)	-	(178.5)	178.6	(0.1)	-	-	-	-	-	-	-	-	618.9	618.9	619.0	(0.1)
Total Equity	7,861.0	-	7,861.0	-	(0.1)	10.8	(2.6)	-	-	-	-	-	-	631.2	8,500.3	8,499.5	0.8
Group Equity	7,860.0	-	7,860.0	-	-	10.8	(2.6)	-	-	-	-	-	-	631.3	8,499.5	8,499.5-	X
Non-controlling interests	0.9	-	0.9	-	(0.1)	-	-	-	-	-	-	-	-	(0.1)	0.8	X	0.8

** The values as at 31 December 2022 were restated, with respect to those published at the reporting date, following the retrospective application of IFRS 17 and IFRS 9 by the insurance associates.*

As at 30 June 2023, shareholders' equity, including non-controlling interests and net income for the period, was equal to EUR 8,500.3 mln, against EUR 7,861.0 mln as at 31 December 2022, with a total net increase of EUR 639.3 mln. This trend is mainly due to: (i) the net positive change in valuation reserves for EUR 12.3 mln, referring to the revaluation of debt securities measured at fair value through other comprehensive income, partly offset by the write-down of property, plant and equipment, and (ii) profit for the period of EUR 618.9 mln.

Consolidated Statement of changes in equity – 30 June 2022

	Balance as at 31 12 2021	Change in opening balance*	Balance as at 01 01 2022	Allocation of profit from prior year: Reserves	Allocation of profit from prior year: Reserves	Change during the period: Change in Reserves	Shareholders' equity transactions: Issue of new shares	Shareholders' equity transactions: Purchase of treasury shares	Shareholders' equity transactions: Extraordinary distribution of dividends	Shareholders' equity transactions: Change in equity instruments	Shareholders' equity transactions: Treasury shares derivatives	Shareholders' equity transactions: Stock options	Shareholders' equity transactions: Change in equity investments	Total comprehensive income as at 30 06 2022	Total equity as at 30 06 2022	Group equity as at 30 06 2022	Non-controlling interests as at 30 06 2022
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:	(3,639.2)	(163.1)	(3,802.3)	309.2	-	(9.1)	-	-	-	-	-	-	-	-	(3,502.2)	(3,501.4)	(0.8)
a) from profits	(3,520.8)	(163.1)	(3,683.9)	309.2	-	(9.1)	-	-	-	-	-	-	-	-	(3,383.8)	(3,383.0)	(0.8)
b) other	(118.4)	-	(118.4)	-	-	-	-	-	-	-	-	-	-	-	(118.4)	(118.4)	-
Valuation reserves	308.1	(149.2)	158.9	-	-	-	-	-	-	-	-	-	-	(130.4)	28.5	27.0	1.5
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the period	309.3	-	309.3	(309.2)	(0.1)	-	-	-	-	-	-	-	-	53.0	53.0	53.1	(0.1)
Total Equity	6,173.9	(312.3)	5,861.6	-	(0.1)	(9.1)	-	-	-	-	-	-	-	(77.4)	5,775.0	5,773.6	1.4
Group Equity	6,172.6	(312.3)	5,860.3	-	-	(9.1)	-	-	-	-	-	-	-	(77.5)	5,773.7	5,773.7	X
Non-controlling interests	1.3	-	1.3	-	(0.1)	-	-	-	-	-	-	-	-	0.1	1.4	X	1.4

** The column "Change in opening balances" includes the impacts as at 1 January 2022 of the retrospective application of IFRS 17 and IFRS 9 changes by the insurance associates.*

As at 30 June 2022, shareholders' equity, including non-controlling interests and net income for the period, was equal to EUR 5,775.0 mln, against EUR 5,861.6 mln as at 1 January 2022, with a total net decrease of EUR 86.6 mln. This trend is primarily due to the combined effect of (i) net negative change in valuation reserves equal to EUR 130.4 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 53.0 mln.

Consolidated cash flow statement - indirect method

A. OPERATING ACTIVITIES	30 06 2023	30 06 2022*
1. Cash flow from operations	**1,072.7**	**423.9**
Profit (loss) (+/-)	618.9	53.0
Capital gains/losses on financial assets held for trading and on assets/liabilities measured at fair value (+/-)	(10.1)	(112.4)
Net gains (losses) on hedging activities	(0.1)	(7.8)
Net impairment losses/reversals	288.2	286.0
Net adjustments/ recoveries on property, plant and equipment and intangible assets (+/-)	115.4	104.7
Net provisions for risks and charges and other costs/revenues (+/-)	19.2	89.2
Unpaid charges, taxes and tax credits	(3.6)	(8.9)
Other adjustments	44.8	20.1
2. Cash flow from (used in) financial assets	**(1,550.5)**	**5,925.1**
Financial assets held for trading	(1,051.8)	(1,058.8)
Other financial assets mandatorily measured at fair value	(7.8)	(36.0)
Financial assets measured at fair value through other comprehensive income	927.0	(191.5)
Financial assets measured at amortised cost	(852.3)	6,978.3
Other assets	(565.6)	233.1
3. Cash flow from (used in) financial liabilities	**(384.2)**	**(6,650.1)**
Financial liabilities measured at amortised cost	(2,098.6)	(6,405.2)
Financial liabilities held for trading	90.8	(337.0)
Financial liabilities designated at fair value	4.5	5.4
Other liabilities	1,619.1	86.7
Net cash flow from (used in) operating activities	**(862.0)**	**(301.1)**

B. INVESTMENT ACTIVITIES	30 06 2023	30 06 2022*
1. Cash flow from	117.8	108.8
Dividends collected on equity investments	116.4	106.2
Sales of property, plant and equipment	1.4	2.6
2. Cash flow used in	(22.6)	(30.6)
Purchase of property, plant and equipment	(16.1)	(9.1)
Purchase of intangible assets	(6.5)	(21.5)
Net cash flow from (used in) investment activities	**95.2**	**78.2**

C. FUNDING ACTIVITIES	30 06 2023	30 06 2022*
issue/purchase of equity instruments carried at equity	(2.6)	-
Dividend distribution and other	(0.1)	(0.1)
Net cash flow from (used in) funding activities	**(2.7)**	**(0.1)**
NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE PERIOD	**(769.5)**	**(223.0)**

Accounts	30 06 2023	30 06 2022*
Cash and cash equivalents at beginning of the period	12,538.6	1,741.8
Net increase (decrease) in cash and cash equivalents	(769.5)	(223.0)
Cash and cash equivalents at end of the period	11,769.1	1,518.8

** The comparative data were restated, compared to those published in the Half-Yearly Report as at 30 June 2022, following retrospective application of IFRS 17 and IFRS 9 by the insurance associates.*

EXPLANATORY NOTES

Accounting Policies

Basis of preparation

The Half-Yearly Report as at 30 June 2023 of the Monte dei Paschi di Siena Group, approved by the Board of Directors on 3 August 2023, 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 2023, 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 succinctly 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 preparation", and subsequent updates (most recently, the 8th update, published on 17 November 2022) were applied.

The aforementioned update takes into account the new international accounting standard IFRS 17 "Insurance contracts", which replaces the previous IFRS 4 "Insurance contracts" from 1 January 2023, and subsequent amendments to other international accounting standards, including IAS 1 "Presentation of Financial Statements" and IFRS 7 "Financial Instruments: Disclosures". The amendments mainly concern the consolidated financial statements of conglomerate parent banks, mainly in the banking sector, as well as those of banks with equity investments in insurance companies consolidated for accounting purposes and which are not conglomerate parents. These changes have no significant impact for the Group, which uses the synthetic equity method to consolidate its equity investments in the share capital of the insurance companies AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni Vita S.p.A.

The Condensed Consolidated Half-Yearly Financial Statements show, in addition to the amounts pertaining to the relevant period, also the corresponding comparison data as at 31 December 2022 for the Consolidated Balance Sheet and for the first half of 2022 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 balance sheet values as at 31 December 2022 and income statement values as at 30 June 2022 were restated, with respect to those published at respective date, following the retrospective application of IFRS 17 and IFRS 9 changes by the insurance associates. For further details, see the paragraph on Adoption of the accounting standards "IFRS 17 Insurance Contracts" and "IFRS 9 Financial Instruments" in the companies AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni of these Explanatory Notes.

The Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2023 are drafted with clarity and give a true and fair view of the Bank's assets, financial position, profit and loss 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 standards used for the preparation of the Condensed Consolidated Half-Yearly Financial Statements have remained unchanged from those applied to the Consolidated Financial Statements as at 31 December 2022, to which the reader is referred for more detail, without prejudice to the first-time adoption from 1 January 2023 of the new accounting standards IFRS 17 "Insurance contracts" and IFRS 9 "Financial Instruments" by the insurance associates, as described below.

The Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2023 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 limited 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 2023 from those applicable in subsequent years.

IAS/IFRS accounting standards and related SIC/IFRIC interpretations endorsed whose application is mandatory as of the 2023 financial statements

The accounting standard **IFRS 17** "***Insurance Contracts***", published by the IASB in May 2017 and subject to subsequent amendments published on 25 June 2020 and on 9 December 2021, was endorsed with EU Regulation no. 2036/2021 of 19 November 2021 – and more recently amended with Regulation no. 1491/2022 of 8 September 2022, which introduced some changes of limited scope for the preparation of comparative information for the first-time application of IFRS 17 and IFRS 9 – enters into force from 1 January 2023.

Regulation no. 2022/1491 of 8 September 2022, as noted above, endorsed the amendment to IFRS 17 **"*Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information*"**, published by the IASB on 9 December 2021. This amendment changes the rules for the transition to IFRS 17 for entities that at the same time apply the transition to IFRS 9, taking into account the different requirements envisaged by the aforementioned accounting standards for the restatement of comparative balances; in fact, IFRS 17 requires the restatement of comparative information, which is permitted but not required by IFRS 9. On the basis of the amendment in question, the entity is allowed to present comparative information on financial assets as if the IFRS 9 classification and measurement requirements had been applied; the aforementioned option is applicable to individual financial instruments and does not require the adoption of impairment criteria established by IFRS 9. The amendments are applicable from 1 January 2023.

The Group does not carry out insurance activities. The introduction of the new standard assumes exclusively indirect significance since the Group holds equity investments in associates in the capital of the insurance companies "AXA MPS Assicurazioni Danni S.p.A." and "AXA MPS Assicurazioni Vita S.p.A.", consolidated in the Group Financial Statements with the synthetic equity method. Reference is made to the paragraph "Adoption of the accounting standards "IFRS 17 Insurance Contracts" and "IFRS 9 Financial Instruments" in the companies AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni" for an illustration of impacts.

Regulation no. 2022/357 of 3 March 2022 endorsed the amendment to IAS 1 "***Disclosure of Accounting Policies (Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements")*** 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 helping companies to identify the disclosure to be made on accounting policies, so as to provide more useful information to investors and other primary users of the financial statements. In detail, the amendments to IAS 1 require companies to provide information on material accounting standards, i.e. those that make it possible to understand the information reported in the financial statements on material transactions. The amendments to IAS 8 are aimed at clarifying how to distinguish changes in accounting policies from changes in accounting estimates. The amendments to both standards are effective for financial years starting on or after 1 January 2023, with early application permitted. No significant impacts derive for the Group from the aforementioned amendments.

Finally, Regulation (EU) 2022/1392 of 11 August 2022 endorsed the amendment to IAS 12 "***Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (Amendments to IAS 12***), published by the IASB on 7 May 2021, which specifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations. With the amendments in question, it was specified that the exemption from the recognition of a deferred tax liability or asset does not apply in the event of the initial recognition of an asset or a liability in a transaction that gives rise to deductible temporary differences and equal taxable income, even if at the time of the transaction it does not affect either the accounting profit or the taxable income/tax loss. The amendments apply as of 1 January 2023, but early adoption is permitted. The amendment has no impact for the Group.

IAS/IFRS accounting standards and related SIC/IFRIC interpretations endorsed, the application of which is mandatory as of 31 December 2023

None to report as at the reporting date for this Half-Yearly Report.

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

The following amendments to IAS 1 presented by the IASB are awaiting endorsement:

- "Classification of Liabilities as Current or Non-current", issued on 23 January 2020, with a view to clarifying how to classify payables and other liabilities as either current or non-current. This proposal clarifies - without changing them - the current requirements of IAS 1; the clarifications are intended to improve consistency in the application of IAS 1 among companies in determining whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date should be classified as current (due or potentially due within one year) or non-current. The entry into force of the amendments, originally scheduled for 1 January 2022, was then deferred by the IASB to the financial years starting on 1 January 2023 or later, with the amendment "Classification of Liabilities as Current or Non-Current – Deferral of Effective Date" published on 15 July 2020. Early application is permitted.
- ***"Non-current Liabilities with Covenants***" issued on 31 October 2022, with the aim of improving the information provided by companies on long-term debt with covenants. IAS 1 requires that a company classify debt as non-current only if the company can avoid paying off the debt in the 12 months following the reporting date. However, a company's ability to do so is often subject to compliance with covenants. For example, a company might have long-term debt that could become repayable within 12 months if the company does not meet the terms of the covenants in that 12-month period. The amendments to IAS 1 specify that covenant terms to be met after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to provide information on these covenants in the Notes to the Financial Statements. The amendments will be effective for financial years starting on or after 1 January 2024, with early application permitted.

On 22 September 2022, the IASB published an amendment to IFRS 16 "Lease Liability in a Sale and Leaseback" that clarifies how a sale and leaseback transaction is accounted for after the transaction date. A sale and leaseback is a transaction whereby a company sells an asset and leases the same asset for a period of time from the new owner. IFRS 16 includes requirements on how to account for a sale and leaseback when the transaction occurs. However, IFRS 16 had not specified how to measure the transaction when it is reported after said date. The amendments aforementioned are in addition to the sale and leaseback requirements of IFRS 16, thus supporting the consistent application of the accounting standard. The amendments will be effective for financial years starting on or after 1 January 2024, with early application permitted.

On 23 May 2023, the IASB published the amendment to IAS 12 "***Income Taxes: International Tax Reform - Pillar Two Model Rules***". The document introduces a temporary exception to the recognition of deferred taxes related to application of the new Pillar Two provisions. The exception is applicable immediately. However, financial statement users are required to provide specific information for financial years beginning on or after 1 January 2023.

Lastly, on 25 May 2023, the IASB published the amendment to IAS 7 "***Statement of Cash Flows***" and to IFRS 7 "***Financial Instruments: Disclosures: Supplier Finance Arrangements***" with the aim of improving disclosure in the financial statements of existing supplier finance arrangements. In particular, the following details are required:

- the terms and conditions of each reverse factoring arrangement;
- for each reverse factoring arrangement, at the start and end dates of the period:
    - the book value of financial liabilities recorded in the financial statements and the item in which these financial liabilities are presented in the statement of financial position;
    - the book value of financial liabilities for which suppliers have already received payment from the lenders;
    - the deferred payments period for reverse factoring liabilities;
- the deferred payments period for trade payables that are not part of a reverse factoring arrangement.

The amendments will be effective for financial years starting on or after 1 January 2024.

In preparing these Condensed Consolidated Half-Yearly Financial Statements, the Group also took into account the Bank of Italy communication of 14 March 2023 "Update of the provisions of Circular no. 262 - Bank Financial Statements: layout and rules for preparation" regarding the impacts of COVID-19 and measures to support the economy", which repeals and replaces the previous communication of 21 December 2021 relating to the COVID-19 disclosure to be provided in the financial statements. The update, due to the changed pandemic-related scenario, eliminates the financial statement disclosure relating to moratorium-backed loans while requesting, in free format, financial statement disclosure on the loans subject to public guarantee. The provisions of the communication apply to financial statements closed or pending as at 31 December 2023.

Adoption of the accounting standards "IFRS 17 Insurance Contracts" and "IFRS 9 Financial Instruments" in the companies AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni

IFRS 17 - Insurance contracts.

The standard IFRS 17 "Insurance contracts", applicable from 1 January 2023, introduces new measurement criteria and new accounting rules for insurance contracts, replacing IFRS4. The key new features introduced by the standard concern:

- introduction of new measure for evaluation and representation of group of insurance contracts: insurance contracts that share similar risk are managed together and belong to the same generation (annual cohort), with the exception of the option granted in the endorsement of the standard for life contracts, characterised by intergenerational mutualisation;
- Three different measurement models are prescribed for the valuation of technical liabilities:
  - Building Block Approach (BBA) or so-called General Measurement Model (GMM), model of general measurement of insurance contract;
  - Variable Fee Approach (VFA), a measurement mandatory applied to insurance contracts with direct participation;
  - Premium Allocation Approach (PAA), a simplified measurement model applied to a short-term contracts;
- the measurement of the insurance liabilities based on consistent market value: insurance liabilities are measured on the basis of current value weighted for the probability of occurrence and discounted to take into account time value of money, expected cash flows and liquidity characteristic (present value of cash flow -PVFCF);
- introduction of an explicit measure for the adjustment of non-financial risks: Risk Adjustment (RA) must be recognised within the insurance liabilities separately, and represent the economic offset required by the company to support the uncertainty of future cash-flows in terms of timing and amount;
- representation of the expected embedded profit in insurance contracts; the so-called "Contractual Service Margin" (CSM), i.e. the component of expected profit that the company must suspend as an insurance liability and subsequently recognise in the income statement consistent with the provision of the insurance service over the life of the group of insurance contracts. If upon initial recognition or subsequent measurement the group of insurance contracts is onerous, it is required to recognise a loss in income statements;

In order to reflect the measurement of the liability at current values, the components of the insurance liability are updated at each *reporting* date and the related changes are recognised according to the nature and accounting options chosen by the company. In particular, the changes relating to the provision of past and current services are recognised in the Income Statement, on the contrary, the changes relating to the provision of future services are recorded as an adjustment of the *Contractual Service Margin*. Finally, changes in the effect of the time value of money and financial risks are reflected in the income statement or the statement of comprehensive income, depending on the accounting choice adopted by the company.

With the transition date for the standard set at 1 January 2022, IFRS 17 requires all contracts in the portfolio to be accounted for as if the rules introduced had always been in force, with retroactive application of the standard; this transition method is called the Full Retrospective Approach ("FRA"). Considering the complexity of this approach, two additional methods have been envisaged that are optional:

- the *Modified Retrospective Approach* ("MRA"), which approximates the results obtained from the full retrospective application, providing for some simplifications;
- the *Fair Value Approach* ("FVA"), according to which the *Contractual Service Margin* is calculated as the difference between the fair value of the group of contracts to which it refers and the value of the

Fulfilment Cash Flows at the same date (represented by the sum of the Present Value of Cash Flows and Risk Adjustment).

Main methodological choices adopted by the Companies AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni

Within the insurance companies AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni (hereafter Life insurance company and Non-life company), the standard is applicable to insurance contracts and to contracts defined by the standard as contracts with direct participation clauses.

With regard to the Life insurance company, the contracts linked to the segregated funds, the unit-linked contracts with significant insurance risk and the multi-class contracts qualify as direct participation contracts and are mandatorily measured with the Variable Fee Approach method.

The Life company also applies the derogation from the application of the annual cohort criterion envisaged by the endorsement process of the aforementioned standard, for direct participation contracts valued according to the Variable Fee Approach, characterised by mutuality between the cash flows of the different generations of the insured.

Pure risk contracts are measured using the general measurement method, the Building Block Approach.

With regard to the Non-life company, the contracts issued with an annual duration and the reinsurance contracts are eligible for measurement of the application of the simplified approach, the Premium Allocation Approach. Multi-year contracts, relating to the insurance business linked to mortgages and personal loans, are instead measured using the general measurement method, i.e. the Building Block Approach.

IFRS 9 – Financial instruments

The insurance companies have defined criteria for the classification and measurement of financial instruments in the portfolio and for the assessment of expected credit loss, listed below. In detail, the following business models were identified:

- “Held to Collect and Sell” mainly in portfolios associated with segregated funds and in the free portfolio
- “Other” for portfolios associated with linked products and open pension funds.

In addition, a suitable process was structured to assess the contractual characteristics of financial instruments in the portfolio, for SPPI testing purposes. In general, there were no significant changes with respect to the classification of financial instruments already in place under IAS 39, net of those mandatorily required by the new standard.

More specifically:

- debt securities classified as available for sale and under the Held to Collect and Sell business model that pass the SPPI test are measured at fair value through the statement of comprehensive income;
- debt securities classified as available for sale and under the Held to Collect and Sell business model that fail the SPPI test are measured at fair value through profit or loss;
- debt securities classified under Loans and Receivables that pass the SPPI tests are measured at amortised cost;
- investment funds (open and closed) are mandatorily measured at fair value through profit or loss;
- for equities, the irrevocable option was exercised for designation at fair value through the statement of comprehensive income (without recycling in the income statement).

The debt securities that failed the SPPI test were immaterial.

With regard to financial liabilities, there were no changes to the current classification and measurement methods pursuant to IAS 39.

With regard to Expected Credit Loss, a process has been structured to assess the risk of expected loss in relation to debt instruments measured at fair value with recognition in shareholders' equity and at amortised cost. For the purpose of this measurement, the entire contractual period of the related financial instrument is considered and the expected loss value is obtained by multiplying the probability of default risk (PD) by the estimated loss given default (LGD) by the exposure at default (EAD).

At each reporting date, the expected loss initially recognised is remeasured to incorporate any increases in credit risk associated with the financial instrument. All instruments are allocated to "stages" on the basis of the associated credit risk and any "stage" transfers are assessed at each reporting date. The stage allocation approach envisaged for insurance companies is based on the rating and consists of two phases: a quantitative phase, to verify the rating downgrade and a qualitative phase, to verify deterioration of the credit risk or actual insolvency.

With regard to Hedge Accounting, based on the option granted by IFRS 9 to maintain IAS39 rules, hedging transactions will continue to be managed in compliance with IAS39.

IFRS17 and IFRS9 interaction

IFRS17 allows the application of certain specific accounting policies, at insurance contract portfolio level, in order to mitigate any accounting mismatches that could arise between the accounting methods for financial assets and for insurance contracts.

For both companies, the option of disaggregating insurance and reinsurance financial charges between the Income Statement and the Statement of comprehensive income was adopted.

As regards the claims provisions of the Non-Life Business and the contracts valued according to the Building Block Approach, the capitalisation of interest in the income statement is based on "locked-in" discount rates (recognised at the time of initial recognition) and the difference between the valuation at current values and the "locked-in" rates is shown in the statement of comprehensive income. Consistently, most of the debt instruments held are accounted for at fair value with the related changes recognised in the statement of comprehensive income.

With regard to contracts with direct participation clauses, measured according to the *Variable Fee Approach*, the chosen accounting option of disaggregating insurance financial expenses between the Income Statement and the Statement of comprehensive income, makes it possible to align and balance the effects of the change in the financial liability with the financial result of the underlying assets (with the exception of securities measured at amortised cost).

Note that, for the Life insurance company, the IFRS17 measurement using the Variable Fee Approach replaces the shadow accounting envisaged by IFRS4, as both the insurance liabilities and the underlying investments to cover the liabilities are measured at current values and therefore any changes in the fair value of underlying investments to cover the liabilities will be reflected in the Contractual Service Margin measurement.

Impacts recognised by AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni on the first-time application of IFRS17 and IFRS9

Depending on the availability of the historical data required to determine the Contractual Service Margin at the transition date, all three approaches laid down in the standard and described above were used.

In detail, for the long-term contracts of the Non-Life company, the full retrospective approach was applied for the most recent generations, conversely, for the 2018 and previous generations, the fair value method was applied.

For the Life company, the pure risk contracts were measured with the modified retrospective approach, the contracts with direct participation clauses were measured mainly with the fair value approach.

The effects, as at 1 January 2022, of the application of IFRS 17 and IFRS 9 on the total shareholders' equity of the companies are shown below:

- for AXA MPS Assicurazioni Vita, there was a decrease in shareholders' equity of EUR 638.4 mln due to the different measurement of IFRS17 technical provisions compared to IFRS4 provisions, the main driver of which is represented by recognition of the CSM for EUR 533.7 mln. In addition, it should be noted that a specific OCI reserve is recognised in shareholders' equity, which replaces the previous "Shadow Accounting", without which the impacts on shareholders' equity would have been lower;
- for AXA MPS Assicurazioni Danni, there was an increase in shareholders' equity for a total of EUR 9.8 mln, mainly linked to the reduction in the IFRS17 claims provision compared to the IFRS4 claims provision due to i) the prudential adjustment implicit in the IFRS4 claims provision, ii) recognition of the IFRS 17 Risk Adjustment, and iii) the discounting of reserves. The measurement of business lines using the general Building Block Approach (BBA) measurement method, led to the recognition of a CSM of EUR 58.2 mln.

With reference to the effects recorded in 2022, the retroactive application of the new standards IFRS 17 and IFRS 9 entailed a different recognition of the effects for the period compared to that recognised under the previous criteria. More specifically, the market performance and in particular the increase in interest rates in 2022 resulted in significant losses on financial assets measured at fair value which, pursuant to the previous IFRS 4, were only partially recognised in the measurement of technical provisions (Shadow Accounting). The new logic introduced by IFRS 17 for measuring insurance liabilities allowed greater offsetting of losses recorded on underlying investments, through almost full recognition of the related change in the insurance liabilities, mitigating the negative effects on shareholders' equity recorded pursuant to IFRS 4. Consequently, the effect on shareholders' equity was positive in 2022. As at 31 December 2022, therefore, the effects of application of the new standard compared to the application of IFRS 4 resulted for:

- AXA MPS Assicurazione Vita, in an increase in shareholders' equity of EUR 80.2 mln mainly due to i) the result and application of the OCI Option on reserves and ii) higher profits of EUR 64.0 mln due mainly to release of the CSM;
- AXA MPS Assicurazioni Danni, in an increase in shareholders' equity of EUR 40.6 mln mainly linked to the effect of discounting provisions partially reduced by the lower profits for EUR 11.2 mln, the latter mainly linked to the different measurement of the claims provision that mostly contributed to the IFRS 4 result as a positive disaggregation of reserves from previous years.

Economic and financial impacts for the MPS Group

The cumulative effect of the first-time application of IFRS 17 and IFRS 9 (impact from 1 January 2022 and delta on the 2022 income statement) was accounted for by AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni Vita S.p.A. from 1 January 2023 as a balancing entry to a specific profit reserve (also known as "First time adoption" reserve).

The two insurance investee companies are consolidated in the financial statements of MPS Group using the synthetic equity method. Therefore, the first-time application of both standards had an impact on the Group's shareholders' equity from 1 January 2023 of EUR 62.4 mln, broken down as follows:

- AXA MPS Assicurazioni Vita: EUR 42.1 mln recognised respectively in the item "Reserves" for EUR -147.0 mln and in the item "Valuation reserves" for EUR 189.1 mln;
- AXA MPS Assicurazioni Danni: EUR 20.3 mln recognised respectively in the item "Reserves" for EUR 4.3 mln and in the item "Valuation reserves" for EUR 16.0 mln.

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 these Condensed Consolidated Half-Yearly Financial Statements were 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 these Condensed Consolidated Half-Yearly Financial Statements and as a result adjustments may be required, to an extent that cannot currently be 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. Among the main factors of uncertainty that could affect the future scenarios in which the Group will operate, the effects on the global and Italian economies connected to current geopolitical tension and the evolution of the legal disputes of the Parent Company, should not be underestimated. The conflict between Russia and Ukraine and the indirect impacts of the sanctions on Russia, primarily related to the rise in inflation, the strong increase in interest rates and less clear monetary policy guidance cause significant uncertainties on the economic forecasts for the Eurozone, to be used as basis for the financial statement estimates.

Following are reported the new aspects and refinements introduced by the Group in the first half of 2023.

Macroeconomic forecasts for 2023, 2024 and 2025

On 15 June 2023, the ECB published the periodic update to the macroeconomic forecasts for the Eurozone. The baseline scenario still shows a relatively good resilience of economic activity in the face of extensive negative supply shocks on the economy. The latter should return to growth in the coming quarters in the presence of a moderation in energy prices, strengthening of foreign demand and the elimination of supply-side bottlenecks, all in a context in which uncertainty continues to diminish, including that related to recent banking sector tension. An improvement in real income is also expected, despite less favourable borrowing conditions due to tightening of the ECB monetary policy.

In detail, the GDP overall average annual growth rate in real terms is expected to drop to 0.9% in 2023 (from 3.6% in 2022), and then rise to 1.5% in 2024 and 1.6% in 2025. Compared to the macroeconomic projections of March 2023, the outlook for GDP growth has been revised downwards by 0.1 percentage points for 2023 and 2024, mainly reflecting the tightening of borrowing conditions, and remain unchanged for 2025, as these effects should be partly offset by the impact of the increase in real disposable income and the decrease in uncertainty.

Overall inflation measured on the harmonised index of consumer price (HICP) is proving to be more persistent than expected, despite the drop in energy prices and the easing of supply-side bottlenecks. In detail, this index was revised upwards slightly compared to the projections from last March, averaging 5.4% in 2023 (5.3% in the March projections) then falling to 3.0% in 2024 (2.9% in March) and 2.2% in 2025 (2.1% in March).

With regard to the dynamics of Italian GDP, the latest estimates provided by Bank of Italy experts published in the July 2023 Economic Bulletin showed a baseline scenario trend in GDP which, after the strong recovery in the first quarter of 2023 (0.6%) supported by all the main components of domestic demand, expanded at a slower pace over the remainder of the three-year forecast, held back by the effects of the rising interest rates and the tightening of the credit access conditions, partly offset by the effects of a return to normal of inflationary pressure and with stronger public investments planned in the NRRP. On average for the year, GDP should increase by 1.3% in 2023, and by 1.0% in both 2024 and 2025.

In terms of inflation, consumer inflation should average 6.1% this year and decrease to 2.3% in 2024 and 2.0% in 2025.

This being said, information is provided below relating to the main macroeconomic and financial indicators included in the “baseline”, “severe but plausible”, “extreme worst” and “best”; scenarios, referring to the period 2023-2025, estimated internally in October 2022 and also taking as a reference the forecasts provided by external providers.

Scenario	Year	GDP	Italian residential Property Price Index	Italian non-residential Property Price Index	Unemployment rate	Investments in building constructions
BASELINE	2023	0.10%	2.18%	1.49%	8.36%	0.91%
	2024	1.01%	1.62%	1.34%	8.34%	-0.29%
	2025	1.41%	1.81%	1.28%	8.26%	0.33%
	AVG	0.84%	1.87%	1.37%	8.32%	0.32%
EXTREME WORST	2023	-2.53%	1.50%	0.57%	9.27%	-7.63%
	2024	0.02%	-0.62%	0.07%	10.74%	-3.02%
	2025	0.71%	-0.94%	-0.42%	12.06%	-3.73%
	AVG	-0.60%	-0.02%	0.07%	10.69%	-4.79%
SEVERE BUT PLAUSIBLE	2023	-0.91%	1.93%	1.10%	8.67%	-2.30%
	2024	0.48%	0.94%	0.64%	9.27%	-2.41%
	2025	1.02%	0.82%	0.33%	9.81%	-1.30%
	AVG	0.19%	1.23%	0.69%	9.25%	-2.00%
BEST	2023	1.41%	2.60%	2.69%	7.89%	3.50%
	2024	1.57%	1.56%	1.14%	6.98%	0.51%
	2025	1.69%	2.14%	1.31%	5.97%	1.22%
	AVG	1.,56%	2.10%	1.71%	6.94%	1.74%

For the forward-looking conditioning of ECL estimation parameters, Group policy envisages use of the macroeconomic scenario defined and updated by the Study and Research Function at least annually, as well as every time the latest available baseline scenario shows a net cumulative change in GDP that, in absolute value, is greater than or equal to 0.5% over a 3-year period compared with the scenario currently in use. The forecasts updated to July 2023 in relation to the basic macroeconomic scenario show an unchanged GDP compared to the scenario in use, a slight deterioration in property price indices, which in any case continue to rise by more than 1%, an improvement in the unemployment rate, and lastly a decline in investments in construction. Consequently, the scenarios used for the 2022 Financial Statements were confirmed for the accounting measurements as at 30 June 2023, which, moreover, already considered a significant uncertainty in the macroeconomic context through the asymmetry of alternative scenarios, due to the consideration of assumptions more consistent with those envisaged by the ECB, a prudent approach confirmed in these Condensed Consolidated Half-Yearly Financial Statements.

In March, following the ECB's Final Decision approving the release of new regulatory models of PD, LGD and EAD revised during 2021 (model change 2021), the rating model used for staging and impairment of credit portfolio were re-estimated. The Historical series used for the re-estimation remained unchanged (2012-2019), in line with that used for the AIRB model, awaiting the analyses that will be developed during 2023 on the period affected by the Covid-19 pandemic (2020-2021).

In light of the change observed on the AIRB models- from a single master scale for all models to a cluster scale for each individual model – the new PD models were separated for the individual rating models with the exception of large corporate and corporate, which were merged due to low statistical significance. The main drivers remain the rating, seniority of the relationship, balance sheet structure, Ateco code, geographical area and type of product.

This resulted in a decrease in stage 2 of approximately EUR 800 mln and write-backs of about EUR 26.6 mln. This dynamic is mainly attributable to credit subject to forbearance measures, for which in the old rating model such status was not considered with an application of an excessively penalising rating floor, now removed since the presence of the forbearance variable.

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With regard to management overlay for sector vulnerabilities, for the purpose of the Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2023 the Group has decided to apply substantial methodological continuity with respect to that implemented for the 2022 Financial Statements.
It should be remembered that, as at 31 December 2022, "post-model adjustments" had been applied to the results of the ECL estimation methods, within the framework of flexibility allowed by IFRS 9 and in light of the greater prudence necessary in relation to significant uncertainties deriving from the current and forward-looking

contexts. In fact, the results of the aforementioned methods, though incorporating forward-looking approaches and updates to the macroeconomic scenario, were deemed insufficient on the one hand to take into greater account the uncertainties and risks of the forecasts, and on the other due to the estimation characteristics adopted, as they are based on a model strongly anchored to observed long-term relationships, which may not be fully adequate in a developing context that may originate from unobserved and unpredictable events such as conflicts and serious crises. In the first half of the year, the uncertainties affecting economic forecasts at the end of the previous year were mitigated by developments in the energy crisis, although risks remain in relation to the emergence of financial market tension and more confused monetary policy outlooks, as mentioned previously.
In this context, the actions adopted in the 2022 Financial Statements were fully confirmed and appropriately updated and supplemented, in line with the Interim Report on Operations as at 31 March 2023. Note the introduction in the second quarter of "post-model adjustments" to retail borrower counterparties of floating-rate mortgages in order to capture the potential negative effects on their prospective risk from an increase in interest rates and reduction in disposable income due to high inflation.

Overall, the adjustment provisions for credit exposures as at 30 June 2023 include prudential elements for approximately EUR 188.6 mln, up by around EUR 44.5 mln and EUR 80.1 mln, respectively, compared to EUR 144.1 mln as at 31 March 2023 and EUR 108.5 mln as at 31 December 2022. The changes are mainly attributable to the higher adjustments deriving i) from the extension, from the first quarter of the results of back testing activity to the entire performing and UTP portfolio by reproportioning the LGD grids initially on all clusters and subsequently, from the second quarter of 2023, for UTP and Past Due loans, to only those where the actual rates were higher than estimated, ii) the introduction in the second quarter of 2023 of an additional overlay applied to floating-rate retail mortgages classified in stage 2.

The existing overlays as at 30 June 2023 are represented by five main categories:

1) use of asymmetric macroeconomic scenarios - given the significant uncertainty of the macroeconomic context, the Group maintained the asymmetrical treatment of scenarios also for 30 June 2023, taking into consideration the most probable scenario (baseline) and two alternative scenarios, both worsening (extreme worst and severe but plausible), all three with the same weighting. The conservatism of this choice can be estimated at EUR 20.0 mln (EUR 21.1 mln as at 31 March 2023 and EUR 33.3 mln as at 31 December 2022);
2) back testing of bad loans - in continuity with that carried out as at 31 December 2022, the Group continued the back testing of bad loans and, from the first quarter of 2023, extended this activity to the performing portfolio and to loans classified as UTP (unlikely to pay) and Past Due. As at 30 June 2023, the aforementioned activity resulted in higher adjustment provisions totalling Eur 111.8 mln (Eur 77.4 mln as at 31 March 2023 and Eur 22.4 mln as at 31 December 2022);
3) sectors heavily impacted by the price trends for energy and commodities – in continuity with 31 December 2022 and 31 March 2023 and taking into account the delicate macroeconomic context, for performing exposures to companies operating in sectors considered particularly vulnerable to energy and commodity prices, greater value adjustments of around EUR 11.2 mln were applied (EUR 13.6 mln as at 31 March 2023 and EUR 14.1 mln as at 31 December 2022). In line with 31 December 2022 and 31 March 2023, the Group again applied the CERVED sector forecasts to the unlikely to pay loans subject to statistical assessment in order to capture a possible deterioration in cure rates due to the delicate macroeconomic context. The estimated impact on an unlikely to pay portfolio for a total exposure of approximately EUR 447 mln is EUR 21.0 mln (EUR 21.0 mln as at 31 March 2023 and EUR 20.7 mln as at 31 December 2022).
4) *Early Warning System (EWS)* - in continuity with 31 December 2022 and the first quarter of 2023, based on the new scoring algorithm of the EWS system, which makes it possible to intercept the first signs of deterioration in credit quality, the Group applied a lifetime ECL to corporate exposures with turnover of less than EUR 50 mln and retail exposures classified under the new system in risk classes A7 and A8 resulting in higher adjustments of approximately EUR 5.4 mln (EUR 3.6 mln as at 31 March 2023 and EUR 11.3 mln as at 31 December 2022). From the first quarter of 2023, in consideration of the strong growth in interest rates due to the restrictive monetary policy adopted by the ECB, the Group extended the lifetime measurement to floating-rate retail mortgages with a score of A6/A5, resulting in additional adjustments of EUR 6.6 mln (EUR 8.3 mln as at 31 March 2023).
5) Floating-rate retail mortgages classified in stage 2: from the second quarter of 2023, the Group recognised higher provisions on floating-rate retail mortgages through a sensitivity analysis carried out on the instalment-income ratio in a stress scenario in which further increases in rates would determine a significant reduction in the available income. This activity, in addition to the higher provisions allocated on retail mortgages with a score from A8 to A5 mentioned previously, led to additional higher adjustments of EUR 12.5 mln.

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The determination of expected credit losses involves significant elements of judgement, 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.

In this view, the IFRS 9 ECL was subject to a sensitivity analysis in order to test its variability in relation to individual alternative scenarios. The analysis was carried out for the main credit portfolios of the Group consisting of cash loans to customers, belonging to the corporate and retail segments of Banca MPS 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 sensitivity was determined taking as reference assumptions those of the individual alternative scenarios ("best", "baseline", and "Severe but plausible") used for the purpose of determining the forward-looking provision instead of the scenario defined as weighted - i.e. based on weightings 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 2023. The sensitivity carried out on the two extreme scenarios, shows an overall increase of about 1% in ECL (about EUR 27.5 mln) in the case of a 100% weighting of the "Severe but plausible" worst case scenario, and a decrease of 1% in the ECL (about EUR 25.3 mln) in the case of use of "Best" scenario. Finally, compared to the baseline scenario, the ECL is substantially unchanged, with an estimated overall reduction of about EUR 3.7 mln.

The sensitivity analysis of the adjustments of impaired exposures would see an increase in the Severe but plausible scenario of approximately EUR 9.15 mln (+ 0.6%) and a decline of approximately EUR 1.3 mln (-0.1%) and EUR 8.1 mln (-0.5%) in the baseline and best 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 effects of the international geopolitical situation, could lead to the recognition of further losses, even significant ones, compared to those considered as at 30 June 2023.

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 2022 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 valuations carried out by the Group as at 30 June 2023 highlighted the need to make value adjustments for the associate Fidi Toscana (EUR 1.5 mln).

With reference to the goodwill, fully allocated to the Widiba CGU, it should be noted that as at 30 June 2023 the presence of indicators of impairment was verified, 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 method of re-determination of value for the measurement 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 revaluation, 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 purposes, 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.

As a result of the changes and uncertainties in the macroeconomic scenario, particularly related to developments in inflation, which characterised the first half of 2023, the Group decided to bring forward the assessment of real estate assets compared to the standard frequency, annual for investment properties and every two years for properties for business use. At 30 June 2023, the entire property portfolio owned by the Group was subjected to evaluation, consisting of 1,119 owned assets of which 699 properties for operating use (IAS 16), 8 properties for resale (IAS 2), 264 investment properties (IAS 40), 145 properties with mixed classification and 3 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 2022 and 30 June 2022. 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 2022 Consolidated Financial Statements.

The appraisals were drawn up in full mode for 163 of the properties included in the perimeter (i.e. for 14.6% of the total number) and on the basis of analysis in desktop mode for the remaining properties (i.e. for 85.4% of the total number). The market value of the portfolio was estimated at a total of EUR 1,955.9 mln, which led to an overall write-down of real estate assets for EUR 52.5 mln, of which:

- write-downs for EUR 37.1mln referring to properties classified under IAS 16 for EUR 14.9 mln, properties classified under IAS 40 for EUR 1.1 mln and properties classified under IAS 2;
- revaluations relating to properties classified under IFRS 5 for EUR 0.5 mln.

The overall write-down was recognised as a balancing entry to:

- item 260 of the income statement - “Net gains (losses) from property, plant and equipment and intangible assets measured at fair value” for a total of EUR 28.8 mln gross of the related taxation;
- item 120 of the balance sheet - “Valuation reserve” for a total of EUR 23.7 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 determined on the basis of the income projections contained in the 2022-2026 Business Plan, approved by the Board of Directors of the Parent Company on 22 June 2022, taking into account the higher result for 2023 compared to that expected in the Plan. For more information in general concerning the methodological approach used by the Group in the valuation of deferred tax assets, please refer to par. 11.8 “Other information” in the Notes to the consolidated financial statements - Part B of the MPS Group’s 2022 Consolidated Financial Statements.

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 2023, 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.

Going concern

The Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2023 were prepared based on a going concern assumption.

After assessment of the evolution of the equity and liquidity positions, with regard to the indications provided 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 can reasonably expect that the Group will to continue operating as a going concern in the foreseeable future and therefore deemed it appropriate to prepare these Half-yearly Condensed Consolidated Financial Statements on the basis of the going concern assumption.

Scope and methods of consolidation

Investments in wholly-owned subsidiaries

		Name	Headquarters	Registered Office	Type of relationship (*)	Ownership Relationship		Available votes % (**)
						Held by	Shareholding %	
A		Companies						
A.0		BANCA MONTE DEI PASCHI DI SIENA S.p.a.	Siena	Siena				
		Companies consolidated on a line-by-line basis						
A.1		MONTE PASCHI FIDUCIARIA S.p.a.	Siena	Siena	1	A.0	100.00	
A.2		WISE DIALOG BANK S.p.a. - WIDIBA	Milan	Milan	1	A.0	100.00	
A.3		MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Castelnuovo Berardenga (SI)	Castelnuovo Berardenga (SI)	1	A.0	100.00	
A.4		G.IMM ASTOR S.r.l.	Lecce	Lecce	1	A.0	52.00	
A.5		AIACE REOCO S.r.l. in liquidazione	Siena	Siena	1	A.0	100.00	
A.6		MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantua	Mantua	1	A.0	100.00	
A.7		MONTE PASCHI BANQUE S.A.	Paris	Paris	1	A.0	100.00	
	7.1	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SEMPLIFIEE	Paris	Paris		A.7	100.00	
	7.2	IMMOBILIERE VICTOR HUGO S.C.I.	Paris	Paris		A.7	100.00	
A.8		MPS COVERED BOND S.r.l.	Conegliano	Conegliano	1	A.0	90.00	
A.9		MPS COVERED BOND 2 S.r.l.	Conegliano	Conegliano	1	A.0	90.00	
A.10		CIRENE FINANCE S.r.l.	Conegliano	Conegliano	1	A.0	60.00	
A.11		SIENA MORTGAGES 07-5 S.p.a.	Conegliano	Conegliano	2	A.0	7.00	
A.12		SIENA MORTGAGES 09-6 S.r.l.	Conegliano	Conegliano	2	A.0	7.00	
A.13		SIENA MORTGAGES 10-7 S.r.l.	Conegliano	Conegliano	2	A.0	7.00	
A.14		SIENA LEASE 2016 2 S.r.l.	Conegliano	Conegliano	2	A.0	10.00	
A.15		SIENA PMI 2016 S.r.l.	Conegliano	Conegliano	2	A.0	10.00	

(*) 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 2022 Consolidated Financial Statements, Part A "Accounting Policies".

The changes in the consolidation area compared to the situation as at 31 December 2022 are attributable to the exit of:

- MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.p.A., following its merger by incorporation into the Parent Company with legal effects from 24 April 2023;
- MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.A., following its merger by incorporation into the Parent Company with legal effects from 29 May 2023;

with backdating, for both, of the accounting and tax effects from 1 January 2023.

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.

Starting from 1 January 2023, the insurance associates AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni Vita S.p.A. simultaneously adopted for the first time the new accounting standard IFRS 17 "Insurance contracts", which came into force on 1 January 2023, and IFRS 9 "Financial instruments". The transition date is the beginning of the financial year immediately prior to that of first application (i.e. 1 January 2022).

The income statement and balance sheet values as at 30 June 2022 and 31 December 2022 relating to the value of the investees, recognised in the financial statements of the MPS Group using the synthetic equity method, were restated compared to those published at respective reporting dates, to guarantee a like-for-like comparison. The restatement of the comparative income statement and balance sheet data referring to 31 March 2022 and 30 September 2022 was estimated as it was not possible to accurately restate the specific retroactive effects for these periods. In addition, note that the balance sheet and income statement data as at 31 March 2023, prepared by the insurance associates, were estimated using proxies or simplified calculation models, given the higher cost of accounting processes compared to measurements under the versions of IFRS 4 and IAS 39 previously in force.

It should also be noted that, starting from the first quarter of 2023, the following reclassifications were no longer carried out due to the low materiality of the items impacted in the first case and a more precise and accurate analysis of the performance in the second:

- the economic effects of the Purchase Price Allocation (PPA) of past business combinations, which impacted the items "Net interest income", "Net value adjustments on property, plant and equipment and intangible assets" and "Income taxes for the period", are no longer recognised in the specific item (PPA) but remain in the economic items concerned;
- Rental income, previously reclassified to the item "Net value adjustments on property, plant and equipment and intangible assets", remain in the item "Other operating income/expenses".

The comparative periods were restated in order to allow a homogeneous comparison.

Note that, from December 2022, the amounts relating to repayments of interest and commissions to customers referring to past years and for which allocations were made to the provision for risks and charges as a balancing entry to the aforementioned income statement items, are reclassified under the item "Other net provisions for risks and charges". This reclassification was also adopted in the previous quarters of 2022 in order to allow a homogeneous comparison.

Lastly, personnel expenses relating to the Redundancy/Solidarity Fund and resulting reorganisation of the central and area coordination structures that began in November 2022 are recognised under the item "Restructuring costs/*One-off* costs".

Income statement data

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

- The item "**Net interest income**" was cleared of the portion relative to customer repayments of EUR -0.2 mln, for which provisions were made in the item "Other net provisions for risks and charges".
- The item "**Net fee and commission income**" includes the balance of financial statement item 40 "Fee and commission income", which was cleared of the portion of reimbursements to customers referring to previous years (EUR +3.5 mln), recognised under item "Other net provisions for risks and charges" and the balance of item 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 equity investment in the associate AXA, equivalent to EUR 41.9 mln, included in item 250 "Gains (losses) on investments". The aggregate is shown net of the dividends earned on equity securities other than equity investments (EUR 4.5 mln), reclassified in

item "Net profit from trading, 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" after deducting the contribution of loans to customers (EUR -0.2 mln) and 110 "Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss", net of the contribution from loans to customers (EUR -0.6 mln) and securities deriving from sale/securitisation transactions of non-performing loans (EUR +5.7 mln) posted to the reclassified item "Cost of customer credit".[12] In addition, the aggregate incorporates dividends earned on equity securities other than equity investments (EUR +4.5 mln).
- Item "**Net profit from hedging**" includes financial statement item 90 "Net profit from hedging".
- The item "**Other operating income (expense)**" includes the balance of income statement item 230 "Other operating expenses (income)" net of stamp duties and other expenses recovered from customers, which are restated under the reclassified item "Other administrative expenses" (EUR 95.6 mln).
- The Item "**Personnel expenses**" includes the balance of item 190a "Personnel expenses" from which net positive components for EUR 13.8 mln were 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 58.6 mln, resulting from the EU Deposit Guarantee Schemes Directive (hereinafter "DGSD") and Bank Recovery Resolution Directive (hereinafter "BRRD") for the resolution of bank crises, posted under the reclassified item "Risks and charges associated with SRF, DGS and similar schemes";
  - DTA fee, convertible into tax credit, for an amount of EUR 31.5 mln (posted to the reclassified item "DTA fee");
  - charges of EUR 10.2 mln, relating to initiatives also aimed at complying with the commitments undertaken with DG Comp, stated under reclassified item "Restructuring costs/ One-off costs".

  This item also includes the portion of stamp duty and other expenses recovered from customers (EUR 95.6 mln) posted under item 230 "Other operating expenses/income".
- Item "**Net value adjustments to property, plant and equipment and intangible assets**" includes the values of the financial statements items 210 "Net value adjustments/write-backs on property, plant and equipment" and 220 "Net value adjustments/write-backs on intangible assets".
- 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 -0.2 mln), 110b "Net profit (loss) on financial assets and liabilities measured at fair value as per mandatory requirements" (EUR -0.6 mln), 130a "Net impairment (losses)/reversals for credit risk on financial assets measured at amortised cost" (EUR -201.6 mln), 140 "Gains/losses from contractual changes without cancellation" (EUR -0.3 mln) and 200a "Net provisions for risks and charges - commitments and guarantees given" (EUR -7.9 mln). The item also includes the income statement components relating to securities deriving from the transfer/securitisation of non-performing loans recognised in item 110b "Net result of other financial assets measured at fair value as per mandatory requirements" (EUR +5.7 mln).
- The item "**Net impairment (losses)/reversals on securities and loans to banks**" includes the portion relating to securities (EUR +0.1 mln) and loans to banks (EUR +0.7 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".
- 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 -7.9 mln), which was included in the specific item "Cost of customer credit". The item also includes the reimbursements to customers relating to past years recognised in the financial statements under "Net interest income" for EUR -0.2 mln and "Fee and commission income" for EUR +3.5 mln.
- 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 investments in the associate AXA, equal to EUR 41.9 mln, reclassified under item "Dividends, similar income and gains (losses) on investments".

[12] 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".

- Item "**Restructuring costs/One-off costs**" includes the following amounts:
  - positive components of EUR 14.9 mln relating to departures through the early retirement plan or access to the Solidarity Fund accounted for in the financial statements in item 190a "Personnel expenses";
  - charges of EUR 1.1 mln relating to the Redundancy/Solidarity Fund and resulting reorganisation of the central and area coordination structures that began in November 2022, recognised in item 190a "Personnel expenses".
  - charges of EUR 10.2 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 Deposit Guarantee Schemes Directive (DGSD) and the Bank Recovery and Resolution Directive (BRRD), equivalent to EUR 58.6 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 31.5 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 "**Income taxes for the period**" includes the balance of item 300 "Income taxes for the period from current operations".

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 and loss", 40 "Financial assets measured at amortised cost" and 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 and 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".

- The asset item "**Derivatives**" includes the portion relating to derivatives of items 20 "Financial assets measured at fair value through profit or loss" and 50 "Hedging derivatives".

- Asset item "**Equity investments**" includes item 70 "Equity Investments" and the portion related to investments in 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.

- The liability item "**Due to customers**", includes financial statement item 10b "Financial liabilities measured at amortised cost - deposits from customers" and the component relating to customer securities of financial statement 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 - Deposits from banks" relating to operations with central banks;
- liability item "**Due to banks**" includes the portion of item 10a "Financial liabilities measured at amortised cost - Deposits from 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 items 50 "Change in value of macro-hedged financial liabilities", 70 "Liabilities associated with disposal groups" and 80 "Other liabilities".

The liability item "**Group Net equity**" 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 2023	30 06 2022*	Change	
			Abs.	%
Net interest income	1,082.8	658.5	424.3	64.4%
Net fee and commission income	670.0	728.9	(59.0)	-8.1%
Income from banking activities	**1,752.8**	**1,387.5**	**365.3**	**26.3%**
Dividends, similar income and gains (losses) on investments	53.1	51.2	1.9	3.7%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	47.1	82.4	(35.3)	-42.9%
Net profit (loss) from hedging	0.1	7.8	(7.7)	-98.7%
Other operating income (expenses)	(1.9)	23.9	(25.8)	n.m.
Total Revenues	**1,851.2**	**1,552.8**	**298.4**	**19.2%**
Administrative expenses:	(827.3)	(980.5)	153.2	-15.6%
a) personnel expenses	(574.4)	(712.6)	138.3	-19.4%
b) other administrative expenses	(252.9)	(267.9)	14.9	-5.6%
Net value adjustments to property, plant and equipment and intangible assets	(86.5)	(93.9)	7.4	-7.9%
Operating expenses	**(913.8)**	**(1,074.4)**	**160.6**	**-14.9%**
Pre-Provision Operating Profit	**937.4**	**478.4**	**459.0**	**95.9%**
Cost of customer credit	**(204.9)**	**(224.9)**	**20.0**	**-8.9%**
Net impairment (losses)/reversals on securities and loans to banks	**1.6**	**1.7**	**(0.1)**	**-5.9%**
Net operating income	**734.1**	**255.2**	**478.9**	**n.m.**
Other net provisions for risks and charges	(2.4)	(79.1)	76.7	-97.0%
Other gains (losses) on equity investments	(1.3)	1.2	(2.5)	n.m.
Restructuring costs / One-off costs	3.6	(3.1)	6.6	n.m.
Risks and charges associated to the SRF, DGS and similar schemes	(58.6)	(88.7)	30.1	-33.9%
DTA Fee	(31.5)	(31.4)	(0.0)	0.1%
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(28.8)	(10.8)	(18.0)	n.m.
Gains (losses) on disposal of investments	0.2	0.8	(0.6)	-75.0%
Profit (Loss) for the period before tax	**615.3**	**44.1**	**571.2**	**n.m.**
Income tax for the period	3.6	8.9	(5.3)	-59.6%
Profit (Loss) after tax	**618.9**	**53.0**	**565.9**	**n.m.**
Net profit (loss) for the period including non-controlling interests	**618.9**	**53.0**	**565.9**	**n.m.**
Net profit (loss) attributable to non-controlling interests	(0.1)	(0.1)	-	n.m.
Parent company's net profit (loss) for the period	**619.0**	**53.1**	**565.9**	**n.m.**

** The income statement values as at 30 June 2022 were restated compared to those published at the reporting date, following (i) the discontinued application of reclassifications on PPA and Rents, (ii) the introduction of the reclassification to "Other net provisions for risks and charges" of reimbursements of interest and commissions to customers referring to previous years and for which allocations had been made to the provision for risks and charges as a balancing entry to the aforementioned income statement items and (iii) the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the insurance associates.*

Quarterly trend in reclassified consolidated income statement

MONTEPASCHI GROUP	2023		2022*			
	2°Q 2023	1°Q 2023	4°Q 2022	3°Q 2022	2°Q 2022	1°Q 2022
Net interest income	578.3	504.5	498.4	378.7	336.3	322.2
Net fee and commission income	338.3	331.7	309.0	326.7	359.5	369.5
Income from banking activities	**916.6**	**836.2**	**807.4**	**705.4**	**695.8**	**691.7**
Dividends, similar income and gains (losses) on investments	34.4	18.7	30.2	30.2	24.0	27.2
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	22.0	25.1	0.4	(8.6)	6.9	75.6
Net profit (loss) from hedging	(0.5)	0.6	(2.4)	0.8	3.2	4.6
Other operating income (expenses)	(0.2)	(1.7)	3.3	0.3	23.7	0.2
Total Revenues	**972.3**	**878.9**	**838.9**	**728.1**	**753.6**	**799.2**
Administrative expenses:	(406.2)	(421.1)	(459.9)	(480.3)	(488.8)	(491.7)
a) personnel expenses	(286.7)	(287.6)	(326.9)	(354.0)	(356.8)	(355.9)
b) other administrative expenses	(119.5)	(133.5)	(132.9)	(126.3)	(132.0)	(135.8)
Net value adjustments to property, plant and equipment and intangible assets	(43.0)	(43.5)	(46.5)	(47.1)	(46.6)	(47.3)
Operating expenses	**(449.2)**	**(464.6)**	**(506.4)**	**(527.4)**	**(535.4)**	**(539.0)**
Pre-Provision Operating Profit	**523.1**	**414.3**	**332.6**	**200.7**	**218.2**	**260.2**
Cost of customer credit	**(97.7)**	**(107.2)**	**(96.9)**	**(95.1)**	**(113.7)**	**(111.3)**
Net impairment (losses)/reversals on securities and loans to banks	**0.1**	**1.5**	**(2.5)**	**(0.3)**	**2.1**	**(0.4)**
Net operating income	**425.5**	**308.6**	**233.1**	**105.3**	**106.6**	**148.5**
Other net provisions for risks and charges	4.1	(6.5)	(40.7)	121.8	(50.1)	(29.0)
Other gains (losses) on equity investments	0.3	(1.6)	-	2.5	(0.7)	1.9
Restructuring costs / One-off costs	9.7	(6.2)	(2.9)	(925.4)	(2.9)	(0.2)
Risks and charges associated to the SRF, DGS and similar schemes	(0.2)	(58.4)	(7.5)	(83.5)	-	(88.7)
DTA Fee	(15.7)	(15.7)	(15.8)	(15.7)	(15.7)	(15.8)
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(28.9)	0.1	(20.3)	-	(10.8)	-
Gains (losses) on disposal of investments	0.2	-	-	-	0.9	(0.1)
Profit (Loss) for the period before tax	**395.0**	**220.3**	**145.9**	**(795.1)**	**27.4**	**16.8**
Income tax for the period	(11.8)	15.4	10.1	407.6	3.0	5.9
Profit (Loss) after tax	**383.2**	**235.7**	**156.0**	**(387.5)**	**30.4**	**22.7**
Net profit (loss) for the period including non-controlling interests	**383.2**	**235.7**	**156.0**	**(387.5)**	**30.4**	**22.7**
Net profit (loss) attributable to non-controlling interests	(0.1)	-	-	-	(0.1)	-
Parent company's net profit (loss) for the period	**383.3**	**235.7**	**156.0**	**(387.5)**	**30.5**	**22.7**

** The income statement values relative to the quarters of 2022 were restated, compared to those published at the respective reference dates, following (i) the discontinued application of the reclassifications on PPA and Rents, (ii) the introduction from December 2022 of the reclassification to "Other net provisions for risks and charges" of the reimbursements of interest and commissions to customers referring to previous years and for which allocations had been made to the provision for risks and charges as a balancing entry to the aforementioned income statement items and (iii) the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the insurance associates.*

Revenue trends

As at 30 June 2023, the Group achieved total **Revenues** of **EUR 1,851 mln**, up 19.2% compared to the same period of last year.

This trend is attributable to the growth in Net Interest Income which, as regards lending, benefits from the favourable interest rate scenario, in a context of careful monitoring of the cost of funding. The positive performance of Net interest income was only partially offset by the decrease in Net fee and commission income, recorded above all on income from asset management, and the lower contribution of Other revenues from financial operations (which in the first half of 2022 incorporated substantial profits deriving from the disposal of securities classified in the Parent Company's banking book) and Other operating income and expenses.

Revenues in the second quarter of 2023 also recorded growth compared to the previous quarter (+10.6%), driven by net interest income (+14.6%); net fee and commission income also increased (+2.0%).

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

SEGMENT REPORTING	Operating Segments											
Primary segment	Retail banking		Wealth Management		Corporate banking		Large Corp. & Investment Banking		Corporate Center		Total Montepaschi Group	
(EUR mln)	30/06/23	Chg % Y/Y	30/06/23	Chg % Y/Y	30/06/23	Chg % Y/Y	30/06/23	Chg % Y/Y	30/06/23	Chg % Y/Y	30/06/23	Chg % Y/Y*
PROFIT AND LOSS AGGREGATES												
Net interest income	476.6	n.m.	23.7	n.m.	460.3	n.m.	65.6	-16.2%	56.7	-71.2%	1,082.8	64.4%
Net fee and commission income, of which	379.7	-12.7%	55.8	-5.5%	240.5	-1.6%	26.4	-3.1%	(32.5)	-12.3%	670.0	-8.1%
Fee and commission income	*418.3*	-11.9%	*56.4*	-5.4%	*250.0*	-2.6%	*45.2*	-8.3%	*9.7*	n.m.	*779.6*	*-7.4%*
Fee and commission expense	*(38.6)*	-2.0%	*(0.5)*	12.8%	*(9.5)*	-22.7%	*(18.8)*	-14.8%	*(42.2)*	8.9%	*(109.6)*	*-2.9%*
Other Revenues from Banking and Insurance Business	33.6	15.7%	8.4	8.0%	11.2	2.7%	31.2	n.m.	15.8	-83.2%	100.3	-29.1%
Other operating expenses/income	(1.2)	n.m.	(0.2)	n.m.	(2.0)	-15.4%	0.8	-2.1%	0.8	-95.6%	(1.9)	n.m.
Total Revenue	888.8	41.2%	87.8	26.0%	710.0	48.8%	124.0	17.3%	40.7	-85.0%	1,851.2	19.2%

* *The income statement values for the Group as at 30 June 2022, on which YoY changes were calculated, were redetermined, compared to those published at the respective reference dates, following (i) the discontinued application of the reclassifications on PPA and Rents, (ii) the introduction from December 2022 of the reclassification to "Other net provisions for risks and charges" of the reimbursements of interest and commissions to customers referring to previous years and for which allocations had been made to the provision for risks and charges as a balancing entry to the aforementioned income statement items and (iii) the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the insurance associates.*

Net Interest Income as at 30 June 2023 amounted to **EUR 1,083 mln**, up compared to the same period of 2022 (+64.4%). This growth was mainly driven by (i) the greater contribution of the commercial sector, which benefited from higher interest income on loans, generated by the increase in interest rates, only partially offset by the higher interests on collections; (ii) the higher contribution of the portfolio of securities, following higher returns. On the other hand, the contribution from relations with central banks was down compared to last year, following the ECB's monetary policy decisions, which introduced a rise in reference rates and some changes, starting from 23 November 2022, to the terms and conditions applied to the existing TLTRO III auctions. In fact, a cost of EUR 284 mln (plus a further EUR 2 mln in interest expense relating to MRO auctions of 28 June 2023) was recorded on the latter in the first half of 2023, compared to the benefit of EUR 145 mln recorded in the same period of the previous year; this effect was only partially offset by the benefit on liquidity deposited with central banks, equal to EUR 218 mln as at 30 June 2023 compared to the cost of EUR 48 mln as at 30 June 2022. The cost of market funding also increased, especially as a result of the rise in rates.

In the second quarter of 2023, net interest income also increased compared to the previous quarter (+14.6%) thanks to the higher contribution of commercial loans (which continue to benefit from the rate increase), combined with careful monitoring of funding costs. The reduction in the net cost of relations with central banks also impacted the positive quarterly trend of net interest income, due to the greater benefit on liquidity deposited (EUR 131 mln in the second quarter of 2023 compared to EUR 87 mln in the previous quarter), partially offset by higher interest expense on TLTRO auctions (EUR 144 mln in the second quarter of 2023 and EUR 140 mln in the first quarter of 2023, respectively) and by the cost of MRO auctions (EUR 2 mln in the second quarter of 2023).

Items	30 06 2023	30 06 2022*	Chg. Y/Y		2°Q 2023	1°Q 2023	Chg. Q/Q	
			abs.	%			abs.	%
Loans to customers measured at amortised cost	1,172.3	650.1	522.2	80.3%	597.9	574.4	23.5	4.1%
Loans to Banks measured at amortised cost	36.3	(2.2)	38.5	n.m.	110.6	(74.4)	185.0	n.m.
Loans to Central Banks	(68.0)	97.3	(165.3)	n.m.	(14.9)	(53.0)	38.1	-71.8%
Government securities and other non-bank issuers at amortised cost	100.3	55.6	44.7	80.4%	52.4	47.9	4.5	9.4%
Securities issued	(172.9)	(159.0)	(13.9)	8.7%	(93.0)	(79.9)	(13.1)	16.4%
Hedging derivatives	(64.6)	(32.5)	(32.1)	98.8%	(28.4)	(36.2)	7.8	-21.5%
Trading portfolios	27.1	18.9	8.2	43.4%	15.5	11.6	3.9	33.6%
Portfolios measured at fair value	3.7	3.0	0.7	23.3%	2.1	1.6	0.5	31.3%
Financial assets measured at fair value through other comprehensive income	23.6	21.2	2.4	11.3%	11.5	12.1	(0.6)	-5.0%
Other financial assets and liabilities	25.0	6.1	18.9	n.m.	(75.4)	100.4	(175.8)	n.m.
Net interest income	**1,082.8**	**658.5**	**424.3**	**64.4%**	**578.3**	**504.5**	**73.8**	**14.6%**
of which: interest income on impaired financial assets	*36.9*	*28.8*	*8.1*	*28.1%*	*19.5*	*17.4*	*2.1*	*12.1%*

* *The income statement values relative to quarters in 2022 were restated, compared to those published at the respective reference dates, following (i) the discontinued application of the reclassifications on PPA and Rents and (ii) the introduction from December 2022 of the reclassification to "Other net allocations to provisions for risks and charges" of the reimbursements of interest and commissions to customers referring to previous years and for which allocations had been made to the provision for risks and charges as a balancing entry to the aforementioned income statement items.*

Net fee and commission income as at 30 June 2023, totalling **EUR 670 mln**, declined compared to the same period of the previous year (-8.1%). This decrease is mainly attributable to income from asset management (-13.6%), in which the lower commissions from asset management were offset by the higher commissions recorded on the securities service due to customers' renewed interest in fixed-rate investments (mainly government bonds). Fee and commission income from traditional banking services, mainly credit, also fell also as a result of the enhancement of the internal consumer finance factory, fully operational since last year (and which obviously partly penalised the intermediation of third-party products).
Revenues in the second quarter of 2023 were up compared to the previous quarter (+2.0%) mainly due to higher fees and commissions on assets under custody, the growth in income from loans and higher commissions on payment services recognised under fees and commissions on services. The income from Asset under management shows a decline, in particular in fees from product placement, only partially offset by an increase in continuing fees.

Services/value	30 06 2023	30 06 2022*	Change Y/Y		2°Q 2023	1°Q 2023	Change Y/Y	
			abs.	%			abs.	%
Assets under management fees	**304.1**	**352.0**	**(47.9)**	**-13.6%**	**150.6**	**153.5**	**(2.9)**	**-1.9%**
Product placement	71.5	112.9	(41.4)	-36.7%	33.1	38.4	(5.3)	-13.8%
Continuing fees	190.0	199.0	(9.0)	-4.5%	95.2	94.8	0.4	0.4%
Placement of securities	23.0	18.3	4.6	25.3%	12.3	10.7	1.6	15.3%
Sales of Protection	19.6	21.7	(2.2)	-9.9%	10.0	9.6	0.3	3.6%
Fee and commissions from traditional activities	**407.6**	**428.0**	**(20.4)**	**-4.8%**	**204.2**	**203.4**	**0.8**	**0.4%**
Credit fees	165.0	182.0	(17.0)	-9.3%	83.2	81.8	1.3	1.6%
Fees from foreign service	31.7	31.4	0.3	0.9%	15.3	16.4	(1.1)	-6.8%
Other services	210.9	214.6	(3.7)	-1.7%	105.7	105.2	0.5	0.5%
Other fee and commission income	**(41.8)**	**(51.1)**	**9.4**	**-18.3%**	**(16.4)**	**(25.3)**	**8.9**	**-35.0%**
Net fees and commission income	**670.0**	**728.9**	**(59.0)**	**-8.1%**	**338.3**	**331.7**	**6.7**	**2.0%**

* *The income statement values as of 30 June 2022 were restated, compared to those published at the respective reference date, following the introduction from December 2022 of the reclassification to "Other provisions net to provisions for risks and charges" of the reimbursements of interest and commissions to customers referring to previous years and for which allocations had been made to the provision for risks and charges as a balancing entry to the aforementioned income statement items.*

The table below shows the trend in fees and commissions income for each of the operating segments identified.

SEGMENT REPORTING	Operating segments					
Primary segment	Retail banking	Wealth Management	Corporate banking	Large Corp. & Investment Banking	Corporate Center	Total Montepaschi Group
	30/06/23	30/06/23	30/06/23	30/06/23	30/06/23	30/06/23
Assets under management fees	**244.5**	**50.9**	**9.7**	**0.1**		**305.3**
Product placement	64.3	5.9	1.4	0.0		71.6
Continuing fees	144.5	41.2	4.3	0.1		190.0
Placement of securities	19.3	3.8	0.9	0.0		24.0
Sales of Protection	16.4	0.1	3.1	0.0		19.6
Fee and commissions from traditional activities	**168.8**	**3.1**	**233.7**	**26.7**		**432.3**
Credit fees	26.0	0.9	128.3	19.6		174.8
Fees from foreign service	2.8	0.1	25.8	5.9		34.7
Other services	140.0	2.1	79.5	1.2		222.9
Other fee and commission income	5.0	2.3	6.6	18.4	9.7	42.0
Net fees and commission income	**418.3**	**56.4**	**250.0**	**45.2**	**9.7**	**779.6**

A total of 39.6% of the Group's **Fee and commission income** by Operating segments derives from products (placement, continuing, securities service and protection), 22.7% from loans (granting and utilisation) and 37.7% from services (account maintenance, payments, etc.).

More specifically, 58.5% of Retail banking fee and commission income is attributable to product fees and commissions, 6.2% to income from loans and 35.3% to fees and commissions on services. Wealth Management fee and commission income essentially refers to the product component (90.3%); Corporate banking fee and commission income is instead mainly concentrated on the credit (51.3%) and services (44.8%) components. Large Corporate & Investment banking fee and commission income essentially refers to the credit (43.3%) and services (56.5%).

Dividends, similar income and gains (losses) on equity investments amounted to **EUR 53 mln**, up by EUR 2 mln compared to 30 June 2022. The trend is attributable to the higher income generated by insurance investments in AXA associates. The result for the second quarter of 2023 was up compared to the previous quarter (EUR +16 mln), in relation to the higher contribution from the aforementioned AXA companies, in addition to a higher dividend yield.

Net profit (loss) from trading, fair value measurement of assets/liabilities and gains on disposals/repurchase as at 30 June 2023 amounted to **EUR 47 mln**, a decrease of EUR 35 mln compared to the values recorded in the same period of the previous year (inclusive of consistent profits on the transfer of securities), and with a contribution in the second quarter of 2023 down by EUR 3 mln compared to the previous quarter. The analysis of the main aggregates shows the following:

- **Net profit (loss) from trading** was a profit of **EUR 49 mln**, compared to near zero in the same period of the previous year; the growth refers to the stronger contribution of trading activities (also as a result of the rates increase) and the higher value of derivatives hedging the fair value option bond liabilities. The increase in value of these derivatives is offset by the lower benefit generated by the reduction in value of the corresponding hedged bond liabilities recorded under the item "Net profit (loss) from other assets/liabilities measured at fair value through profit or loss". The result for the second quarter of 2023 was down on that of the previous quarter (EUR -13 mln).
- **Net profit (loss) from other assets/liabilities measured at fair value** through profit or loss recorded a loss of EUR 2 mln, down compared the final figure of EUR 34 mln for the same period of the previous year. The trend was impacted by losses on certain UCITS and debt securities recorded in the first quarter of 2023 (compared to the gains in the first half of 2022) and lower benefits linked to the reduction in value of fair value option bond liabilities which, as mentioned above, are offset by the reversal recorded in the corresponding hedging derivatives (recognised in the item "Net profit (loss) from trading"). The contribution of the second quarter of 2023 was up by EUR 10 mln compared to the previous quarter, which was affected in particular by the aforementioned capital losses on UCITS and debt securities.
- **Gains (losses) from disposal/repurchase** (excluding loans to customers at amortised cost) **were essentially zero** (EUR 0.1 mln in both quarters of 2023), in line with the portfolio management strategy; the figure in the first half of 2022 (EUR 49 mln) included gains achieved from the sale of government bonds in the Parent Company's portfolio of Financial assets measured at amortised cost.

Items	30 06 2023	30 06 2022	Chg. Y/Y		2°Q 2023	1°Q 2023	Chg. Q/Q	
			abs.	%			abs.	%
Financial assets held for trading	100.7	(268.1)	368.8	n.m.	47.9	52.8	(4.9)	-9.3%
Financial liabilities held for trading	(49.9)	223.8	(273.7)	n.m.	4.6	(54.5)	59.1	n.m.
Exchange rate effects	(0.3)	9.0	(9.3)	n.m.	(6.0)	5.7	(11.7)	n.m.
Derivatives	(1.9)	35.2	(37.1)	n.m.	(28.9)	27.0	(55.9)	n.m.
Trading results	**48.6**	**(0.1)**	**48.7**	**n.m.**	**17.6**	**31.0**	**(13.4)**	**-43.2%**
Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss	(1.7)	33.8	(35.5)	n.m.	4.3	(6.0)	10.3	n.m.
Disposal / repurchase (excluding loans to customers measured at amortised cost)	0.2	48.7	(48.5)	-99.6%	0.1	0.1	-	0.0%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	**47.1**	**82.4**	**(35.3)**	**-42.9%**	**22.0**	**25.1**	**(3.1)**	**-12.4%**

The following items are also included in Revenues:

- **Net hedging gains (losses)** were essentially **zero** (compared to the positive result of EUR 8 mln in the same period of the previous year), with a contribution in the second quarter of 2023 of EUR -1 mln (compared to the positive EUR 1 mln in the previous quarter);

- **Other operating income/expenses recorded expenses for EUR 2 mln** (compared to the income of EUR 24 mln in the same period of the previous year), with a near zero contribution in the second quarter of 2023 (an improvement of EUR 2 mln on the previous quarter).

Operating expenses

As at 30 June 2023, **Operating expenses** amounted to **EUR 914 mln**, down compared to the first half of 2022 (-14.9%); the contribution of the second quarter of 2022 was also down compared to the previous quarter (-3.3%). A closer look at the individual aggregates reveals the following:

- **Administrative expenses** amounted to **EUR 827 mln**, down compared to the first half of 2022 (-15.6%), with a contribution in the second quarter of 2023 down compared to the previous quarter (-3.5%). A breakdown of the aggregate shows:

    - **Personnel expenses**, amounting to **EUR 574 mln**, were down compared to the corresponding period in the previous year (-19.4%), benefiting from the downward trend in the workforce, mainly due to the exits through Early retirement plan/access to the Solidarity Fund, pursuant to the agreement with the trade unions executed on 4 August 2022. The contribution of the second quarter of 2023 was essentially in line with the first quarter.
    - **Other administrative expenses**, amounting to **EUR 253 mln**, were down compared to 30 June 2022 (-5.6%), also thanks to the implementation of a rigorous expenditure management process. The contribution of the second quarter of 2023 also showed a reduction compared to the previous quarter (-10.5%).

- **Net adjustments to property, plant and equipment and intangible assets** amounted to **EUR 87 mln** as at 30 June 2023, down compared to 30 June 2022 (-7.9%); the contribution of the second quarter of 2023 also showed a decrease compared to the previous quarter (-1.1%).

Type of transaction	30 06 2023	30 06 2022*	Chg Y/Y		2°Q 2023	1°Q 2023	Chg Q/Q	
			Abs.	%			Abs.	%
Wages and salaries	(410.9)	(512.5)	101.6	-19.8%	(205.1)	(205.8)	0.7	-0.3%
Social-welfare charges	(114.0)	(140.0)	26.0	-18.6%	(56.4)	(57.6)	1.2	-2.1%
Other personnel expenses	(49.5)	(60.1)	10.7	-17.7%	(25.2)	(24.2)	(1.0)	4.1%
Personnel expenses	**(574.4)**	**(712.6)**	**138.3**	**-19.4%**	**(286.7)**	**(287.6)**	**0.9**	**-0.3%**
Taxes	(103.3)	(111.3)	8.0	-7.2%	(52.3)	(51.0)	(1.3)	2.5%
Furnishing, real estate and security expenses	(48.3)	(42.5)	(5.8)	13.6%	(20.7)	(27.6)	6.9	-25.0%
General operating expenses	(91.9)	(94.9)	3.0	-3.2%	(41.5)	(50.4)	8.9	-17.7%
Information technology expenses	(62.7)	(65.6)	2.9	-4.4%	(34.2)	(28.5)	(5.7)	20.0%
Legal and professional expenses	(31.2)	(38.3)	7.1	-18.5%	(15.4)	(15.8)	0.4	-2.5%
Indirect personnel costs	(2.0)	(2.5)	0.5	-20.0%	(1.3)	(0.7)	(0.6)	85.7%
Insurance	(8.8)	(10.3)	1.5	-14.6%	(4.2)	(4.6)	0.4	-8.7%
Advertising, sponsorship and promotions	(4.2)	(1.5)	(2.7)	n.m.	(0.7)	(3.5)	2.8	-80.0%
Other	3.9	(10.2)	14.0	n.m.	1.8	2.0	(0.2)	-11.2%
Expenses recovery	95.6	109.2	(13.6)	-12.5%	49.0	46.6	2.4	5.2%
Other administrative expenses	**(252.9)**	**(267.9)**	**14.9**	**-5.6%**	**(119.5)**	**(133.5)**	**14.0**	**-10.5%**
Property, plant and equipment	(54.5)	(60.1)	5.6	-9.3%	(27.5)	(27.0)	(0.5)	1.9%
Intangible assets	(32.0)	(33.8)	1.8	-5.3%	(15.5)	(16.5)	1.0	-6.1%
Net value adjustments to property, plant and equipment and intangible assets	**(86.5)**	**(93.9)**	**7.4**	**-7.9%**	**(43.0)**	**(43.5)**	**0.5**	**-1.1%**
Operating expenses	**(913.8)**	**(1,074.4)**	**160.6**	**-14.9%**	**(449.2)**	**(464.6)**	**15.4**	**-3.3%**

* *The income statement values as at 30 June 2022 were restated, compared to those published at the reporting date, following the discontinued application of the reclassifications on PPA and Rents.*

As a result of these trends, the Group's **Gross Operating Income** amounted to **EUR 937 mln,** up compared to 30 June 2022 (EUR 478 mln). The contribution for the second quarter (EUR 523 mln) was also up compared to the previous quarter (EUR 414 mln).

Cost of customer credit

At 30 June 2023, the Group recognised a **Cost of customer credit** equal to **EUR 205 mln**, marking a decrease compared to the EUR 225 mln recorded in the same period of the previous year. The contribution for the second quarter of 2023 shows a decrease compared to the previous quarter (-8.9%), despite the further increase in overlays.
As at 30 June 2023, the ratio between the annualised 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 stable trend, with a **Provisioning Rate** of **54 bps** (55 bps as at 31 March 2023 and as at 31 December 2022).

Items	30 06 2023	30 06 2022	Chg. Y/Y		2°Q 2023	1°Q 2023	Chg. Q/Q	
			abs.	%			abs.	%
Loans to customers measured at amortised cost	(195.9)	(226.6)	30.7	-13.5%	(101.2)	(94.7)	(6.5)	6.9%
Modification gains/(losses)	(0.3)	1.1	(1.4)	n.m.	(0.1)	(0.2)	0.1	-50.0%
Gains/(losses) on disposal/repurchase of loans to customers measured at amortised cost	(0.2)	1.5	(1.7)	n.m.	(0.2)	(0.0)	(0.1)	n.m.
Net change of Loans to customers mandatorily measured at fair value	(0.6)	5.7	(6.3)	n.m.	0.5	(1.1)	1.6	n.m.
Net provisions for risks and charges on commitments and guarantees issued	(7.9)	(6.6)	(1.3)	19.7%	3.3	(11.2)	14.5	n.m.
Cost of customer credit	**(204.9)**	**(224.9)**	**20.0**	**-8.9%**	**(97.7)**	**(107.2)**	**9.6**	**-8.9%**

The **Net Operating Income** of the Group as at 30 June 2023 stood at **EUR 734 mln**, compared to EUR 255 mln in the first half of 2022. The contribution for the second quarter of 2023 was EUR 426 mln, up from EUR 309 mln in the previous quarter.

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

The **Net profit (loss) for the year** included the following items:

- **Other net provisions for risks and charges** equal to **EUR -2 mln** in the first half of 2023, in reduction compared to the same period of the previous year. The contribution of the second quarter of 2023 was up by EUR 11 mln compared to the previous quarter.
- **Other gains (losses) on investments** equal to **EUR -1 mln** (including the impairment recorded in the first quarter of 2023 on a Group equity investment), against profit of EUR 1 mln recorded in the first half of the previous year. The contribution of the second quarter of 2023 is an improvement of EUR 2 mln compared to the previous quarter, which included the aforementioned impairment.
- **Restructuring costs/One-off costs**, positive at **EUR 4 mln**, compared to the negative EUR -3 mln recorded in the first half of 2022. The positive contribution of the second quarter of 2023 is an improvement of EUR 16 mln compared to the previous quarter.
- **Risks and charges associated with SRF, DGS and similar schemes,** amounting to **EUR -59 mln**, comprising the contribution due from the Group to the Single Resolution Fund (SRF) recognised in the first quarter of 2023, down compared to the amount of EUR -89 mln recorded in the same period of 2022.
- **DTA fee**, amounting to **EUR -31 mln**, essentially unchanged compared to the same period of the previous year; the contribution for the second quarter of 2023 was also in line with the previous quarter. This amount, determined according to the criteria set forth in Italian Law Decree 59/2016, converted into Law no. 119 of 30 June 2016, represents the fee as at 30 June 2023 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 -29 mln** (all recognised in the second quarter of 2023), due to the periodic revaluation of the real estate properties, compared to the contribution of EUR -11 mln recorded in the same period of 2022.

- **Gains (losses) on disposal of investments**, with a **near zero contribution** in both quarters of 2023, down slightly compared to the first half of 2022 (gains of EUR 0.8 mln).

As a result of the trends highlighted above, the Group's **profit before tax for the period** amounted to **EUR 615 mln**, up compared to the Pre-tax profit of EUR 44 mln recorded in the corresponding period of 2022. The result for the second quarter of 2023 was EUR 395 mln, up compared to EUR 220 mln in the previous quarter.

Income taxes for the period recorded a positive contribution of **EUR 4 mln** (a positive EUR 9 mln as at 30 June 2022), mainly attributable to the valuation of DTAs net of tax relative to the economic result for the first half of the year.

As a result of the trends described above, the **Parent Company's profit for the period amounted to EUR 619 mln** as at 30 June 2023, compared to a profit of EUR 53 mln in the first half of 2022. The result for the second quarter, equal to EUR 383 mln, was up compared to the previous quarter (EUR 236 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	8,253.6	670.2
of which Parent Company's valuation reserves	*(13.2)*	-
Impact of line-by-line consolidation of subsidiaries	(48.1)	26.9
Impact of consolidation of jointly controlled entities and associates	89.5	40.4
Reversal of dividends from subsidiaries	-	(116.5)
Reversal of written-down equity investments	190.3	1.7
Other adjustments	19.4	(3.8)
Subsidiaries' and associates' valuation reserves	(5.2)	-
Consolidated balance	**8,499.5**	**619.0**
of which valuation reserves	*(18.4)*	

Reclassified balance sheet

The (i) reclassified balance sheet as at 30 June 2023 compared with the balances set forth in the financial statements as at 31 December 2022 and (ii) the statement of its quarterly evolution starting from the first quarter of the previous year are provided below.

Reclassified Consolidated Balance Sheet

Assets	30 06 2023	31 12 2022*	Chg	
			abs.	%
Cash and cash equivalents	11,769.1	12,538.6	(769.5)	-6.1%
Loans to central banks	544.1	628.1	(84.0)	-13.4%
Loans to banks	2,237.9	1,950.1	287.8	14.8%
Loans to customers	76,056.0	76,265.3	(209.3)	-0.3%
Securities assets	19,589.7	18,393.6	1,196.1	6.5%
Derivatives	3,023.6	3,413.6	(390.0)	-11.4%
Equity investments	677.3	750.7	(73.4)	-9.8%
Property, plant and equipment/Intangible assets	2,495.8	2,604.0	(108.2)	-4.2%
of which: goodwill	*7.9*	*7.9*	-	*0.0%*
Tax assets	2,065.6	2,216.4	(150.8)	-6.8%
Other assets	2,342.0	1,474.9	867.1	58.8%
Total assets	**120,801.1**	**120,235.3**	**565.8**	**0.5%**

Liabilities	30 06 2023	31 12 2022*	Chg	
			abs.	%
Direct funding	84,142.3	81,997.6	2,144.7	*2.6%*
a) Due to customers	74,726.7	73,356.8	1,369.9	1.9%
b) Securities issued	9,415.6	8,640.8	774.8	*9.0%*
Due to central banks	15,283.4	19,176.9	(3,893.5)	-20.3%
Due to banks	1,897.7	2,205.9	(308.2)	-14.0%
On-balance-sheet financial liabilities held for trading	2,859.9	2,567.2	292.7	11.4%
Derivatives	1,554.5	1,722.9	(168.4)	*-9.8%*
Provisions for specific use	1,523.3	1,585.7	(62.4)	-3.9%
a) Provision for staff severance indemnities	67.7	70.2	(2.5)	-3.6%
b) Provision related to guarantees and other commitments given	148.6	142.5	6.1	4.3%
c) Pension and other post-retirement benefit obligations	3.7	26.6	(22.9)	-86.1%
d) Other provisions	1,303.3	1,346.4	(43.1)	-3.2%
Tax liabilities	7.0	6.6	0.4	6.1%
Other liabilities	5,032.7	3,111.5	1,921.2	61.7%
Group net equity	8,499.5	7,860.1	639.4	8.1%
a) Valuation reserves	(18.4)	(30.6)	12.2	-39.8%
d) Reserves	445.4	615.5	(170.1)	-27.6%
f) Share capital	7,453.5	7,453.5	-	0.0%
h) Net profit (loss) for the period	619.0	(178.4)	797.4	n.m.
Non-controlling interests	0.8	0.9	(0.1)	-11.1%
Total Liabilities and Shareholders' Equity	**120,801.1**	**120,235.3**	**565.8**	**0.5%**

* *The balance sheet values as at 31 December 2022 were restated, compared to those published at the reporting date, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the insurance associates.*

Reclassified Consolidated Balance Sheet - Quarterly Trend						
Assets	**30 06 2023**	**31 03 2023**	**31 12 2022***	**30 09 2022***	**30 06 2022***	**31 03 2022***
Cash and cash equivalents	11,769.1	14,512.4	12,538.6	16,540.4	1,518.8	1,791.0
Loans to central banks	544.1	656.4	628.1	4,426.4	17,626.5	15,392.8
Loans to banks	2,237.9	2,125.8	1,950.1	2,715.5	1,432.1	2,424.9
Loans to customers	76,056.0	77,755.6	76,265.3	77,939.1	78,621.7	79,259.7
Securities assets	19,589.7	18,652.3	18,393.6	19,794.3	22,312.7	23,382.2
Derivatives	3,023.6	3,215.9	3,413.6	3,521.3	3,029.2	2,352.6
Equity investments	677.3	772.0	750.7	691.9	693.5	953.7
Property, plant and equipment/Intangible assets	2,495.8	2,567.1	2,604.0	2,639.5	2,666.1	2,718.5
of which: goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Tax assets	2,065.6	2,219.7	2,216.4	2,205.7	1,769.3	1,798.0
Other assets	2,342.0	1,808.8	1,474.9	1,317.1	1,645.0	1,904.2
Total assets	**120,801.1**	**124,286.0**	**120,235.3**	**131,791.2**	**131,314.9**	**131,977.6**

Liabilities	**30 06 2023**	**31 03 2023**	**31 12 2022***	**30 09 2022***	**30 06 2022***	**31 03 2022***
Direct funding	84,142.3	84,067.0	81,997.6	83,805.1	84,305.1	84,428.2
a) Due to customers	74,726.7	74,708.3	73,356.8	75,164.3	74,940.9	74,992.2
b) Securities issued	9,415.6	9,358.7	8,640.8	8,640.8	9,364.2	9,436.0
Due to central banks	15,283.4	19,317.2	19,176.9	28,931.7	28,947.6	29,081.1
Due to banks	1,897.7	1,884.6	2,205.9	2,589.8	1,694.6	1,763.6
On-balance-sheet financial liabilities held for trading	2,859.9	3,276.3	2,567.2	2,362.2	2,658.7	3,174.4
Derivatives	1,554.5	1,608.7	1,722.9	1,777.2	1,727.5	2,081.9
Provisions for specific use	1,523.3	1,554.2	1,585.7	2,582.4	1,822.2	1,820.6
a) Provision for staff severance indemnities	67.7	69.9	70.2	136.9	142.5	157.8
b) Provision related to guarantees and other commitments given	148.6	152.8	142.5	148.5	148.8	147.8
c) Pension and other post-retirement benefit obligations	3.7	3.8	26.6	24.2	24.9	29.0
d) Other provisions	1,303.3	1,327.7	1,346.4	2,272.8	1,506.0	1,486.0
Tax liabilities	7.0	6.9	6.6	6.9	6.0	6.5
Other liabilities	5,032.7	4,441.3	3,111.5	4,430.8	4,378.1	3,645.4
Group net equity	8,499.5	8,128.9	7,860.1	5,303.8	5,773.7	5,974.6
a) Valuation reserves	(18.4)	7.2	(30.6)	(59.6)	27.0	172.8
d) Reserves	445.4	432.5	615.5	743.7	(3,501.4)	(3,415.8)
f) Share capital	7,453.5	7,453.5	7,453.5	4,954.1	9,195.0	9,195.0
h) Net profit (loss) for the period	619.0	235.7	(178.4)	(334.4)	53.1	22.7
Non-controlling interests	0.8	0.9	0.9	1.3	1.4	1.3
Total Liabilities and Shareholders' Equity	**120,801.1**	**124,286.0**	**120,235.3**	**131,791.2**	**131,314.9**	**131,977.6**

* *The 2022 balance sheet values were restated, compared to those published in the Consolidated Financial Report as at 31 December 2022, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the insurance associates.*

Customer funding

As at 30 June 2023, the Group's **Total Funding** volumes amounted to **EUR 178.8 bn**, highlighting an increase of EUR 1.0 bn compared to 31 March 2023, mainly on Indirect Funding (EUR +0.9 bn). Direct Funding was essentially stable (EUR +0.1 bn).

The aggregate was up also compared to 31 December 2022 (EUR +4.4 bn), due to the increase in Direct Funding (EUR +2.1 bn) and Indirect Funding (EUR +2.3 bn).

Background

In the first five months of 2023, there was a moderate decline in funding (-0.9% in May compared to December 2022) with redistribution of the volumes over the various forms of funding. The decrease in funding is attributable to the reduced deposits of the production sector (non-financial companies and family businesses), which in May 2023 saw a decrease of -5.2% compared to the volumes of December 2022 and the thinning of family business deposits which were down -2.8% compared to the volumes at year end. With reference to the types of funding, while the dynamics of current accounts payable were negative (-6.7% in May compared to the figure at the end of 2022), deposits with agreed maturity rose steadily (+10.3% compared to the figure at the end of 2022 and +23.2 YoY) and deposits redeemable with notice essentially remained stable.
Funding is also supported by bonds which, in the early months of the year, showed a significant expansion of +5.5% in May compared to the end of the previous year (+9.7% growth YoY) while funding with the Eurosystem reduced against the return of part of the funds obtained through TLTRO transactions.
In May, the interest rate on deposits of non-financial companies and households stood at around 0.67%, gradually increasing (+22 bps since last December): the rate on current accounts shows a similar trend with an increase of 18 bps on the year-end figure and, in May, stood at a value close to 0.32%, while that on deposits with agreed maturity increased by around 90 bps to reach 2.40% in May. As regards bonds, the average rate on balances was up to approx. 2.49% (+38 bps) from 2.11% at the end of 2022.

The persisting context of uncertainty, inflation and restrictive monetary policy continue to have an impact on savers' investment choices as well as causing a lower ability for households to save. On the asset management market, the first five months of the year showed negative net inflows of EUR -15.9 bn, driven by the decline in Institutional Management. From January to May 2023, the Funds recorded a negative net funding balance of EUR -2.9 bn, while Retail Asset Management showed positive net inflows of EUR +2.3 bn. At category level, savers focused their choices on equity and bond funds (EUR +2.9 bn and EUR +8.9 bn, respectively, since the beginning of the year); the balanced and flexible fund classes are still in the process of being divested. Total assets under management at the end of May stood at EUR 2,258 bn, essentially in line with the first quarter of the year. For the life insurance market, in the first five months of the year, new business was recorded for EUR 32.4 bn, compared to EUR 33.8 bn in the same period of the previous year, with a YoY decrease of approximately 4%. On the bank and post office branch distribution channel, the first five months of 2023 saw growth in the placement of traditional products (EUR +29.3 bn YoY), while hybrid solutions, already down since last year, recorded a decrease of -44.4% YoY; the component with the highest financial content (classic units), particularly exposed to market uncertainty, also recording a downturn of -44% YoY. 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 -31.7% lower than in the same period of the previous year. The agency channel was also down (-15.3%), while the banking channel recovered by +5.4% YoY.

Customer Funding

	30 06 2023	31 03 2023	31 12 2022	30 06 2022	Chg Q/Q		Chg 31/12		Chg Y/Y	
					abs.	%	abs.	%	abs.	%
Direct funding	84,142.3	84,067.0	81,997.6	84,305.1	75.3	0.1%	2,144.7	2.6%	(162.8)	-0.2%
Indirect funding	94,704.3	93,784.0	92,420.7	93,069.9	920.2	1.0%	2,283.6	2.5%	1,634.3	1.8%
Total funding	**178,846.6**	**177,851.0**	**174,418.3**	**177,375.0**	**995.5**	**0.6%**	**4,428.3**	**2.5%**	**1,471.5**	**0.8%**

Volumes of **Direct Funding** stood at **EUR 84.1 bn** in line with the end of March 2023 (+EUR 0.1 bn). The increase recorded in repurchase agreements (EUR +0.6 bn) was offset by the decrease in current accounts (EUR -0.5 bn), while time deposits, bonds and other forms of funding remain stable.

The aggregate was up compared to 31 December 2022 (EUR +2.1 bn). The decrease in current accounts (EUR -2.8 bn) and other forms of funding (EUR -0.1 bn), due to the continuation of actions to optimise the cost of funding and the greater propensity to invest in assets under custody, was almost entirely offset by the growth in repurchase agreements (EUR +3.8 bn). Time deposits (EUR +0.4 bn) and the bond component (EUR +0.8 bn) also increased, the latter following the placement of a senior preferred bond for EUR 750 mln in the first quarter of 2023.

The Group's market share[13] on direct funding was 3.30% (figure updated in May 2023), in slightly decrease compared to December 2022 (3.35%), while the Group's market share in On-demand deposits stood at 4.46%, growing by 14 bps compared to December 2022.

Direct funding										
Type of transaction	30 06 2023	31 03 2023	31 12 2022	30 06 2022	Change Q/Q		Change 31.12		Change Y/Y	
					abs.	%	abs.	%	abs.	%
Current accounts	63,005.5	63,532.3	65,783.3	65,852.4	(526.8)	-0.8%	(2,777.8)	-4.2%	(2,846.9)	-4.3%
Time deposits	4,761.9	4,762.1	4,331.1	5,675.0	(0.2)	0.0%	430.8	9.9%	(913.1)	-16.1%
Reverse repurchase agreements	4,394.1	3,826.4	559.4	899.6	567.7	14.8%	3,834.7	685.5%	3,494.5	n.m.
Bonds	9,415.6	9,358.6	8,640.8	9,364.2	57.0	0.6%	774.8	9.0%	51.4	0.5%
Other types of direct funding	2,565.2	2,587.6	2,683.0	2,513.9	(22.4)	-0.9%	(117.8)	-4.4%	51.3	2.0%
Total	**84,142.3**	**84,067.0**	**81,997.6**	**84,305.1**	**75.3**	**0.1%**	**2,144.7**	**2.6%**	**(162.8)**	**-0.2%**

Indirect Funding amounted to approx. **EUR 94.7 bn**, up by EUR 0.9 bn compared to 31 March 2023, thanks to the increase in assets under custody (EUR +0.6 bn) and assets under management (EUR +0.3 bn). The dynamic of assets under custody is attributable to both positive net flows, linked to the renewed interest from customers in government bonds, also following the increase in yields. Assets under management, on the other hand, benefited from the positive market effect.

Compared to 31 December 2022, there was an increase in indirect funding of EUR 2.3 bn, thanks to the increase in assets under custody (EUR +3.2 bn), recorded mainly on the government bonds component. Assets under management were down, however (EUR -0.9 bn).

Indirect Funding										
	30 06 2023	31 03 2023	31 12 2022	30 06 2022	Change Q/Q		Change 31/12		Change Y/Y	
					abs.	%	abs.	%	abs.	%
Assets under management	56,867.1	56,575.0	57,733.6	58,880.4	292.2	0.5%	(866.5)	-1.5%	(2,013.3)	-3.4%
Funds	*26,486.0*	*26,274.4*	*25,701.0*	*26,376.5*	*211.6*	*0.8%*	*785.0*	*3.1%*	*109.5*	*0.4%*
Individual Portfolio under Management	*4,332.4*	*3,706.9*	*5,019.2*	*4,929.2*	*625.5*	*16.9%*	*(686.8)*	*-13.7%*	*(596.8)*	*-12.1%*
Bancassurance	*26,048.7*	*26,593.7*	*27,013.5*	*27,574.7*	*(544.9)*	*-2.0%*	*(964.7)*	*-3.6%*	*(1,526.0)*	*-5.5%*
Assets under custody	37,837.1	37,209.1	34,687.1	34,189.6	628.1	1.7%	3,150.1	9.1%	3,647.6	10.7%
Government securities	*15,888.3*	*14,216.6*	*12,646.6*	*12,171.2*	*1,671.8*	*11.8%*	*3,241.8*	*25.6%*	*3,717.2*	*30.5%*
Others	*21,948.8*	*22,992.5*	*22,040.5*	*22,018.4*	*(1,043.7)*	*-4.5%*	*(91.7)*	*-0.4%*	*(69.6)*	*-0.3%*
Total funding	**94,704.3**	**93,784.0**	**92,420.7**	**93,069.9**	**920.2**	**1.0%**	**2,283.6**	**2.5%**	**1,634.3**	**1.8%**

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

Loans to customers

As at 30 June 2023, the Group Loans to Customers reached EUR 76.1 bn, down compared to 31 March 2023 (EUR -1.7 bn), especially on mortgages (EUR -0.9 bn) which reflect the consistent due dates at the end of the first half of the year, and the decrease in demand of residential mortgages due to the increase of interest rates. Repurchase agreements (EUR -0.6 bn) and current accounts (EUR -0.3 bn) also decreased. Other loans increased (EUR +0.1 bn), on the other hand, while the non-performing loans component was essentially stable.

Compared to 31 December 2022, the aggregate showed a slight decrease (EUR -0.2 bn). The decline in mortgages (EUR -1.2 bn) was in fact partially offset by the increase in other loans (EUR +0.7 bn), repurchase agreements (EUR +0.2 bn) and current accounts (EUR +0.2 bn).

The Group's market share[14] stood at 4.42% (available figure from April 2023), up compared to December 2022 (equal to 4.25%).

Background

After the gradual growth recorded up to September 2022 as a result of the good prospects for the economy, the dynamics of bank loans weakened at the end of 2022, and began a phase of decrease in the first months of 2023, reaching -1.7% in May compared to December 2022 (-2.3% YoY). Loans to the private sector (net of repurchase agreements with central counterparties and adjusted for exposures sold and derecognised) recorded a negative change close to -1.3% in May compared to the figure at the end of 2022. The decrease in loans to the production sector, more limited in the first quarter of the year, recorded -1.8% in May compared to last December (-5.1% YoY). The dynamics of the production sector are partly due to the tension on the banking supply side due to the higher perceived risk but, above all, to the lower demand of companies also caused by the increase in interest rates. The use of liquidity by companies continues (down in the first five months of the year), thereby limiting the use of short-term loans.

Credit to households, after constant growth in 2022, recorded a negative trend that began in the first few months of the year and gradually accelerated to give -0.7% in May over December. Specifically, two contrasting phenomena are offset: on the one hand, there is slower growth of mortgages for home purchases, affected by the unfavourable prospects of the real estate market and the rise in interest rates; on the other, the growth in consumer credit, in line with the increase in spending on durable goods by households, the intensity of which is slowed, however, by the rise in rates.

With regard to interest rates, there has been a decisive increase as concerns loans to non-financial companies (4.36% in May; +123 bps since December 2022) as well as to households (3.89% in May, +61 bps since December). On new business transactions, the average rate rose by over 125 bps from 2022 year-end values to stand at 4.81% in May. The rate on loans for the purchase of homes increased on new household transactions, which stood at 4.22% in May (approximately +121 bps compared to December), and that on consumer credit, which exceeds 8.7%.

In the first five months of the year, the stock of bad loans in bank financial statements for residents in Italy recorded +10.3% YoY (including bad loans sold and derecognised in line with the loan adjustment methodology applied in the European System of Central Banks (ESCB).

SOURCES:

- Direct deposits, interest rates, loans: BDS (Statistical Data Base) Bank of Italy
- Mutual funds and retail management: Assogestioni, Mappa Mensile del Risparmio Gestito (Monthly Map of Assets under Management)
- Life Insurance segment: Ania (Italian Association of Insurance Companies), Trends, Nuova Produzione Vita (New Life Business)

Economic Bulletin, Bank of Italy (14 July 2023)

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

Loans to customers										
Type of transaction	30 06 2023	31 03 2023	31 12 2022	30 06 2022	Change Q/Q		Change 31.12		Change Y/Y	
					abs.	%	abs.	%	abs.	%
Current accounts	3,072.9	3,358.6	2,882.5	3,097.2	(285.7)	-8.5%	190.4	6.6%	(24.3)	-0.8%
Mortgages	53,327.6	54,266.4	54,540.4	55,807.7	(938.8)	-1.7%	(1,218.8)	-2.2%	(2,480.1)	-4.4%
Other forms of lending	14,342.9	14,246.6	13,648.2	14,267.2	96.3	0.7%	694.7	5.1%	75.7	0.5%
Repurchase agreements	3,657.1	4,236.2	3,482.9	3,483.9	(579.1)	-13.7%	174.2	5.0%	173.2	5.0%
Non-performing loans	1,655.5	1,647.8	1,711.3	1,965.7	7.7	0.5%	(55.8)	-3.3%	(310.2)	-15.8%
Total	**76,056.0**	**77,755.6**	**76,265.3**	**78,621.7**	**(1,699.6)**	**-2.2%**	**(209.3)**	**-0.3%**	**(2,565.7)**	**-3.3%**
Stage 1	*64,123.6*	*65,101.8*	*63,295.9*	*65,064.5*	*(978.2)*	*-1.5%*	*827.7*	*1.3%*	*(940.9)*	*-1.4%*
Stage 2	*10,118.6*	*10,817.1*	*11,115.8*	*11,404.4*	*(698.5)*	*-6.5%*	*(997.2)*	*-9.0%*	*(1,285.8)*	*-11.3%*
Stage 3	*1,651.8*	*1,644.1*	*1,708.9*	*1,963.0*	*7.7*	*0.5%*	*(57.1)*	*-3.3%*	*(311.2)*	*-15.9%*
Purchased or originated credit impaired financial assets	*3.2*	*3.1*	*2.2*	*9.6*	*0.1*	*3.2%*	*1.0*	*45.5%*	*(6.4)*	*-66.7%*
Performing loans measured at fair value	*156.9*	*187.6*	*140.8*	*178.3*	*(30.7)*	*-16.4%*	*16.1*	*11.4%*	*(21.4)*	*-12.0%*
Non-performing loans measured at fair value	*1.9*	*1.9*	*1.7*	*1.9*	*(0.0)*	*0.0%*	*0.2*	*11.8%*	*0.0*	*0.0%*

Loans to customers measured at amortised cost	**30 06 2023**			**31 03 2023**			**31 12 2022**			Chg. Q/Q		Chg. 31/12	
	Stage 1	Stage 2	**Total loans to customers measured at amortised cost**	Stage 1	Stage 2	**Total loans to customers measured at amortised cost**	Stage 1	Stage 2	**Total loans to customers measured at amortised cost**	Stage 1	Stage 2	Stage 1	Stage 2
Gross exposure	64,222.5	10,467.9	**78,095.2**	65,198.1	11,170.4	**79,667.8**	63,382.7	11,469.1	**78,142.1**				
Adjustments	98.9	349.3	**2,198.0**	96.3	353.3	**2,101.7**	86.8	353.3	**2,019.3**				
Net exposure	64,123.6	10,118.6	**75,897.2**	65,101.8	10,817.1	**77,566.1**	63,295.9	11,115.8	**76,122.8**				
Coverage ratio	*0.2%*	*3.3%*	***2.8%***	*0.1%*	*3.2%*	***2.6%***	*0.1%*	*3.1%*	***2.6%***	*0.0%*	*0.2%*	*0.0%*	*0.3%*
% on Loans to customers measured at amortised cost	*84.5%*	*13.3%*	***100.0%***	*83.9%*	*13.9%*	***100.0%***	*83.1%*	*14.6%*	***100.0%***	*0.6%*	*-0.6%*	*1.3%*	*-1.3%*

The gross exposure of loans classified in stage 1, equal to EUR 64.2 bn as at 30 June 2023, recorded a decrease compared to 31 March 2023 (EUR 65.2 bn) but was up compared to 31 December 2022 (EUR 63.4 bn).

Positions classified in stage 2, whose gross exposure amounted to EUR 10.5 bn as at 30 June 2023, were down from EUR 11.2 bn as at 31 March 2023 and EUR 11.5 bn as at 31 December 2022.

The downward trend observed on loans classified in stages 1 and 2, compared to 31 March 2023, is mainly attributable to the greater flow of instalments due from corporate customers at the end of the first half of 2023. There was a slight increase in the coverage of both stages due to an increase in overlays on the LGD parameters and on floating-rate retail mortgages.

Non-performing exposures of loans to customers

In the tables below, Non-performing loans to customers are represented by all cash exposures, in the form of loans to customers, regardless of the accounting portfolio to which they belong.

The Group's **total non-performing loans to customers** as at 30 June 2023 were equal to **EUR 3.4 bn** in terms of gross exposure, up slightly (EUR +0.1 bn) compared to 31 March 2023 and 31 December 2022. In particular:

- the gross bad loan exposure, equal to EUR 1.4 bn, was slightly up compared to 31 March 2023 (EUR 1.3 bn) and to 31 December 2022 (EUR 1.3 bn);
- the gross unlikely-to-pay loan exposure, equal to EUR 1.9 bn, was essentially stable compared to 31 March 2023 and down slightly compared to 31 December 2022 (EUR 2.0 bn);
- the gross non-performing past-due loan exposure, equal to EUR 109.9 mln, was up compared to EUR 49.9 mln as at 31 March 2023 and EUR 45.8 mln as at 31 December 2022.

As at 30 June 2023, the Group's **net exposure in terms of non-performing loans to Customers** was equal to **EUR 1.7 bn**, similar to the levels recorded as at 31 March 2023 and down slightly (EUR -0.1 bn) compared to 31 December 2022.

Loans to customers		Bad loans	Unlikely to pay	Non-performing Past due Loans	**Total Non-performing loans to customers**	Performing loans	**Total**
30 06 2023	Gross exposure	1,439.5	1,864.6	109.9	**3,414.0**	74,848.8	**78,262.8**
	Adjustments	961.6	772.9	24.0	**1,758.5**	448.3	**2,206.8**
	Net exposure	477.9	1,091.7	85.9	**1,655.5**	74,400.5	**76,056.0**
	Coverage ratio	*66.8%*	*41.5%*	*21.8%*	***51.5%***	*0.6%*	***2.8%***
	% on Loans to customers	*0.6%*	*1.4%*	*0.1%*	***2.2%***	*97.8%*	***100.0%***
31 03 2023	Gross exposure	1,344.8	1,913.9	49.9	**3,308.6**	76,557.4	**79,866.0**
	Adjustments	897.1	753.3	10.4	**1,660.8**	449.6	**2,110.4**
	Net exposure	447.7	1,160.6	39.5	**1,647.8**	76,107.8	**77,755.6**
	Coverage ratio	*66.7%*	*39.4%*	*20.8%*	***50.2%***	*0.6%*	***2.6%***
	% on Loans to customers	*0.6%*	*1.5%*	*0.1%*	***2.1%***	*97.9%*	***100.0%***
31 12 2022	Gross exposure	1,292.4	1,961.0	45.8	**3,299.2**	74,994.0	**78,293.2**
	Adjustments	841.2	736.3	10.4	**1,587.9**	440.0	**2,027.9**
	Net exposure	451.2	1,224.7	35.4	**1,711.3**	74,554.0	**76,265.3**
	Coverage ratio	*65.1%*	*37.5%*	*22.7%*	***48.1%***	*0.6%*	***2.6%***
	% on Loans to customers	*0.6%*	*1.6%*	*0.0%*	***2.2%***	*97.8%*	***100.0%***
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%***

As at 30 June 2023, the **coverage ratio of non-performing loans** was **51.5%**, up compared to 31 March 2023 when it was 50.2%. The increase in coverage refers to all administrative statuses; in particular, the coverage ratio of bad loans went from 66.7% to 66.8%, the coverage ratio of unlikely to pay rose from 39.4% to 41.5% and, lastly, that of non-performing past due loans increased from 20.8% to 21.8%.

The coverage of non-performing loans is higher than at 31 December 2022, when it was 48.1%. At individual administrative status level, the changes refer to bad loans (coverage of which rose from 65.1% to 66.8%) and unlikely to pay (coverage of which rose from 37.5% to 41.5%). The coverage ratio of non-performing past due loans was down, however (from 22.7% to 21.8%).

Change in gross exposures

abs/%		Bad loans	Unlikely to pay	Non-performing past due exposures	**Total Non-performing loans to customers**	Performing loans	**Total**
Q/Q	abs.	94.7	(49.3)	60.0	**105.4**	(1,708.6)	**(1,603.2)**
	%	7.0%	-2.6%	120.2%	**3.2%**	-2.2%	**-2.0%**
31.12	abs.	147.1	(96.4)	64.1	**114.8**	(145.2)	**(30.4)**
	%	11.4%	-4.9%	140.0%	**3.5%**	-0.2%	**0.0%**
Y/Y	abs.	147.1	(96.4)	64.1	**114.8**	(145.2)	**(30.4)**
	%	11.4%	-4.9%	140.0%	**3.5%**	-0.2%	**0.0%**

Changes in coverage ratios

	Bad loans	Unlikely to pay	Non-performing past due exposures	**Total Non-performing loans to customers**	Performing loans	**Total**
Q/Q	*0.1%*	*2.1%*	*1.0%*	***1.3%***	*0.0%*	***0.2%***
31.12	*1.7%*	*3.9%*	*-0.9%*	***3.4%***	*0.0%*	***0.2%***
Y/Y	*1.7%*	*3.9%*	*-0.9%*	***3.4%***	*0.0%*	***0.2%***

Trend of non-performing loans to customers	30 06 2023		2°Q 2023		1°Q 2023		30 06 2022		Chg. 2°Q 2023/1°Q2023 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	**3,299.2**	***1,292.4***	**3,308.6**	***1,344.8***	**3,299.2**	***1,292.4***	**4,104.7**	***1,740.6***	**9.4**	**0.3%**	**(805.5)**	**-19.6%**
Increases from performing loans	441.2	*16.6*	249.6	*11.6*	191.6	*5.0*	360.3	*12.2*	58.0	30.3%	80.9	22.5%
Transfers to performing loans	(118.0)	-	(35.7)	-	(82.3)	-	(117.7)	-	46.6	-56.6%	(0.3)	0.3%
Collections (including gains on disposals)	(297.4)	*(39.9)*	(148.4)	*(22.1)*	(149.0)	*(17.8)*	(276.6)	*(67.4)*	0.6	-0.4%	(20.8)	7.5%
Write-offs (including loss on disposal)	(42.6)	*(28.4)*	(20.6)	*(9.0)*	(22.0)	*(19.4)*	(51.4)	*(35.0)*	1.4	-6.4%	8.8	-17.1%
+/- Other changes	131.6	*198.8*	60.5	*114.2*	71.1	*84.6*	61.6	*177.4*	(10.6)	-14.9%	70.0	n.m.
Gross exposure, closing balance	**3,414.0**	***1,439.5***	**3,414.0**	***1,439.5***	**3,308.6**	***1,344.8***	**4,080.9**	***1,827.8***	**105.4**	**3.2%**	**(666.9)**	**-16.3%**
Opening balance of overall adjustments	**(1,587.9)**	***(841.2)***	**(1,660.8)**	***(897.1)***	**(1,587.9)**	***(841.2)***	**(1,967.2)**	***(1,108.6)***	**(72.9)**	**4.6%**	**379.3**	**-19.3%**
Adjustments / write-backs	(200.4)	*(66.9)*	(105.8)	*(30.7)*	(94.6)	*(36.2)*	(223.1)	*(103.2)*	(11.2)	11.8%	22.7	-10.2%
+/- Other changes	29.8	*(53.5)*	8.1	*(33.8)*	21.7	*(19.7)*	75.1	*(44.8)*	(13.6)	-62.7%	(45.3)	-60.3%
Closing balance of overall adjustments	**(1,758.5)**	***(961.6)***	**(1,758.5)**	***(961.6)***	**(1,660.8)**	***(897.1)***	**(2,115.2)**	***(1,256.6)***	**(97.7)**	**5.9%**	**356.7**	**-16.9%**
Net exposure, closing balance	**1,655.5**	***477.9***	**1,655.5**	***477.9***	**1,647.8**	***447.7***	**1,965.7**	***571.2***	**7.7**	**0.5%**	**(310.2)**	**-15.8%**

Other financial assets/liabilities

As at 30 June 2023, the Group's **securities assets** amounted to **EUR 19.6 bn**, up compared to 31 March 2023 (EUR +0.9 bn) primarily in relation to the increase in financial assets held for trading, mainly in relation to market making activities on Italian government securities; the amortised cost component also increased (EUR +0.2 bn, following purchases of Italian government securities in the second quarter of 2023 in respect of maturities occurred in the first six months), while other components were essentially stable. It should be noted that the market value of the securities included in Loans to customers and banks at amortised cost was equal to EUR 8,887.9 mln and EUR 598.3 mln (with implicit capital losses of around EUR 719.3 mln and EUR 71.9 mln respectively).

The aggregate increased compared to 31 December 2022 (EUR +1.2 bn), especially in relation to the growth recorded in the trading component (EUR +1.4 bn). The amortised cost component also increased (EUR +0.5 bn) following purchases of government securities, which partly offset the maturities recorded in financial assets measured at fair value through other comprehensive income (EUR -0.7 bn).

On-balance-sheet financial liabilities held for trading were equal to **EUR 2.9 bn** as at 30 June 2023 and were down compared to 31 March 2023 (EUR 3.3 bn) but up slightly on the value recorded as at 31 December 2022 (EUR 2.6 bn).

As at 30 June 2023, the **Net position in derivatives, a positive EUR 1.5 bn**, was down compared to 31 March 2023 (positive for EUR 1.6 bn) and to 31 December 2022 (positive for EUR 1.7 bn).

Items	30 06 2023	31 03 2023	31 12 2022	30 06 2022	Chg. Q/Q		Chg. 31.12		Chg. Y/Y	
					abs.	%	abs.	%	abs.	%
Securities assets	19,589.7	18,652.3	18,393.6	22,312.7	937.4	5.0%	1,196.1	6.5%	(2,723.0)	-12.2%
Financial assets held for trading	*5,329.1*	*4,524.2*	*3,962.9*	*7,928.1*	*804.9*	*17.8%*	*1,366.2*	*34.5%*	*(2,599.0)*	*-32.8%*
Financial assets mandatorily measured at fair value	*308.1*	*305.7*	*314.8*	*323.8*	*2.4*	*0.8%*	*(6.7)*	*-2.1%*	*(15.7)*	*-4.8%*
Financial assets measured at fair value through other comprehensive income	*3,675.1*	*3,721.4*	*4,352.3*	*5,063.8*	*(46.3)*	*-1.2%*	*(677.2)*	*-15.6%*	*(1,388.7)*	*-27.4%*
Loans to customers measured at amortised cost	*9,607.2*	*9,432.9*	*9,086.2*	*8,296.7*	*174.3*	*1.8%*	*521.0*	*5.7%*	*1,310.5*	*15.8%*
Loans to banks measured at amortised cost	*670.2*	*668.1*	*677.4*	*700.3*	*2.1*	*0.3%*	*(7.2)*	*-1.1%*	*(30.1)*	*-4.3%*
On-balance-sheet financial liabilities held for trading	(2,859.9)	(3,276.3)	(2,567.2)	(2,658.7)	416.4	-12.7%	(292.7)	11.4%	(201.2)	7.6%
Net positions in Derivatives	1,469.1	1,607.2	1,690.7	1,301.7	(138.1)	-8.6%	(221.6)	-13.1%	167.4	12.9%
Other financial assets and liabilities	**18,198.9**	**16,983.2**	**17,517.1**	**20,955.7**	**1,215.7**	**7.2%**	**(3,438.6)**	**-16.4%**	**(2,756.8)**	**-13.2%**

Items	30 06 2023		31 03 2023		31 12 2022		30 06 2022	
	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	18.939,7	-	18.047,9	-	17.800,5	-	21.726,5	-
Equity instruments and Units of UCITS	650,0	-	604,4	-	593,1		586,2	-
Loans	-	2.859,9	-	3.276,3	-	2.567,2	-	2.658,7
Total	**19.589,7**	**2.859,9**	**18.652,3**	**3.276,3**	**18.393,6**	**2.567,2**	**22.312,7**	**2.658,7**

Interbank position

As at 30 June 2023, the Group **net interbank position** stood at **EUR 3.2 bn** of net funding, against EUR 4.5 bn of net funding as at 31 March 2023 and EUR 7.0 bn as at 31 December 2022. The change compared to the previous quarter is mainly attributable to relations with central banks. The decrease in funding, due to maturity on 28 June 2023 of the TLTRO tranche obtained in the June 2020 auction, equal to EUR 11 bn (the total exposure of TLTRO auction as at 30 June 2023, amounted to EUR 8.5 bn), was in fact only partially offset by access to MRO auctions for around EUR 7 bn and a reduction in loans with central banks (EUR -2.5 bn on the Depo Facility).

The change compared to the end of the previous year also refers to funding from central banks, essentially reflecting the dynamics illustrated above.

Interbank balances										
					Change Q/Q		Change 31.12		Change Y/Y	
	30 06 2023	31 03 2023	31 12 2022	30 06 2022	Abs.	%	Abs.	%	Abs.	%
Loans to banks	2,237.9	2,125.8	1,950.1	1,432.1	112.1	5.3%	287.8	14.8%	805.8	56.3%
Deposits from banks	1,897.7	1,884.6	2,205.9	1,694.6	13.1	0.7%	(308.2)	-14.0%	203.1	12.0%
Demand deposits with banks (cash)	905.2	1,198.8	1,367.0	916.8	(293.6)	-24.5%	(461.8)	-33.8%	(11.6)	-1.3%
Net position with banks	**1,245.4**	**1,440.0**	**1,111.2**	**654.3**	**(194.6)**	**-13.5%**	**134.2**	**12.1%**	**591.1**	**90.3%**
Loans to central banks	544.1	656.4	628.1	17,626.5	(112.3)	-17.1%	(84.0)	-13.4%	(17,082.4)	-96.9%
Deposits from central banks	15,283.4	19,317.2	19,176.9	28,947.6	(4,033.8)	-20.9%	(3,893.5)	-20.3%	(13,664.2)	-47.2%
Demand deposits with Central banks (cash)	10,248.4	12,728.2	10,475.7	1.7	(2,479.8)	-19.5%	(227.3)	-2.2%	10,246.7	n.m.
Net position with central banks	**(4,490.9)**	**(5,932.6)**	**(8,073.1)**	**(11,319.4)**	**1,441.7**	**-24.3%**	**3,582.2**	**-44.4%**	**6,828.5**	**-60.3%**
Net interbank position	**(3,245.5)**	**(4,492.6)**	**(6,961.9)**	**(10,665.1)**	**1,247.1**	**-27.8%**	**3,716.4**	**-53.4%**	**7,419.6**	**-69.6%**

As at 30 June 2023, the operating liquidity position showed an **unencumbered Counterbalancing Capacity equal to approx. EUR 26.2 bn**, up compared to 31 March 2023 (EUR 25.1 bn) and to 31 December 2022 (EUR 25.5 bn).

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 2023, the nominal value of the total tax credits acquired amounted to EUR 1,586.3 mln. Taking into account receivables offset to date, totalling EUR 384.4 mln, the residual nominal amount as at 30 June 2023 came to EUR 1,201.9 mln. The corresponding carrying amount, shown in the balance sheet item “Other assets” at amortised cost, which takes into account the acquisition price and the net amounts accrued as at 30 June 2023, was EUR 1,075.2 mln (EUR 792.3 mln and EUR 738.2 mln as at 31 March 2023 and 31 December 2022 respectively).

It should also be noted that, as at 30 June 2023, the Parent Company had received requests for the sale of these receivables for a total amount of approximately EUR 2.4 bn, currently being assessed/processed.

The total amount of receivables purchased, taking into account the transfer requests in progress - the latter suitably adjusted to factor in the impact of cases abandoned and/or rejected by the Bank - 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 2023, the **Shareholders' equity of the Group and non-controlling interests** was roughly **EUR 8.5 bn,** up by EUR 371 mln compared to 31 March 2023, mainly due to the positive result recorded in the quarter.

Compared to 31 December 2022, the shareholders' equity of the Group and non-controlling interests increased by EUR 0.6 bn, essentially attributable, also in this case, to the economic result achieved in the first half of 2023.

Reclassified Consolidated Balance Sheet										
Equity	30 06 2023	31 03 2023	31 12 2022*	30 06 2022*	Chg Q/Q		Chg 31/12		Chg Y/Y	
					abs.	%	abs.	%	abs.	%
Group Net Equity	8,499.5	8,128.9	7,860.1	5,773.7	370.6	4.6%	639.4	8.1%	2,725.8	47.2%
a) Valuation reserves	(18.4)	7.2	(30.6)	27.0	(25.6)	n.m.	12.2	-39.8%	(45.4)	n.m.
d) Reserves	445.4	432.5	615.5	(3,501.4)	12.9	3.0%	(170.1)	-27.6%	3,946.8	n.m.
f) Share capital	7,453.5	7,453.5	7,453.5	9,195.0	-	0.0%	-	0.0%	(1,741.5)	-18.9%
h) Net profit (loss) for the period	619.0	235.7	(178.4)	53.1	383.3	n.m.	797.4	n.m.	565.9	n.m.
Non-controlling interests	0.8	0.9	0.9	1.4	(0.1)	-11.1%	(0.1)	-11.1%	(0.6)	-42.9%
Shareholders' equity of the Group and Non-controlling interests	**8,500.3**	**8,129.8**	**7,861.0**	**5,775.1**	**370.5**	**4.6%**	**639.3**	**8.1%**	**2,725.2**	**47.2%**

* *The 2022 balance sheet values were restated, compared to those published at the respective reference dates, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the insurance associates.*

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 2021 and also taking into account the information received after that date, with the submission in December 2022 of the 2022 SREP Decision, the ECB asked the Parent Company to maintain, effective 1 January 2023, 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 2023 as well.

Accordingly, the Group must meet the following requirements at consolidated level as at 30 June 2023:

- CET1 Ratio of 8.81%;
- Tier 1 Ratio of 10.83%;
- Total Capital Ratio of 13.51%.

These ratios include, in addition to the P2R, 2.5% for the Capital Conservation Buffer, 0.25% for the O-SII Buffer and 0.014% for the Countercyclical Capital Buffer[15].

As at **30 June 2023**, the Group's capital on a transitional basis was as shown in the following table:

Categories / Values	30 06 2023	31 12 2022	Chg. 31 12 2022	
			abs.	%
OWN FUNDS				
Common Equity Tier 1 (CET1)	7,895.9	7,601.2	294.7	3.88%
Tier 1 (T1)	7,895.9	7,601.2	294.7	3.88%
Tier 2 (T2)	1,753.0	1,772.2	(19.2)	-1.08%
Total capital (TC)	9,648.9	9,373.4	275.5	2.94%
RISK-WEIGHTED ASSETS				
Credit and Counterparty Risk	36,773.9	33,013.9	3,760.0	11.39%
Credit valuation adjustment risk	446.3	497.1	(50.8)	-10.22%
Market risks	2,350.0	2,026.8	323.2	15.95%
Operational risk	10,223.5	10,148.4	75.1	0.74%
Total risk-weighted assets	**49,793.7**	**45,686.2**	**4,107.5**	**8.99%**
CAPITAL RATIOS				
CET1 capital ratio	**15.86%**	**16.64%**	**-0.78%**	
Tier1 capital ratio	**15.86%**	**16.64%**	**-0.78%**	
Total capital ratio	**19.38%**	**20.52%**	**-1.14%**	

[15] Calculated considering the exposure as at 30 June 2023 in the various countries in which MPS Group operates and the requirements established by the competent national authorities.

Compared to 31 December 2022, the CET1 recorded an increase of EUR +295 mln.

This increase is essentially due to the inclusion of the results of the period, equal to EUR +619 mln, partially offset by the absence of the neutralisation of IFRS 9 related to the first-time application of the accounting standard as envisaged by EU Regulation 2017/2935 (attributable to the filter passing from 25% to 0%) and the zeroing of the related prudential filter relative to the *Other Comprehensive Income Reserve* on securities issued by governments or administrations.

The first-time application of IFRS 17 and IFRS 9 by the insurance associates had an overall almost nil effect on CET1, as the increase in the balance of the Other Comprehensive Income Reserve was offset by the reduction in the Profit Reserves and the increase in the value of equity investments and related deductions.

Tier 2 show a decrease of EUR -19 mln compared to the end of December 2022, due for EUR -67 mln to the amortisation of Tier 2 subordinated instruments, and for EUR +48 mln 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 of EUR +276 mln.

RWAs increased by EUR 4.1 bn. In particular, there was an increase in RWAs relating to credit and counterparty risk (EUR 3.8 bn), mainly due to the increase in AIRB receivables due to the revision of internal models. There was also an increase in market risks (EUR +0.3 bn), while operational risks and CVA risk remained substantially stable.

As at 30 June 2023, the Parent Company, on a consolidated basis, meets all capital requirements, including those related to the P2G.

As at 30 June 2023, on a transitional basis, the Group records a leverage ratio of 6.2%, higher than the regulatory minimum of 3%.

MREL Capacity

Pursuant to art. 45 of Directive 2014/59/EU, as amended, banks must at all times respect a minimum own funds and eligible liabilities (MREL) requirement 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.

With the letter of 10 March 2023, the Parent Company received from the Bank of Italy, in its capacity as Resolution Authority, the decision SRB/EES/2022/156 of the Single Resolution Committee on the calculation of the minimum requirement for own funds and eligible liabilities ("2022 MREL Decision").

Starting from 1 January 2024, the Parent Company will need to respect an MREL of 23.77% in terms of TREA on a consolidated basis, to which the Combined Buffer Requirement (CBR) applicable at that date will be added, and 6.29% in terms of LRE. In addition, there are subordinated MREL requirements, which must be met with own funds and subordinated instruments, equal to 16.38% for TREA, plus the CBR applicable on that date, and 6.29% for the LRE. For 2023, when the requirements are informative and non-binding, the Parent Company must comply with an interim target ensuring linear growth towards the 1.1.2024 requirement.

As at 30 June 2023, the Group had values higher than the intermediate requirements set for 2023:

- an MREL capacity of 26.07% in terms of TREA and 10.23% in terms of LRE ("Leverage ratio exposure measure"); and
- an MREL subordination capacity of 19.51% in terms of TREA and 7.65% in terms of LRE.

In this regard, please note that the Group's funding strategies aim to guarantee - as concerns public bond issue plans in particular - the constant fulfilment of MREL requirements.

Disclosure on Fair Value

The methodologies used to calculate fair values have not changed compared to 2022 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 2022.

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

Asset and liabilities measured at fair value	30 06 2023				31 12 2022			
	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:	5,051.1	2,382.0	414.9	7,848.0	3,551.9	2,803.3	401.5	6,756.7
a) Financial asset held for trading	5,050.1	2,331.0	-	7,381.1	3,551.8	2,747.6	-	6,299.4
c) Other financial assets mandatorily measured at fair value	1.0	51.0	414.9	466.9	0.1	55.7	401.5	457.3
2. Financial assets measured at fair value through other comprehensive income	2,931.0	518.8	225.3	3,675.1	3,578.5	550.1	223.7	4,352.3
3. Hedging derivatives	-	971.6	-	971.6	-	1,077.1	-	1,077.1
4. Property, plant and equipment	-	-	1,864.2	1,864.2	-	-	1,921.6	1,921.6
Total assets	**7,982.1**	**3,872.4**	**2,504.4**	**14,358.9**	**7,130.4**	**4,430.5**	**2,546.8**	**14,107.7**
1. Financial liabilities held for trading	2,859.9	1,238.9	3.5	4,102.3	2,567.2	1,417.3	4.0	3,988.5
2. Financial liabilities designated at fair value	-	101.3	-	101.3	-	97.0	-	97.0
3. Hedging derivatives	-	312.1	-	312.1	-	301.6	-	301.6
Total liabilities	**2,859.9**	**1,652.3**	**3.5**	**4,515.7**	**2,567.2**	**1,815.9**	**4.0**	**4,387.1**

The financial instruments measured at fair value and classified in level 3 of the hierarchy are composed of financial instruments, measured using the mark to model approach, in which the measurement methods adopted also use inputs that are not observable on the market and whose contribution is significant. All financial instruments not listed in an active market are classified in level 3 when i) despite having observable data, significant adjustments to them are necessary on the basis of non-observable data and ii) the estimate is based on assumptions within the Group regarding future cash flows and the risk adjustment of the discount curve.

Compared to the classification as at 31 December 2021, as at 30 June 2023 there was a deterioration in the fair value of some financial assets, particularly bonds for less than EUR 1 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 19 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-on.

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 2023 the change for the correction of CVA was approx. EUR 3.1 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). As at 30 June 2023, the DVA was positive and equal to a total of EUR 24.5 mln.

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

30 06 2023

	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 which: c) Other financial assets mandatorily measured at fair value		
1. Opening balances	**401.5**	**401.5**	**223.7**	**1,921.6**
2. Increases	**42.4**	**42.4**	**3.2**	**15.7**
2.1 Purchase	-	-	-	-
2.2 Profits charged to:	10.0	10.0	0.8	2.4
2.2.1 Income statement	10.0	10.0	0.8	1.8
- of which capital gains	10.0	10.0	0.8	1.8
2.2.2 Equity	-	-	-	0.6
2.3 Transfers from other levels	-	-	-	-
2.4 Other increases	32.4	32.4	2.4	13.3
3. Decreases	**29.1**	**29.1**	**1.6**	**73.1**
3.1 Sales	-	-	-	-
3.2 Repayments	22.6	22.6	-	-
3.3 Losses charged to:	5.9	5.9	0.1	54.7
3.3.1 Income statement	5.9	5.9	0.1	30.2
- of which capital losses	5.9	5.9	0.1	30.2
3.3.2 Equity	-	-	-	24.5
3.4 Transfers to other levels	-	-	-	-
3.5 Other decreases	0.6	0.6	1.5	18.4
4. Closing balance	**414.8**	**414.8**	**225.3**	**1,864.2**

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

- "2.2. Profits charged to Income statement": the amount of Eur +10 mln mainly refers to capital gains from valuation of certain Units of Ucits for Eur +6.9 mln;

- "2.4 Other increases": the amount of EUR 32.4 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.

- "3.2 Repayments" for EUR 22.6 mln include, for an amount of EUR 9.6 mln, the partial repayment of certain Units of Ucits and equity instruments and EUR 12.6 mln for repayment on credit position.

Property, plant and equipment measured at fair value on a recurring basis are represented by real estate properties used in the business and real estate properties held for trading. The most significant amounts are shown below.

- "2.2.1 Profit charged to income statement: of which capital gains" equal to approximately EUR 1.8 mln refer for EUR 0.7 mln to reversals of impairment losses on IAS 16 properties previously recognised in income statement, and EUR 1.1 mln to revaluation of properties under IAS 40 as a result of technical appraisals performed as at 30 June 2023;
- "2.4 Other increase" equal to approximately EUR 13.3 mln mainly due to improvements and incremental expenses incurred on owned assets used in the business;
- "3.3.1 Losses charged to income statement: of which capital losses" equal to approximately EUR 30.2 mln refers to a write-down made on the basis of external appraisals carried out by a valuation expert - on properties classified under IAS 16 and IAS 40;
- "3.3.2 Losses charged to equity" equal to approximately EUR 24.5 mln refer entirely to a write-down on properties under IAS 16 subject to a previous revaluation recognised in the OCI reserve;
- "3.5 Other decreases" equal to approximately EUR 18.4 mln refer almost entirely to a depreciation related to properties under IAS 16 and the transfer during the year real estate held for sale.

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

	30 06 2023
	Financial liabilities held for trading
1. Opening balances	**4.0**
2.Increases	**0.6**
2.1 Issues	-
2.2 Losses posted to	0.6
2.2.1 Income Statement	0.6
- of which capital losses	-
2.2.2 Equity	X
2.3 Transfers from other levels	-
2.4 Other increases	-
3. Decreases	**1.1**
3.1 Redemptions	-
3.2 Repurchases	-
3.3 Profits posted to:	1.1
3.3.1 Income Statement	1.1
- of which capital gains	0.5
3.3.2 Equity	X
3.4 Transfers from other levels	-
3.5 Other decreases	-
4. Closing balance	**3.5**

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.

item	Fair value level 2 as at 30 June 2023							type	Valuation techniques	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 derivatives	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives			
Debt securities	290.9	2.6	509.6	X	-	101.3	X	Bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves
								Structured bondss	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves + inputs necessary to measure optional component
								Notes	Discounted Cash Flow	Interest rate curve, CDS curve, Basi (yield)
								Notes	Market price	Market price
Equity instruments	0.5	-	9.2	X	X	X	X	Share/equity instruments	Market price	Market price, recent transactions, appraisals, manager reports
								Equity instruments	Discounted cash flow	Share price, beta sector, free risk rate
								Equity instruments	Net asset adjusted	Carrying Amount Asset/Liabilities
Units of UCITS	-	48.4	X	X	X	X	X	Private Equity Funds	Nav Investor report	manager reports, data sheet held in portfolio
Financial derivatives	2,039.6	X	X	971.6	1,139.7	X	312.1	IRS/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, Foreign exchange rates
								Forex Singlename Plain	Option Pricing Model	Interest rate curve, Foreign exchange rates, Forex volatility
								Forex Singlename Exotic	Option Pricing Model	Interest rate curve, Foreign 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 inputs
								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 correlation
								Plain rate	Option Pricing Model	Interest rate curve, inflation curves, bond prices, foreign exchange rates, Rate volatility, rate correlations
								Currency transactions	Market price*	Market price, Swap Point
Credit derivatives	-	-	-	-	99.2	-	-	Default swaps	Discounted Cash Flow	CDS curves, Interest rate curves
Total assets	2,331.0	51.0	518.8	971.6	X	X	X			
Total liabilities	X	X	X	X	1,238.9	101.3	312.1			

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

Items	Fair value Level 3 30 06 2023 Other financial assets mandatorily measured at fair value	Financial assets measured at fair value through other comprehensive income	Financial liabilities held for trading	Type	Measurement approach	Non-observable inputs	Range (weighted average)
Debt securities	112.4	-	-	Notes	Discounted Cash Flow	Discount rate	10.40%- 19.93%
				Participating financial instruments	Credit Model	Fair value assets	0-17.9 €/mln
Equity instruments	1.8	225.3	X	Equity instruments	External pricing	fair value assets	0.3 €/mln
				Equity investments	Discounted Cash Flow	Liquidity/Equity Risk Premium/Beta baselines	20%/8%/0.4
				Equity investments	Cost/Shareholders' equity	Fair value assets	0-12.4 €/mln
Loans	158.8	-	X	Loans	Discounted Cash Flow	NPE spread	1.92% - 1.92%
				Loans	Discounted Cash Flow	LGD	0.01% / 59.19%
				Loans	Discounted Cash Flow	PD	0.09% / 41.74%
				Loans	Discounted Cash Flow	PE spread	0.01% / 1.63%
Units of UCITS	141.9	X	X	Reserved Closed-end Fund	External pricing	FV assets	7.9 €/mln
				Closed-end Real Estate Funds.	Discounted Cash Flow	Discount rate	10%
				Alternative Investment Funds	Discounted Cash Flow	Discount rate	8.91% - 11.15%
Financial derivatives	X	X	3.5	IR/Assets/Currency Swaps	Discounted Cash Flow	Surrender Rate	No dynamics/Stochastic volatility
Total assets	414.9	225.3	X				
Total liabilities	X	X	3.5				

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 53.2 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 forecast distributions (+/-10%) would result in the following range of values: EUR 58.2 - 47.7 mln.

The mezzanine tranche of NPL securitisation positions falls into the same category, totalling approximately EUR 34.1 mln, measured using the Discounted Cash Flow method with future cash flows discounted on the basis of expected collections and the WACC model. It is estimated that fluctuation of the discount rate (+/- 1%) would result in the following range of values: EUR 32.8 - 34.7 mln. Also worth mentioning in this category are approximately EUR 20.9 mln relating to some equity investments acquired by the Group under credit restructuring agreements 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 158.8 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, of 10%, 5%, 1% and 1%, respectively, would have an impact on fair value of approximately EUR -7.5 mln.

The majority of the UCITS units refers, for EUR 125.7 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 forecast 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 7.9 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 equity investment in Bank of Italy (EUR 187.5 mln), measured using the Discounted Cash Flow method. The equity investment 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 -9 mln for every 100 bps increase in the equity risk premium, roughly EUR -15 mln for every 10 p.p. increase in the market beta, and roughly EUR -16 mln for every 10 p.p. increase in the cash flow base.

This category also includes equity securities representing all equity investments designated at fair value that could not be measured according to a market-based model. These positions amount to approximately EUR 37.8 mln.

Financial liabilities held for trading include financial derivatives (approximately EUR 3.5 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 2023		31 12 2022	
	Book value	Total Fair value	Book value	Total Fair value
1. Financial assets measured at amortised cost	88,900.1	87,448.5	88,464.6	86,496.9
3. Non-current assets held for sale and disposal groups	121.8	65.2	65.5	65.5
Total Assets	**89,021.9**	**87,513.7**	**88,530.1**	**86,562.4**
1. Financial liabilities measured at amortised costs	101,222.1	101,046.4	103,283.4	102,997.1
Total Liabilities	**101,222.1**	**101,046.4**	**103,283.4**	**102,997.1**

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 Business Model, medium-term 2022-2026 Business 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 fact, the Parent Company's Board of Directors defines the overall Risk Appetite Framework (RAF) for the Group and approves the "Group Risk Appetite Statement" (RAS) at least once per year.

The RAF Governance process is centralised within the Parent Company, which outlines its relevant perimeter at Group level and defines its structure in Group companies, according to the risks assumed, size and operational complexity of each legal entity. The RAF defines the roles of corporate bodies and functions involved in defining the "risk appetite" and the procedures to be implemented if it becomes necessary to restore the level of risk to the objective or within the pre-established limits.

The RAS represents an essential element in defining the Group's risk strategy. The RAS is the formal document that contains the explicit declaration of the risk/return objectives/limits (overall, by type and broken down by individual companies/business units) that the Bank intends to assume to pursue its strategies. Therefore, with the RAS, the risk objectives/restrictions are identified and the indicators are broken down by Business Unit/Legal Entity (known as "cascading down" of the Risk Appetite). The objective is to increase the Group's Risk Culture and fully instil accountability in all relevant Business Units with regard to achievement of the risk appetite objectives, as required by the regulations and recommended by best practices. 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 2023, the Group has continued to actively support interaction with the ECB-Bank of Italy Joint Supervisory Team (JST).

The MPS Group was included in the sample for the *Regulatory Stress Test* exercise launched by the EBA at European level at the end of 2022. During the first half of 2023, the Group participated in the stress test by submitting the progressive results of the three-year projections on the basis of the baseline and adverse macroeconomic and financial scenarios to the Regulatory Authorities. The results were published at the end of July 2023 and made available on the institutional websites of EBA, ECB and the Montepaschi Group.

For additional information, see the Consolidated Report on Operations as at 31 December 2022, 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 2022 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

Internal RWA
Montepaschi Group - 30.06.2023

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 2022, to which reference is made.

The most significant risks and uncertainties at the reference date of this Half-Yearly Report are shown below.

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, the growth in inflation and interest rates observed in the course of 2023, as well as international geopolitical tensions deriving from the Russian 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 2023 the Group continued to support the companies most impacted by the deterioration of the macroeconomic scenario, by providing new loans and applying forbearance measures, while on non-performing loans, activities continue in order to limit the stock of NPLs.

Market Risk

Market risk remains a significant risk to which the Group is exposed, given the potential volatility of the underlying market variables, in a general context of uncertainty characterised by the protracted conflict in Ukraine, the ongoing energy crisis, high inflation and the continuation of restrictive monetary policies. In particular, the reference to market risk is attributable to sovereign exposures in both the trading book and the banking book, although the recent trend, confirmed on the trading book component, has shown a contraction of overall exposures on this segment. Among the points of attention, we highlight the exposure and concentration in Italian government bonds in terms of issuer risk, mainly for positions measured at amortised cost and the relative vulnerability of the portfolio in the face of unfavourable changes in market conditions, in particular on interest rates and 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 book, for the expected entry into force in 2025 of the new method for calculating capital requirements on market risks (Fundamental Review of the Trading Book).

Operational risk

Exposure to operational risk is confirmed as highly significant. A particularly significant issue with prospects not yet fully outlined includes disputes, out-of-court claims and mediation requests pending 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 strengthening of the access authentication system, training and sensitisation of personnel on cyber risk and enhancement of the platforms for detecting and blocking threats routed through the network.

Business and strategic risk

For details of these types of risk, please refer to the Annual Financial Report as at 31 December 2022 (see paragraph "Business and strategic risk")

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*". The Parent Company has already implemented important actions in the 2022-2026 Business Plan. With regard to the Plan implementation status, please refer to this Interim Report on Operations as at 30 June 2023 (see paragraph "Status of implementation of the Plan at the date of preparation of this Report").

Failure to achieve the assumptions of the 2022-2026 Business Plan (in addition to those already completed) in the absence of timely corrective actions, not yet duly identified, could have an impact on the Bank's and the Group's income prospects. The 2022-2026 Business Plan is based on general and hypothetical assumptions of the realisation of a set of future events and actions to be taken by the directors, subject to risks and uncertainties characterising 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.

The Group also remains exposed to the risk that in the event of non-compliance with the Commitments required by the European Commission, the latter will impose the adoption of compensatory measures that tighten the breached commitments or other commitments already disclosed. In the event of a serious breach of the Commitments, the Commission may also initiate infringement procedures with consequent impacts on the Bank's financial position.

Funding risk and liquidity risk

In general, during the reporting period, 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 experiencing liquidity stress in the past, the Group has maintained, in recent years, short-term liquidity indicators at very high levels, even after maturity, in June 2023, of long-term refinancing transactions with the ECB ("TLTRO"), for a total of EUR 11 bn, partly offset by new short-term auctions ("MRO") with the ECB for a total of EUR 6.75 bn.

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 associated with regulatory stress tests

As part of prudential supervisory activities, the ECB, in cooperation with the EBA and the other competent Supervisory Authorities, performs periodic stress tests on supervised banks in order to check bank resilience with respect to baseline and adverse macroeconomic scenarios. The impact of these tests depends on assessment methodologies, stress scenarios and the outcome of the quality assurance activities taken as a reference by the Supervisory Authorities. The MPS Group is therefore exposed to uncertainties arising from the outcome of these regulatory exercises, consisting in the possibility of a potential exacerbation of the capital requirements to be met, if the results bring to light particular Group vulnerability to the stress scenarios employed by the Supervisory Authorities.

Risks associated with audits by Supervisory Authorities

The Group is exposed to the risk that following assessments of the Supervisory Authorities, procedural gaps could be identified implying the need to adopt organisational measures and strengthen the oversight mechanisms aimed at making up for such gaps. Any inadequacy of the corrective actions and the remediation plans undertaken by the Bank to incorporate any Supervisory Authority recommendations could have significant negative effects on the Group's profit and loss, financial position and/or cash flows and possible penalty proceedings, including bans, with resulting reputational impacts.

Reputational risk

The reputational profile of the Group continues to highlight certain weaknesses linked to media exposure. The main factors of uncertainty are linked to the outcome of a number of proceedings pending on past events.

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

The transactions for the sale of non-performing loans carried out by the Group in the last years provide, in relation to each portfolio of assigned loans, the issuance of representations and warranties on the integrity on the information and documentations transferred, such as for example the ownership and assignability of the credit, the validity of the collateral (in particular, mortgages), the regularity of the real estate properties subject to guarantee, as well as the accuracy of the data, etc. The Group is therefore exposed to the risk to indemnify the assignees or alternatively repurchase the loans, in the event of violation of the aforementioned declarations and guarantees.

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 macroeconomic developments 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 influenced by the general economic context and the financial market trend and, in particular, the economic performance of Italy as the country in which the Group almost exclusively operates.

The repercussions on the international/domestic economic cycle of the conflict in Ukraine and the uncertainty regarding its outcomes and duration, continued to impact Group business dynamics in the first part of 2023. Despite decreasing energy prices and the consequent drop in inflation from the peaks of 2022, the price level remained high, especially in the core component[16], prompting the ECB to decisively continue its restrictive monetary policy. The intensity of the monetary tightening has increased the risk of depressive consequences on growth in the Eurozone when a slowing phase is already underway. On the global scenario, geopolitical tensions and fears of excessive cooling of the Chinese economy continue to persist.

At domestic level, incomplete or delayed implementation of the measures envisaged in the National Recovery and Resilience Plan (NRRP) - especially on investments - could result in less support for growth and not balance the repercussions of the monetary tightening on domestic demand and the withdrawal of incentives (i.e. construction). A lower expected growth could fuel fears about the sustainability of public debt, especially in a context of increased interest-based spending and in view of the return (from next year) of the objectives of the Stability Pact, with a consequent widening of the BTP-Bund spread. The social repercussions of slowly settling inflation and any political tensions could further depress the economic recovery. A specific risk factor could arise, especially for the agricultural sector, from repercussions of the flood that recently struck Emilia-Romagna.

If such risks result in stagnation or a recession in the Italian economy in the medium term, this could negatively affect the main banking aggregates and there could be potentially significant impacts on the economic and financial position of the Bank and the Group. In particular, for the banking sector, there could be a decline in demand for credit, with a decrease in customer funding primarily with reference to businesses, a slowdown in ordinary banking activity, a deterioration in the loan portfolio with a simultaneous increase in non-performing loans and situations of insolvency, a deterioration in revenues and increase in adjustments to receivables, with negative effects on the Group's business and economic, financial and asset situation. In this respect, particular significance is attributed to the possibility that the economic slowdown will cause a deterioration in the quality of the loan portfolio, with a resulting increase in the incidence of non-performing loans and the need to increase provisions in the income statement; there is also the possibility of a negative impact on the Group's capacity to generate revenues, by virtue of the weaker demand for services and products as well as for loans and investments on the part of customers. In addition, inflationary pressures could result in an increase in opening costs, in particular personnel costs.

Lastly, note that any significant deviations between the actual macroeconomic dynamics and those assumed as the basis for the 2022-2026 Business Plan could have negative effects on the operating results and on the economic, equity and/or financial position of the Group.

Risks associated with the performance of the real estate sector

The Group is exposed to the risk that negative changes in the real estate sector may have a negative impact on the Group's profit and loss and financial position. In detail, any fluctuations in the non-residential real estate index could entail a reduction in the value of mortgage guarantees on loans disbursed which, in conjunction with the presence of counterparty insolvency events, also due to the changed macroeconomic scenario, would make higher provisions necessary, with negative effects on the Group's results. Similarly, a deterioration in real estate sector performance could result in a decrease in the solvency of counterparties operating in construction, leasing and/or the purchase and sale of real estate which, impacting sale and/or lease prices, influences the economic and financial situations of the financed companies, triggering a deterioration in the credit quality of the Group's loan portfolio. Lastly, the Group is exposed to real estate sector risk also due to the investments directly held in owned properties, as any deterioration of the real estate market could result in a different determination of the value of owned properties and in the future result in the need for value adjustments on such properties.

[16] Price level calculated net of energy and food.

Risks relating to the purchase and use of the Superbonus/Ecobonus/Sismabonus tax credits

The Group is exposed to the risk of not being able to recover the tax credits acquired. Please note that if, for any reason, (i) significant changes are made to current tax regulations or (ii) the payments on which offsetting is carried out are lower than the amount of the credits acquired, and the credits acquired to an extent exceeding the offsetting capacity (tax capacity) are not sold to third parties in due time or (iii) any joint liability emerges with respect to violations committed by taxpayers or also (iv) credits are acquired even in the presence of situations for which the assumptions pursuant to arts. 35 ("obligation to report suspicious transactions") and 42 ("abstention") of Italian Legislative Decree 231/2007 are met, the value not recovered of the credits acquired could be reported as a loss, with negative effects on the Group's profit and loss, financial position and/or cash flows.

Climate-related and environmental risks

The Group is exposed to risks linked to climate change which include i) physical risk, or the risk that extreme natural events (acute physical risk) or gradually changing climate (chronic physical risk) could cause direct or indirect material damage, a decline in productivity and production chain stoppage, with a negative impact on the capacity of households and businesses to meet their financial commitments as well as on the value of the collateral provided and ii) transition risk deriving from potential losses that a party may incur, directly or indirectly, due to the process of adaptation to a "more sustainable low-carbon economy".

Furthermore, physical and transition risks may cause losses for the Group deriving directly or indirectly from legal actions, or generate reputational damage if the entity is associated with adverse environmental effects.

For further details, please refer to the contents of the "2022 Consolidated Non-Financial Statement".

Credit risks

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.

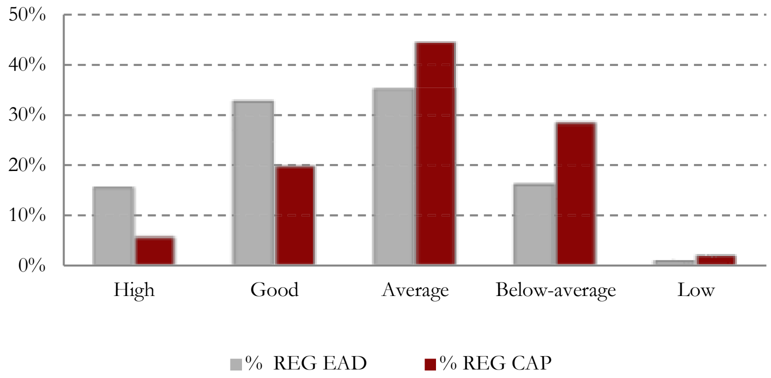
In general, a continuation of the situation of uncertainty linked to the international geopolitical tensions deriving from Russia's invasion of Ukraine, could have a negative impact on the ability of the Group's customers to meet their obligations and hence cause a significant deterioration in the credit 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 2023 the Group continued in order to limit the stock of NPLs.

The chart below provides a credit quality breakdown of the Group portfolio as at 30 June 2023 by exposure to risk and Regulatory Capital. It can be seen that about 48% (47% as at 31 December 2022) 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.

Performing loan book

Montepaschi Group - Quality as at 30 06 2023



Risk assessment model

Credit risk is analysed in-house for management purposes using the Credit Portfolio Model, which was developed internally by the Bank 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; during the first half of 2023 the internal model of EAD parameter was validated and entered into production on these counterparties; awaiting validation and roll-out of the model relating to Widiba credit's portfolio.

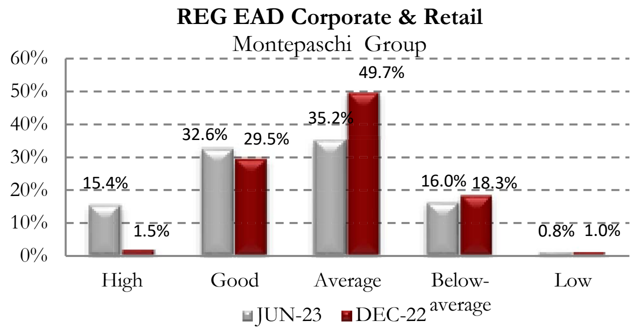
The Group has used PD, LGD and EAD parameters, estimated for regulatory purposes to calculate Risk Weighted Assets, also for other operational and internal management purposes. These provide the basis of calculation for different systems of measurement and monitoring, and specifically for the:

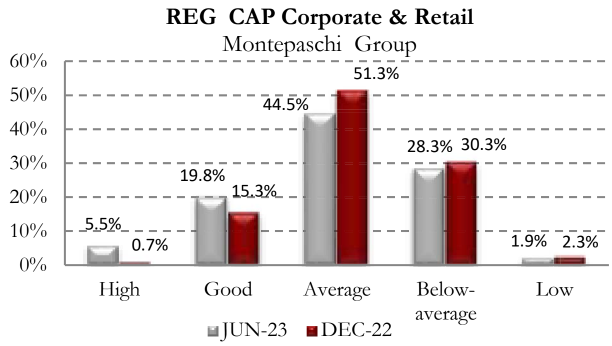
- measurement of internal and regulatory capital for credit risk;
- calculation of risk-adjusted performance and measurement of value creation;
- risk-adjusted pricing processes;
- credit direction processes (credit policies);

- 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.

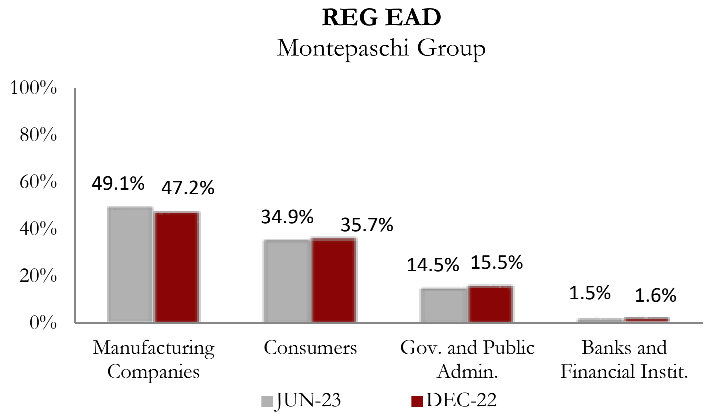
Risk exposure

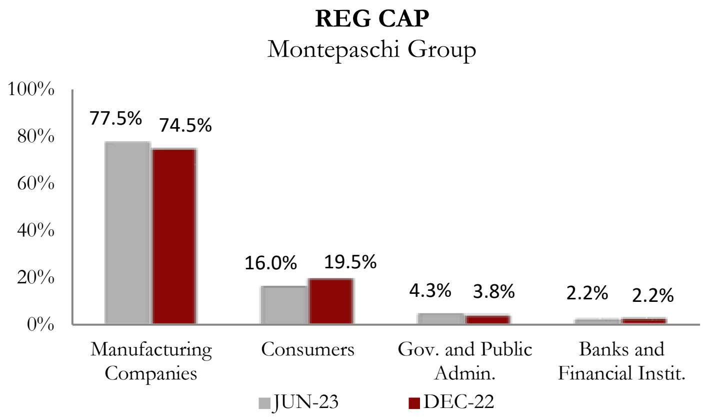
The charts below provide a credit quality breakdown of the MPS Group’s portfolio (BMPS and BancaWidiba) as at 30 June 2023 compared to the end of 2022 for Regulatory *Exposure at Default* (REG EAD) and Regulatory Capital (REG CAP) of the performing Corporate and Retail portfolios.





The charts below show the distribution of the MPS Group’s REG EAD and REG CAP by type of customer as at 30 June 2023 compared to the end of 2022.





Counterparty risk

Risk assessment model

With regard to Counterparty Risk measurement methods, there are no significant changes to report compared to 2022:

- As envisaged by the regulatory provisions, in measuring exposure to counterparty risk the Group uses the regulatory approach defined in Regulation (EU) 575/2013, current version, taking into account its amendments and corrections, such as the "standardised approach for counterparty credit 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 for financial collateral" to calculate the EAD for SFTs (Securities Financing Transactions). For management purposes, the MPS Group maintains the market value method to calculate the EAD for Derivatives and LST sectors and the "comprehensive approach for financial collateral" 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 and intercompany. The Group calculates the CVA requirement using the "standardised method" envisaged in the current version of Regulation (EU) 575/2013. 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

Below is a breakdown of the Group's exposure to sovereign debt risk in government bonds, loans and credit derivatives as at 30 June 2023.

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	0.5	-	-	-	-	-	-
Belgium	-	-	8.0	3.3	-	-	-
France	-	-	15.0	11.7	10.6	-	-
Italy	2,102.3	1,822.4	2,980.5	2,792.8	6,963.3	1,621.5	2,968.4
Mexico	0.1	-	15.0	11.3	-	-	-
Peru	-	-	2.0	1.5	-	-	-
Portugal	0.2	0.2	29.6	21.2	3.0	-	-
Romania	-	-	30.0	23.4	-	-	-
Spain	5.7	6.0	10.0	10.0	1,185.8	-	-
United States	-	-	46.0	38.8	-	-	-
South Africa	-	-	5.0	4.9	-	-	-
Other Countries	-	0.1	-	0.2	-	-	-
Total 30 06 2023	**2,108.8**	**1,828.7**	**3,141.1**	**2,919.1**	**8,162.7**	**1,621.5**	**2,968.4**
Total 31 12 2022	**1,049.9**	**812.2**	**3,770.9**	**3,508.0**	**7,478.6**	**1,625.9**	**3,283.1**

As at 30 June 2023, the residual duration of the exposure to the most significant component of sovereign debt (Italian government bonds) was 7.04 years.

Market risks

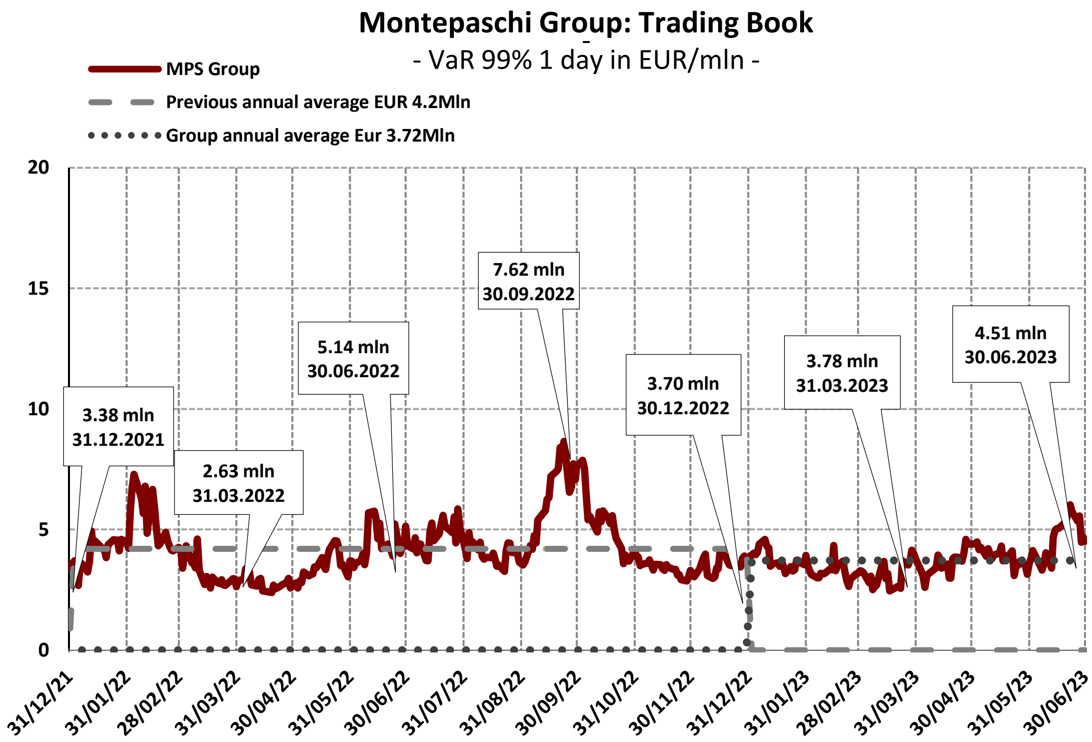
The general market context continues, characterised by high volatility in short-term rates, with a partial subsiding of tensions as concerns credit spreads on Italian government bonds. In this context, note the removal of the temporary prudential filter for the period 2020-2022 to the positions in FVOCI[17].

As at 30 June 2023, the market risks of the Group's Regulatory Trading Book, measured as VaR, equal to EUR 4.51 mln, were up on the end of 2022 (EUR 3.70 mln) and the yearly average (EUR 3.72 mln). At the end of the first half of the year, VaR volatility resulted from auctions on Italian government bonds for primary dealer activities, with temporary changes in the overall CS Italy risk exposure, primarily short term.

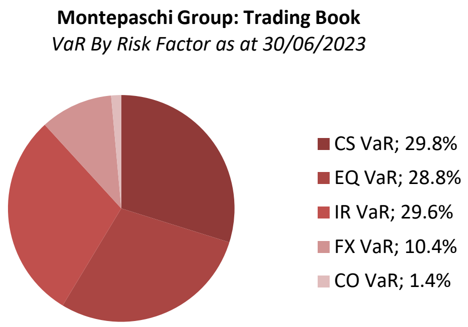
During the first half of the year, VaR trends saw limited volatility, influenced by own trading activities in the Credit Spread – Interest Rate segment (transactions in Italian government bonds and hedges based on swaps and long futures) and, to a lesser extent, Client-Driven activities in the Equity segment (options and equity futures on the main market indices

As at 30 June 2023 the segment of securities measured at amortised cost and related hedge, has a sensitivity to interest rate of approximately EUR -2.2 mln per bps, of which EUR -1.9 mln per bps related to Italian government bond; in addition the sensitivity to the Italian credit spread is approximately EUR -4.7 mln per bps. At same date the entire segment shown an unrealised capital loss of EUR 685.0 mln, of which EUR 558.3 mln referred to Italian government sector. For debt securities under FVOCI portfolio and related hedge, there is a sensitivity to interest rate of approximately EUR -0,44 mln per bps, of which EUR -0.36 mln per bps only for Italian government sector.

In the six months, the average holding of Italian sovereign bonds were in the Group's trading books amounted to EUR 0.43 bn in nominal terms, below the 2022 average (EUR 3.71 bn).



[17] 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 CS is the main risk factor, accounting for 29.8% of the RTB Gross VaR of the Group, while IR factor accounts for 29.6%, EQ for 28.8%, FX for 10.4% and CO for 1.4%.

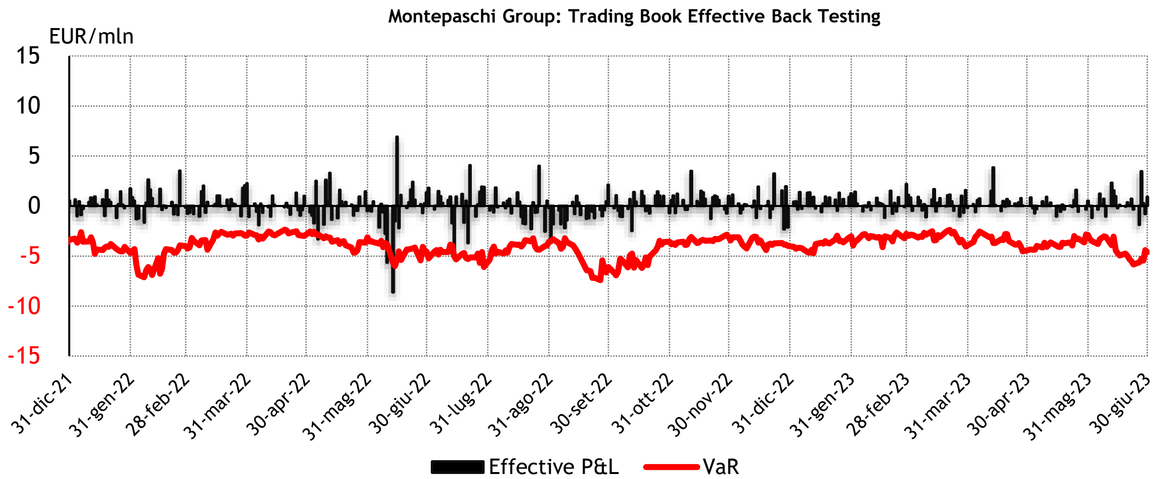
Montepaschi Group
VaR PNV 99% 1 day in EUR/mln

	VaR	Data
End of Period	4.51	30/06/2023
Minimum	2.46	17/03/2023
Maximum	6.03	22/06/2023
Average	3.72	

In the first six months of 2023, the Group's VaR in the Regulatory Trading Book ranged between a low of EUR 2.46 mln recorded on 17 March 2023 and a high of EUR 6.03 mln on 22 June 2023, with an average value registered of EUR 3.72 mln. The Regulatory Trading Book VaR as at 30 June 2023 was equal to EUR 4.51 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 2022 and the first six months of 2023:



No exceptions were noted in the first half of 2023.

Structured credit product

As at 30 June 2023, the securities positions on structured credit products other than own securitisations had a book value of EUR 47.6 mln, compared to EUR 183.7 mln as at 31 December 2022.

This section does not analyse the securitisations issued by Siena NPL from the disposal of bad loans on 22 December 2017 since, although the Group has no stake in the vehicle and the notes are not held for liquidity requirements (self-securitisations), 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 allocated mainly to the Regulatory Trading Book (90.4% of the total). The remaining positions are held by the Parent Company. The main accounting classification refers to the category "Financial assets measured at fair value through profit or loss" (90.4%), followed by the category "Financial assets measured at fair value through other comprehensive income" (9.6%).

The underlying asset categories transferred are predominantly commercial mortgage loans (56.2%) and non-performing loans (43.8%).

Geographically speaking, the loans transferred all originated in Italy.

In terms of structured credit product risk, 43.5% of the nominal value of the exposures consists of investment grade securities (with rating up to BBB- included); they are mostly senior tranches (70.1%), followed by mezzanine tranches (29.9%); 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 Bank level, guaranteeing solvency on a consolidated and individual basis for the Subsidiaries.

The management of the Group's **Operating 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 - Delegated Act. 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 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 2023, the Montepaschi Group was adequate in terms of both Operating Liquidity, with an LCR equal to 180.5 %, and Structural Liquidity, with an NSFR equal to 133.7%.

It should also be noted that the ratio of 1-month balance to the Group's consolidated assets is equal to 19.1%.

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

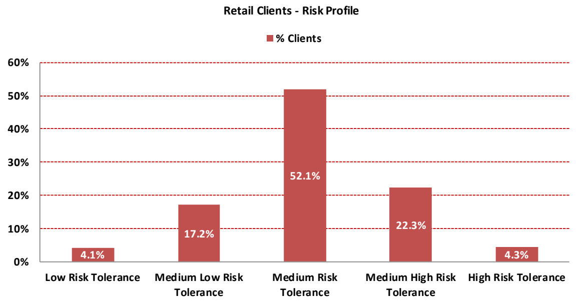
As at 30 June 2023, the number of operational risk events and losses observed in the first half of the year was down compared to the same period of 2022.. The Regulatory Requirement slightly increase compared to December 2022 (+0.7%) mainly due to an increase in events reported by other banks (source DIPO – Italian Operational Losses Database).

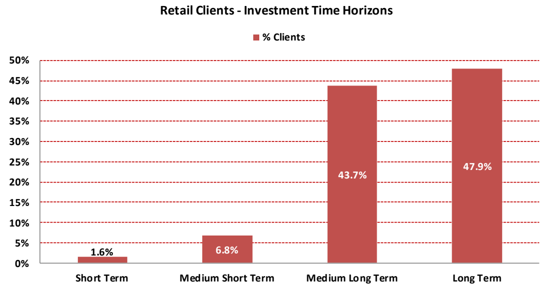
Financial risks of investment services

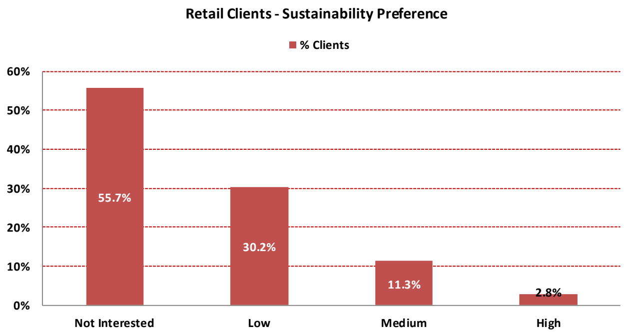
Banca MPS and Banca Widiba adopt customer profiling methods and rules to determine the indicators underlying the customer's risk profile, using the MiFID questionnaire in line with MiFID II (Directive 2014/65/EU) which, together with the MiFIR o Markets in Financial Instruments Regulation (Regulation (EU) 600/2014), regulate the financial products market.

From 1 August 2022, the regulatory indications contained in Delegated Regulation (EU) 2021/1253 amending Delegated Regulation (EU) 2017/565, which supplements the MiFID II Directive, to ensure that intermediaries conduct an assessment of the sustainability preferences of their customers. The customer profiling questionnaire captures the degree of customer preference with respect to environmental, social and governance (ESG) sustainability preferences.

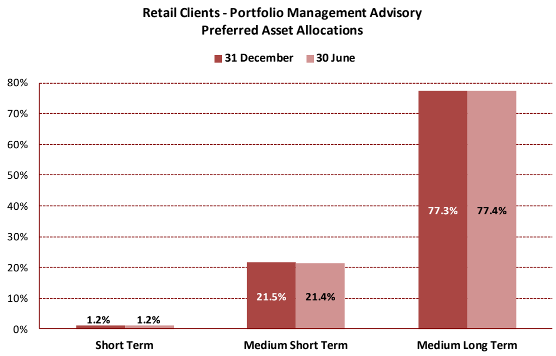
The graphs below show the distribution as at 30 June 2023 of the Investment Objective, Time Horizon and Interest in Sustainability indicators issued by Retail customers of the group who have fully completed the MiFID questionnaire and who hold positions in investment products.







At the end of June 2023, the portfolios held by Private 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

As at 30 June 2023, legal proceedings and out-of-court claims were pending, with a total relief sought, where quantified, of EUR 7,187.9 mln. This amount, in accordance with IAS 37, includes all disputes for which the risk of economic resources disbursement deriving from the potential loss has been assessed as possible or probable and, therefore, does not include disputes for which the risk has been assessed as remote. The risks associated with the aforementioned disputes have been the subject of a specific and careful analysis by the Group. In the presence of disputes with probable risk and if it is possible to make a reliable estimate of the relative amount, specific and appropriate provisions have been made to the Provision for Risks and Charges. Without prejudice to the risk of uncertainty that characterises every dispute, the estimate of the obligations that could emerge from the disputes - and therefore the amount of any provisions made - derives from the forecast assessments regarding the outcome of the proceedings. These forward-looking assessments are in any case carried out on the basis of the information available at the time of the estimate. As indicated in the paragraphs "Accounting policies" and "Estimates and assumptions when preparing the Condensed Consolidated Half-Yearly Financial Statements", to which reference is made, the complexity of the situations and corporate transactions forming the basis of the disputes imply significant elements of proceedings that could affect the if, how much and related materialisation timing of the liability. In this regard, therefore, although the Group's estimates are considered robust, reliable and compliant with the dictates of reference accounting standards, it cannot be excluded that charges arising on final settlement of the disputes may prove different, even significantly, from those allocated.
Disputes with probable risk alone show a relief sought of EUR 4,214.4 mln and provisions allocated of EUR 1,136.9 mln. This aggregate includes:

1 - Legal disputes and out-of-court claims

The following were pending as at 30 June 2023:

- legal disputes with a total a relief sought, where quantified, of EUR 4,085.1 mln, of which approx. EUR 2,200.2 mln as relief sought regarding disputes classified as having a "likely" risk of losing the case, for which provisions of EUR 855.9 mln have been allocated, and approximately EUR 1,884.9 mln as relief sought attributable to disputes classified as having a "possible" risk of losing the case;
- out-of-court claims with total relief sought, where quantified, equal to approximately EUR 2,283.8 mln of which approx. EUR 1,821.2 mln as relief sought in disputes classified as having a "likely" risk of losing the case and approx. EUR 462.6 mln as relief sought in disputes classified as having a "possible" risk of losing the case.

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

Disputes regarding compound interest, interest rates and conditions

As at 30 June 2023 provisions for risks were allocated for EUR 105.5 mln (against a total relief sought of EUR 238.9 mln), compared to EUR 112.6 mln recorded as at 31 December 2022 (against a total relief sought of EUR 246.9 mln).

Dispute regarding bankruptcy rescindments

As at 30 June 2023 the provisions for risks recognised for this type of dispute amounted to EUR 18.7 mln (total relief sought of EUR 58.3 mln), compared to EUR 15.5 mln as at 31 December 2022 (against a relief sought of EUR 62.3 mln).

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

For this type of dispute, as at 30 June 2023, provisions for risks of EUR 3.9 mln were allocated (against a total relief sought of EUR 9.0 mln), compared to EUR 2.4 mln recognised as at 31 December 2022 (against relief sought of EUR 6.5 mln).

Dispute with purchasers of subordinated bonds issued by Group companies

Following the burden-sharing plan implemented in 2017 in application of Italian Law Decree 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 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 where, despite purchasing Upper Tier II securities, the counterparties claim to have been unable to participate in the public offering due to misselling by the Parent Company, or in any event to have 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 2023 was EUR 36.1 mln (EUR 37.2 mln as at 31 December 2022), whilst allocated provisions totalled EUR 15.6 mln (a decrease of EUR 0.4 mln compared to 31 December 2022).

Disputes and out-of-court claims related to financial information

The Parent Company is exposed to civil action, to the consequences of decisions arising from criminal proceedings (29634/14, 955/16 and 33714/16), and to out-of-court claims with regard to the financial information disclosed during previous periods.

As at 30 June 2023, the total relief sought for this type of dispute was equal to approx. EUR 4,128.0 mln, broken down as follows (data in EUR mln):

Type	30/06/23	31/03/23	31/12/22
Civil dispute	1,593	1,593	1,591
Filed civil claim cp 29634/14	111	111	111
Filed civil claim cp 955/16	160	158	158
Total disputes	**1,864**	**1,862**	**1,860**
Out-of-court claims*	2,264	2,260	1,533

(*) The increase, in the first quarter of 2023, is attributable to a claim for a total capital relief sought of EUR 0.7 bn received in January 2023 through a consultancy company, which concerns the same counterparty that in August 2022 had filed an application for mediation, subsequently closed due to inactivity in October that same year.

The main disputes in place as at 30 June 2023 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 the Parent Company 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 the Parent Company 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 opposing parties 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, the Parent Company applied for recourse against Nomura. It should be noted that in the judgement, four natural persons intervened, separately and independently, claiming damages for a total of approx. EUR 0.7 mln. By order dated 24 July 2019, the Investigating Judge rejected Alken's petition for a court appointed expert report (CTU), deeming the case ready for decision, and adjourned the case to the hearing of 7 July 2020 for closing arguments, during which, having rejected Alken's petition to refer the case to preliminary investigation, the case was retained for decision. 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 a single 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 Antonio Vigni and the lawyer Giuseppe Mussari. Both the Parent Company and Nomura and the Funds appealed (the latter for a relief sought of approximately EUR 454 mln) against the ruling before the Milan Court of Appeal in which the above-mentioned intervener also filed a cross-appeal against the Parent Company, for a relief-sought of EUR 0.6 mln, and another party, also intervened in the first instance, whose claims had been rejected by the Court. On 13 July 2022, the first hearing was held in the three pending appeal proceedings, which were ordered to be joined. The Court postponed the joined cases for closing arguments to the hearing of 5 July 2023 then anticipated to 10 May 2023 at which the case was taken under advisement in accordance with article 190 of Code of Civil Procedure for the closing and answer briefs.

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

On 11 March 2019, the York and York Luxembourg Funds 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 the Parent Company and Mr Alessandro Profumo, Mr 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 the Parent Company 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 the Parent Company. 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 dispose of the accounting expert witness requested by York. The case was postponed to 23 November 2023, for the finalization of closing arguments.

Banca Monte dei Paschi di Siena S.p.A./ Civil action and third-party action of the Parent Company as civilly liable party

Investors have brought claims for damages against the Parent Company both within the framework of criminal proceeding no. 29634/14 R.G.N.R. [General Criminal Records Registry] (in total no. 1,240, currently 413 following the settlement agreements reached) pending before the Court of Cassation and in which the Parent

Company was involved as civilly liable, as well as the other criminal proceedings no. 955/16 R.G.N.R. (in total no. 2,272 civil parties, currently 2,172 following the civil parties excluded from the first degree judgement of 15 October 2020) pending before the Court of Appeal of Milan, with reference to the Financial Statements, reports and other corporate communications of the Parent Company from 31 December 2012 to 31 December 2014 and with reference to the half-yearly report as at 30 June 2015, in which the Parent Company, which was found guilty in the first instance pursuant to Italian Legislative Decree 231/01, also has civil liability.

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 suit was combined with the other criminal proceeding 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") authorised the lodging and admissibility of the claims for compensation of the offended parties against the entities already involved in the proceedings as defendants pursuant to Italian 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 Italian 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 was also excluded on the assumption of its contributory liability with respect to some defendants.

On 8 November 2019, the Court read the conclusion of the ruling in first instance by convicting all defendant natural persons, and pursuant to Italian 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, as civilly liable party (not accused pursuant to Legislative Decree 231/2001 as a result of a previous plea bargaining) was convicted – jointly with the accused natural persons and the two foreign banks – and ordered to pay damages to the civil parties still making an appearance, to be settled in separate civil proceedings, the Court having rejected the request to make an amount available on a provisional and immediately enforceable basis, pursuant to art. 539 of the Italian Code of Criminal Procedure.

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.

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 "there is no case to answer" On 16 November 2022, an appeal was lodged with the Court of Cassation by both the Attorney General's Office at the Court of Appeal of Milan and Consob. The appeals will be discussed at the hearing on 11 October 2023 before the V Criminal division of the Court of Cassation.

Criminal proceeding no. 13756/20

This criminal proceeding originates from the transmission of the documents to the Milan Public Prosecutor's Office ordered in the first instance ruling in criminal trial no. 29634/14, as, during the hearing of oral arguments, relevant elements and circumstances emerged against two former managers of the Parent Company not involved

in criminal proceedings no. 29634/14 regarding the construction, completion and accounting of the FRESH, Santorini and Alexandria transactions.
It should be remembered in this regard that, as mentioned previously, on 6 May 2022 the Court of Appeal of Milan acquitted all the defendants in criminal proceedings no. 29634/14 with a broad formula, highlighting that the "there is no case to answer".

As part of criminal proceedings no. 13756/20, CONSOB filed an action as aggrieved party in criminal proceeding which requested and obtained, with the authorisation of the Preliminary Hearing Judge of 13 February 2023, the summons of the Bank as civilly liable party pursuant to art. 2049 of the Italian Civil Code for the offence of market manipulation, with reference to the financial statements relating to the years 2008, 2009, 2010, 2011 and the accounting situations as at 31 March, 30 June and 30 September 2012 challenged to the aforementioned former executives, with a claim for damages to be quantified during the trial. At the hearing on 4 May 2023, the Parent Company appeared in proceedings as a civilly liable party. The Court adjourned the proceedings to the hearing of 14 September 2023 pending the Court of Cassation hearing date for the main proceedings no. 29634/14, Court of Milan.

Criminal proceeding no. 955/16

On 12 May 2017 the committal for trial of the representatives Alessandro Profumo, Viola Fabrizio and Salvadori Paolo 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.

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. On the outcome of the hearing, the schedule was updated on 13, 20 and 27 April 2018 for the continuance of discussion and the possible issue of the final ruling of the preliminary hearing.

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 the Parent Company (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 art. 185 of the Consolidated Law on Finance.

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.

In addition, an appeal was also ledged not only by the defendants but also by the counsels for the defence of some civil parties, while 27 civil parties, withdrew their appeal. At the first hearing held on 31 March 2023 before the second criminal division of the Court of Appeal of Milan, the General Public Prosecutor and some civil parties discussed and presented written conclusions. At the subsequent hearings held on 6 April 2023, 28 April 2023, 19 May 2023 and 16 June 2023 the remaining appellant and non-appellant civil parties, the counsels of the defendants and the civilly liable party discussed and submitted written conclusions.

The court adjourned the discussion until 27 October 2023, for replies.

Criminal proceeding no. 33714/16

In relation to criminal proceeding no. 33714/16 pending before the Milan Attorney General's Office, the Parent Company was originally implicated as administrative manager pursuant to Legislative Decree no. 231/2001 in connection with an allegation of false corporate communications (pursuant to art. 2622 of the Italian Civil Code) relating to the 2012, 2013, 2014 Financial Statements and the 2015 half-yearly report due to the alleged overstatement of so-called non-performing loans.

On 4 May 2018, the Parent Company's position was dismissed by the Public Prosecutor's Office due to the groundlessness of the crime (a measure also confirmed by the General Prosecutor's Office on 15 March 2019).

On 25 July 2019, the GIP [Preliminary Investigations Judge] of the Court of Milan, on the one hand, acknowledged the dismissal of the proceedings against the Parent Company, as the liable entity pursuant to Legislative Decree No. 231/2001 (moreover, the Parent Company had also taken on the role of injured party in the proceedings) and, on the other hand, ordered the continuation of the investigations of the defendant natural persons (i.e. chairman of the Board of Directors, CEO and pro-tempore Chairman of the Board of Statutory Auditors) thus rejecting the Public Prosecutor's request for the case to be dismissed (supported by a detailed expert report prepared in the interest of the Public Prosecutor's Office). The investigations continued in the form of an evidence gathering procedure (in which the Parent Company did not participate) during which two experts were appointed by the Preliminary Investigations Judge, who, on 30 April 2021, filed their report. The questions posed to the experts mainly concerned the verification of the correctness and timeliness of the adjustments to non-performing loans recorded by the Parent Company in the period from 2012 to 2017 in compliance with the accrual principle and the other accounting standards in force at the time of the events.

The conclusions of the experts (which contradicted those of the experts initially called upon by the Public Prosecutor's Office) were then included in the notice of conclusion of the investigation.

At the hearing on 8 June 2021, the evidence gathering procedure was closed and the Preliminary Investigations Judge forwarded the documents to the Public Prosecutor's Office assigning it a deadline of 45 days to carry out any further investigations and make their determinations.

As part of this further investigation phase, the Public Prosecutor ordered two new technical consultations. In particular, on 16 November 2021, the Public Prosecutor instructed two additional consultants to review the documentation related to the 100 positions for which the ECB, in the context of the 2015-2016 inspection, had indicated the greater difference between the provisions set aside by the Bank and those indicated by the same Supervisory Authority, in order to identify the actual effect of such deviation.

This analysis was concluded with the preparation of further technical advice. The Public Prosecutor's consultants, while finding some alleged accounting errors, came to different conclusions from those of the expert report ordered by the Preliminary Investigations Judge in 2020 on the same credit positions.

In addition, the Public Prosecutor instructed two officials of the Bank of Italy to review the effects on regulatory capital of major adjustments to non-performing loans that the Bank would have had to make in the financial years covered by the above-mentioned 2020 report. In this case, too, the two appointees have filed their own expert opinion.

On 25 February 2022, the Preliminary Investigations Judge informed the defendants of the extension of the deadline for the conclusion of the investigation (until 31 May 2022) requested by the Public Prosecutor.

On 16 September 2022, a notice was received concerning the conclusion of preliminary investigations pursuant to art. 415-bis of the Code of Criminal Procedure against three former members of the Parent Company (two Chairmen of the Board of Directors and one Chief Executive Officer) and a former Executive manager (responsible for the preparation of corporate accounting documents). Despite the previous dismissal, the Parent Company also received the same notice as party bearing administrative liability pursuant to Italian Legislative Decree 231/01. On 14 December 2022, a request for committal for trial was issued against the aforementioned exponents and the former Executive manager; on 12 December 2022, the Parent Company's position as administrative manager pursuant to 231 Model was instead eliminated.

The natural persons are charged with the offences of false corporate communications (pursuant to art. 2622 of the Italian Civil Code) and market manipulation (pursuant to art. 185 of the Consolidated Law on Finance) with reference to the 2013-2014-2015 Financial Statements and the 2015-2016 half-yearly reports, as well as of false accounting statements (pursuant to art. 173-bis of the Consolidated Law on Finance) in relation to the 2014-2015 prospectuses.

According to the charges, in the above-mentioned corporate communications, the defendants allegedly posted adjustments relating to non-performing loans in violation of accounting standards, thereby misrepresenting the economic and financial position of the Parent Company. According to the accusation, this misrepresentation was also reflected in the communications and statements contextually released by the Parent Company.

The Bank, as party bearing administrative liability still under investigation despite the withdrawal order mentioned above, is charged with the administrative offences under articles 5, 6, 7, 8 and 25-ter, letter b) and 25-sexies of Legislative Decree no. 231/2001, arising from the aforementioned cases of false corporate communications and market manipulation.

At the first preliminary hearing held on 12 May 2023, more than 4,000 civil parties entered an appearance as aggrieved party. The preliminary hearing continued on 26 June 2023, when new civil parties appeared, for a total number of over 5,000 parties. Consob and Bank of Italy did not appear as civil parties. Almost all the civil parties requested the summoning of Banca Monte Paschi di Siena as civilly liable party.

At the hearing on 26 June 2023, the Judge ruled that no further appearance as civil parties would be admitted. Furthermore, considering that the full scanning by the court’s clerk of documents filed at the hearing of 12 May, had been made available only on 23 June 2023, considering also the additional set of documents filed at the hearing of 26 June 2023, in order to allow the defendant to exercise their right, the Judge postponed the hearing previously scheduled for 10 July and 18 September 2023, to 10 November and 1 December 2023.

For the same reasons, the Judge of Preliminary Hearing reserved the right to decide on the petitions for the summoning of the civil liability and represent that the decree to summon the civilly responsible party will be filed by 15 September 2023.

Banca Monte dei Paschi di Siena S.p.A. vs. Caputo + 24 others

On 4 December 2020, Mr Giuseppe Caputo and an additional twenty-five parties (now 24 after one of the plaintiffs died) sued the Issuer 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/secondary market between 2014 and 2015. The plaintiffs claim that they have suffered serious damage as a result of the informational asymmetry created on the market by the Parent Company (here, referring, moreover, to criminal proceedings R.G.N.R. 29634/14, concluded at first instance with judgement no. 13490/2019, as well as criminal proceedings R.G.N.R. 955/16, concluded at first instance with judgement no. 10748/2020), and they also argue the incorrect accounting of non-performing loans starting from the 2013 Financial Statements, (here, conversely, referring to the ongoing criminal proceedings 33714/16); they also contest the unfair business practices put in place by the Parent Company, the investments in diamonds, the 2013-2017 Business Plan and the non-compliant business organization.

The plaintiffs therefore requested full compensation for the damage suffered equal to the entire consideration paid for the purchase of the BMPS shares, with a final quantification of the relief sought equal to approximately EUR 25.8 mln and - subject to the incidental finding of the crime of false corporate communications - compensation for non-pecuniary damage to be settled on an equitable basis pursuant to art. 1226 of the Italian Civil Code, plus interest and revaluation. Following the appearance of the Issuer and the first hearing, the parties filed the preliminary briefs and, at the subsequent hearing, discussed the 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 and therefore postponed the case to the hearing for closing arguments on 4 November 2022 which was then adjourned to 23 February 2023 regarding the same issues. In this date the Judge retained the case for decision, assigning the terms pursuant to Article 190 of the Code of Civil Procedure for the filing of final statements and answer briefs.

Parent Company Monte dei Paschi di Siena S.p.A. vs. Caltagirone Group

By a writ of summons dated 2 August 2022, the companies Caltagirone Editore SPA, Finced Srl, Capitolium Srl, Mantegna 87 srl, Vianini Lavori Spa, and Fincal Spa brought an action against the Parent Company before the Court of Rome alleging that the Parent Company had failed to disclose to the market information in relation to investments in MPS shares made by the six companies between 2006 and 2011.

In particular, the counterparties deduced that they had invested a total of approximately EUR 856 mln in MPS securities, as well as having resold these financial instruments in the first few months of 2012, reporting a capital loss of approximately EUR 741 mln.

On the assumption that such damage is directly related to the allegedly unlawful conduct of the Parent Company for the dissemination of erroneous price-sensitive information since 2006, the counterparties claim compensation for damages equal to the entire capital loss suffered, attributing to this allegedly untrue representation of the Parent Company's financial situation the fact that they purchased and/or maintained the MPS shares in their respective portfolios over the above-mentioned period of time.

At the first hearing on 30 January 2023, the plaintiff applied for the granting of investigation time limits, while the defendant Bank asked for the case to be sent for closing arguments, after which the Judge reserved its decision.

Parent Company Monte dei Paschi di Siena S.p.A. vs. Angelino + 40

By writ of summons dated 31 December 2022, Mr Angelino and forty other persons brought legal action against 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 Bank, i.e. through purchases on the electronic secondary market of BMPS shares between 2013 and 2016. The plaintiffs claim to have suffered a serious loss as a result of the discrepancy of information disclosed on the market by the Parent Company (referring both to the criminal proceedings 29634/14 and to the proceedings 955/16); the focus of the opposing objections, also as a result of the acquittal of the former management Mussari and Vigni in 2022 by the Court of Appeal of Milan, is however focused on the alleged offences committed by the former directors Viola and Profumo starting from 2012 both with references - as mentioned - to criminal proceeding 955/16 now at the appeal stage and with regard to the incorrect accounting of non-performing loans starting from the 2013 Financial Statements (in this regard, referring to criminal proceedings 33714/16); the opposing parties also contest the unfair commercial practices implemented by the Parent Company, the investments in diamonds, the 2013 - 2017 Business Plan.

The plaintiffs therefore requested full compensation for the damage suffered equal to the entire consideration paid for the purchase of the BMPS shares, with a final quantification of the relief sought equal to approximately EUR 81.2 mln in addition to interest and revaluation from the due date to the balance and in addition to the loss of profit; they also requested that the Parent Company be sentenced to pay compensation for damages, including non-pecuniary damages, subject to the preliminary assessment of the crime of false corporate communications (art. 2622 of the Italian Civil Code) and market manipulation (art. 185 of the Consolidated Law on Finance) to be settled on an equitable basis pursuant to art. 1226 of the Italian Civil Code. At the first hearing on 13 June 2023, the plaintiffs' counsel reported that – in addition to five plaintiffs already joined the civil action in the criminal proceeding R.G.N.R. 955/2016 – all the other claimants would also transfer the action for damages brought against the Bank, by appearing before the Court as aggrieved party in the criminal proceedings R.G.N.R. 33714/16 renouncing to the civil proceedings pursuant the Article 75, paragraph 1, of the Cod of Criminal Procedure. Therefore, the plaintiff requested a postponement of the hearing, to allow the appearance of claimants as aggrieved parties in the proceedings R.G.N.R. 33714/16 withdrawing from the present case and to verity the possibility of adjourning the case for the other five named claimants. The Bank did not oppose the request.

The Judge set a new hearing pursuant to Article 183 of the Code of Civil Procedure for 17 October 2023, ordering the case to be dealt with on a paper-bases hearing.

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

The grand total of out-of-court claims (complaints and mediations) received by the Parent Company as at 30 June 2023, relating to capital increase transactions and allegedly incorrect financial disclosures in prospectuses and/or Financial Statements and/or price-sensitive information, amounted to EUR 2.264 bn, broken down as follows:

- EUR 52 mln as relief sought for claims, net of those converted to court action, relating to the period 2008-2011; classified as having a "possible" risk of losing the case
- EUR 1.979 bn as relief sought for claims, net of those converted to court action, relating to the period 2014-2015 and longer time periods; in particular EUR 1,640.8 mln as relief sought in dispute classified as having a "likely" risk of losing the case and EUR 337.7 mln as relief sought in disputes classified as having a "possible" risk of losing the case;
- EUR 233 mln as relief sought for mediations, in principal and net of previous claims, in particular EUR 166 mln as relief sought in dispute for which there is "likely" risk of losing the case and EUR 67 mln as relief sought in disputes for which there is a "possible" risk of losing the case;

These are largely generic claims, received mainly from an advisory firm on behalf of institutional investors, in which the temporal references are not clarified (they claim losses that also refer to events that have never been disputed) and, which require particular investigation with respect to both the cause of action and the legal standing. These are in fact investors who show that they have also made investments in the name and on behalf of third parties, whose ties with the claimant are neither clarified nor documented.

In fact, the information contained in these requests is particularly lacking in this regard and stands out:

a) for being totally generic or 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 elements enabling the prior ascertainment 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 failure to refer to appropriate documentary support that are abstractly suitable to support any claim;
d) for the absence of precise and reliable data that allow for the investment to be temporarily allocated (and distinguished) 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.

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With reference to the assessment of the risk of losing and the method of determining the provisions for risks and charges for disputes relating to financial information, the following is noted.

In the criminal proceedings 29634/14, on 29 September 2022 the Milan Court of Appeal filed the grounds of its acquittal verdict of 6 May 2022, against which both the General Prosecutor and Consob have appealed to the Court of Cassation.

The detailed analysis of the grounds of the verdict and the breadth of the acquittal of all defendants, resulted in the reclassification, since the third quarter of 2022, of the risk of losing from "likely" to "possible" for legal disputes (of which EUR 741 mln refers to Caltagirone Group), civil actions in criminal proceedings 29634/14 and out-of-court claims concerning disputes relating to the 2008-2011 period..

As at 30 June 2023, litigation and out-of-court claims concerning period after 2011 were reclassified to "likely" risk following the ruling of 15 October 2020 concerning criminal proceedings 955/2016 and those connected to criminal proceedings 33714/2016

Therefore, for civil and criminal disputes classified as "likely" risk of losing the case, 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 investors would have had to pay if they 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 classified as "likely" risk of losing the case, 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 the opposing parties.

In any case, the Parent Company has exercised the possibility granted by IAS 37 of not providing disclosures on the provisions allocated in the accounts since it believes that such information could seriously jeopardise its position in disputes and in potential settlement agreements.

Furthermore, settlement agreements were reached, involving the closure of disputes and out-of court claims for a total relief sought of approximately EUR 4.4 bn; with a total disbursement of approximately EUR 240 mln (5.5% of a total relief sought); these amount include the settlement with MPS Foundation for an amount of EUR 150 mln, which took place in 2021 financial year, against a total relief sought of EUR 3.8 bn (4% of a total relief sought). The settlement agreements were approved until 2021 financial year.

It should be noted that, until July 2023, disputes and criminal proceeding have reached at least a first judgment, for a total relief sought of more than EUR 740 mln. Unfavourable judgements are few and have resulted in sentence for compensation of damages by Parent Company, amounting to approximately EUR 5 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 15 November 2017, initiated proceedings against the Parent Company, the company Mitsubishi UFJ *Investors Services* & *Banking Luxembourg* SA (which replaced the Parent Company in issuing the bond loan Parent Company of New York Mellon Luxembourg), the British company JP *Morgan Securities* PLC and the American company JP *Morgan Chase Bank* N.A. (which entered into a swap agreement with the bond loan issuer) so that: (i) the inapplicability of the Burden Sharing Decree to the holders of the FRESH 2008 Securities and, consequently, to hold that the said bonds cannot be forcibly converted into shares, (ii) the validity and effectiveness of the said bonds in accordance with the terms and conditions of their issue be affirmed insofar as they are governed by Luxembourg law, and, finally, (iii) it is declared that the Parent Company is not entitled, in the absence of the conversion of the FRESH 2008 Securities, to obtain from JP Morgan the payment of EUR 49.9 mln to the detriment of the holders of the FRESH 2008 Securities. The Court of Luxembourg, by order of 11 January 2022, dismissed the requests made by the Parent Company to stay the proceedings until the ruling of the international courts with regard to the preliminary objections raised by the Parent Company; on the other hand, it upheld the plea of lack of jurisdiction of the court before which the case was brought in relation to the claim concerning the usufruct contract entered into by the Parent Company with JP Morgan Securities PLC and JP Morgan Chase in the context of the 2008 share capital increase transaction. In relation to the aforementioned usufruct contract, the Luxembourg Court has reserved its judgement pending the decision of the Italian Court and, on the contrary, has declared its jurisdiction in relation to the swap contract entered into by the Parent Company with the same counterparties in the context of the 2008 capital increase transaction.

In view of completeness it is noted that, following the start of the proceedings in question by the holders of the FRESH 2008 Securities, the Parent Company, on 19 April 2018, brought a legal action 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)* S.A. 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:

- to ascertain, pursuant to Article 22, paragraph 4 of Decree 237 of 23 December 2016, 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;
- to ascertain the ineffectiveness and/or termination and/or settlement of the usufruct contract or, in the alternative;
- 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 relief sought and the same cause, had 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 subsequent hearing on 2 July 2019, the case was held over for decision and by order of 2 December 2019, the Court of Milan ordered the proceedings to be suspended pending the decision of the aforementioned Luxembourg Court. Against this order, the Parent Company had filed a petition with the 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. Fresh bond holders appealed the first instance ruling by the Luxembourg Court. The notice of appeal was filed at the end of November 2022. The Parent Company - in parallel - on the basis of the ruling issued by the Luxembourg Court, filed a petition with the Italian court asking it to rule on the grounds for the termination of the usufruct contract. The Court of Milan scheduled for the continuation of the case a hearing on 12 December 2023 and ordered the notification of appeal and subsequent decree for setting the hearing by 30 September 2023.

In the event of a favourable outcome of the dispute, the FRESH 2008 Securities will be converted into the shares, already issued, of the Parent Company which will also collect the amount of EUR 49.9 mln, recording a corresponding economic income.

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 the Bank generates distributable profits and pays dividends. Since the Bank 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 relief sought 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 objections raised by the defendants. On 5 June 2018, the Company declared bankruptcy, which induced the Official Receivers to resume proceedings. At the end of preliminary investigation, in which a court-appointed expert's report was carried out, the case was retained for decision on 6 October 2022, after that the Court of Salerno, with a judgement of 11 November 2022, assessed and settled only a non-financial damage, amounting to EUR 20.0 thousand for each bank (therefore for a total of EUR 100.0 thousand) plus interest and litigation costs.

The outlay attributable to the Parent Company amounted to EUR 34,151.69. The positive outcome of the proceeding indicates that the appeal is not admissible but, however, it was lodged by the Company in bankruptcy with a summons served on 10 July 2023 (hearing on 15 December 2023).

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.

In a judgment filed on 6 June 2022, the Court of Siena rejected the plaintiff company's claims for damages on the grounds of contractual and extra-contractual liability. The Court only upheld the restitutory claim brought by the opposing party with regard to the allegedly unlawful interest applied in connection with the land advances, quantified in EUR 58,038.27, plus legal interest, and splitting the costs. By summons dated 23 December 2022, the company filed an appeal before the Court of Appeal of Florence with first appearance hearing on 15 May 2023. The Bank duly entered an appearance. At the hearing on 26 May 2023, the case was retained for decisions and the legal deadlines were set for the drafting of closing arguments.

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 Italian Revenue Agency - Collection, which took over universally in all legal relationships of Riscossione Sicilia starting from 1 October 2021, pursuant to art. 76 of Italian Law Decree no. 73/2021 converted with Italian 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 Italian Law Decree 203/05, converted into Law 248/05) of the equity investment 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 court appointed 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 held in escrow by Riscossione Sicilia S.p.A. 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 approximately EUR 2.9 mln plus legal interest and court fees.

This judgment was appealed on 27 December 2022 by summons before the Court of Appeal of Palermo. The Bank appeared before the Court on 15 April lodging a cross-appeal. The first appearance at the hearing of 5 May 2023 was held in written form; the Bank is awaiting the communication regarding the date of next hearing.

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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 of repayment, pursuant to art. 823, paragraph 2 of the Italian Civil Code, of the amount of around EUR 68.6 mln, assigning the Parent Company the term of 30 days to make the payment with the warning that, in the event of failure to do so, it will 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 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 Parent Company's opposition against the aforementioned order with simultaneous condemnation of the Parent Company to pay the litigation costs. The Parent Company lodged an appeal against this decision before the Palermo Court of Appeal. By order filed on 11 February 2022, the Court of Appeal ordered the integration of the cross-examination against the Italian Revenue Agency - Collection (ADER), as successor of Riscossione Sicilia spa, ordering it to appear at the hearing scheduled for 1 July 2022, during which time the case was postponed to the hearing of 22 November 2024 for the presentation of closing arguments.

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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, by appeal lodged on 16 October 2018 (RG 2201/2018).

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 Banca 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".

The Department appeared via the Avvocatura dello Stato (office of the State Attorney) on 15 November 2018. The Regional Administrative Court has set 13 November 2023 as the date for the so-called "disposal" hearing, at which the interest in pursuing the case will have to be confirmed or not. On 20 December 2022, the law firm defending the Parent Company indicated that "the continuation of the aforesaid administrative lawsuit appears to be of likely futility given that the Sicilian Region has already obtained the enforceable measure in civil proceedings.

Moreover, following the notification of the tax bill against the registration of the claim brought by judgement No. 3649/2021 of the Court of Palermo "for the recovery of amounts under Injunction Order 16465/2018", the Parent Company contested the execution and the file as an enforceable act pursuant to art. 615 of the Italian Code of Civil Procedure before the Court of Siena with a summons dated 21 November 2022 and filed an application to suspend the enforceability of the act.

At the same time, the Parent Company filed a petition with the Court of Auditors on 21 November 2022 pursuant to art. 172 paragraph 1 letter d) of the Italian Accounting Justice Code to annul the acts for the recovery of the amounts.

Finally, the Parent Company, on 16 November 2022, petitioned ADER pursuant to Italian Law no. 228/2012 to obtain a suspension of the recovery of the amount due under the tax bill. On 25 January 2023, the Bank was notified by the Sicilian Regional Department of the Economy of a formal notice of rejection of said petition. Consequently, on 27 January 2023, the payment of the amount of EUR 74 mln was ordered, and the necessary steps are underway to recover the aforementioned credit of about EUR 68.6 mln from ADER, to which the Parent Company is entitled, as the sole successor of Riscossione Sicilia.

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, was 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. The Judge lifting his reservation on the parties' preliminary motions formulated at the hearing of 29 March 2023, admitted the testimonial evidence. At the hearing of 19 May 2023, the witnesses were examined, and the Honorary Judge of the Peace (in Italian G.O.P.) closed the case and remitted the file to the competent Judge for the hearing on 12 July, since at that hearing the parties insisted on their respective preliminary requests, the Judge reserved his decision.

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

The company EUR S.p.A. sued the former subsidiary MPS Capital Services Banca per le imprese S.p.A. (now merged by incorporation into the Parent Company) at 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 2010; 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 in the pool with EUR S.p.A., it should be noted that in the unlikely event of losing, MPS Capital Services Banca per le imprese 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 Banca per le imprese S.p.A. is 12.61%.

MPS Capital Services Banca per le imprese S.p.A. appeared in court to have the full validity of its actions recognised and to request the rejection of the plaintiff's claims. In the defence and answer, MPS Capital Services Banca per le Imprese 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. The existence of the jurisdiction of the Italian court, according to the plaintiff, is due to the negotiated link between the IRSs and the financing contracts, 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 institutions”, arguments which appear to be unfounded.

In the only hearing held on 22 November 2021, the judge held that before entering into the merits the preliminary objections presented by the defendant banks, concerning: 1) the suspension of this judgement, by virtue of the provisions referred to in art. 7 paragraph 1 of Law 218/1995, pending the definition of the separate lawsuit brought by a bank in 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 lawsuits; 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, lifting 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 conclusions to the hearing of 8 November 2022.

On 21 April 2023, the Court of Rome, rejecting the claims made by EUR S.p.A., issued the decision in which: 1) the lack of jurisdiction of the Italian Court was declared, in favour of the UK Court; 2) the objection of *lis pendens* in the alternative raised by the defendant Banks pursuant to art. 7, paragraph 1, Law no. 218 of 31 May 1995 was declared absorbed; 3) ordered full division of legal costs between the parties. The decision in agreement with the other defendant banks was not served and therefore has not yet become final.

Banca Monte dei Paschi di Siena S.p.A. vs. Privilege Yard S.p.A. (under administration) - Appeal

With ruling no. 14832/2022 of 4 October 2022, the Court of Rome ascertained the liability of various credit institutions, including the former subsidiary MPS Capital Services Banca per le Imprese S.p.A. (now merged by incorporation into the Parent Company), defendants jointly and severally for complicity pursuant to art. 2055 of the Italian Civil Code in the misadministration by the directors of Privilege Yard S.p.A. pursuant to art. 2393 of the Italian Civil Code and consequently ordered them to pay as compensation for the damage caused to the assets of Privilege Yard S.p.A.an amount, quantifiable by way of application of the net equity criterion, equal to EUR 57.1 mln, in addition to legal costs and expenses.

In agreement with the other banks, which were originally part of the pool, the decision was to proceed with the spontaneous payment, although subject to repetition at the outcome of the appeal, by paying in the agreed amount of 1/5, for each bank, of the sentenced amount plus costs, fees and expenses.

With the attorneys for the other convicted Banks and in synergy with its own decision-making bodies, on 21 December 2022 MPS Capital Services Banca per le imprese S.p.A., through its legal counsel, filed an appeal and entered the case in the register, retracing in the appeal all the points of the first instance ruling that are allegedly flawed, both in terms of the grounds and in terms of the correct application of the rules invoked thereby in support of the conviction.

All the Banks filed appeal independently, served upon the former subsidiary MPS Capital Services Banca per le imprese S.p.A.. A decision on combining the appeals is pending, with identification of the court responsible for the entire 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 B.M. 124 S.R.L. - transferee of the composition in bankruptcy pertaining to Barbero Metalli Spa in JV with BeCause - 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 predatory lending.

The thesis put forward by the plaintiff is based on the alleged joint and several liability of the banks with the Board of Directors of Barbero Metalli S.p.A. for having contributed to the commission of acts of misadministration, to the artificial survival of the company, to the concealment of the irreversibility of the financial difficulties and to the worsening thereof.

The plaintiff asks for the directors, auditors and banks to be found jointly and severally liable for approximately EUR 37.5 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 (the contribution indicated for the Parent Company would consist in having advanced EUR 8.8 mln to the company since 2009).

Having completed the mediation process, which was in fact never formally opened, and having filed the parties' written submissions, the judge ordered a postponement to 21 December 2022 for the hearing, which was ultimately postponed to the hearing on 3 May 2023. At that hearing, the Judge invited the plaintiff to spontaneously produce, by 29 September 2023, all the transactions concluded even before the introduction of proceedings relating to the matter disputed, adjourning the hearing to 12 October 2023 for verification of aforementioned fulfilment. After which, the right is reserved to decide on whether the onus of proof has been met.

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

In June 2020, a summons was served by the bankruptcy receiver of Isoldi Holding S.p.A. in liquidation against several Credit Institutions (including the Parent Company) on the assumption of joint and several liability of the banks with the board of directors of Isoldi Holding S.p.A. in liquidation for having contributed to the commission of acts disposing of the company's assets, to the artificial survival of the company despite its insolvency and to the worsening thereof, identified as:

- purchase of shares and the related option rights of the company Aedes S.p.a., carried out at prejudicial conditions compared to market prices with an increase in indebtedness, in a position of equity and financial instability of the bankrupt company;
- access to a reorganisation plan pursuant to art. 67, paragraph 3, letter d), of the Bankruptcy Law, signed on 9 May 2011 by 7 banks (the Parent Company for 19%) and Isoldi Holding through the establishment of two new companies for the transfer of business units bound to the satisfaction of debtors with collaterals (Newco Isoldi and I.R.O.) and the disbursement of new funding for a total of EUR 17.6 bn secured by mortgages in grade II and sureties of Isoldi Holding.

The first hearing was held on 16 February 2023 with the judge reserving judgment on the various preliminary claims brought by the parties without granting the six-month postponement requested by the Receivers for the definition of an insolvency agreement and subsequent continuation of proceedings by the official assignee in the insolvent procedure. Proceedings were adjourned to 21 September 2023 for the production of evidence.

Banca Monte dei Paschi di Siena 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 predatory lending.

Notably, in regard to the position of the former subsidiary MPS Capital Services Banca per le Imprese S.p.A. (now merged by incorporation into the Parent Company), 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 on 4 August 2011.

The plaintiff asks for MPS Capital Services Banca per le Imprese S.p.A. 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 former subsidiary MPS Capital Services Banca per le Imprese S.p.A., jointly and severally summoned with the other defendants to pay the entire amount requested in relief, has not been quantified.

On 3 February 2022, the Judge lifted the reserve by postponing the case to the hearing of 31 October 2022 to produce items of evidence. The receivership asked for the appointment of a Court appointed expert. At the hearing, the liquidator insisted on the request for an economic-financial and accounting Court appointed expert and the request for the issuance of the order to produce evidence concerning the investigation carried out by the banks prior to the granting of the loans to Parrini. MPS Capital Services Banca per le Imprese S.p.A. contested the opposing claims, pointing out the fact-finding nature thereof, insofar as they were intended to make up for the lack of evidence of the claim. The Judge reserved decision and the appointed lawyers will notify the measure to be handed down upon lifting the reservation.

Banca Monte dei Paschi di Siena S.p.A. vs. Società Italiana per Condotte D'Acqua S.P.A. under the control of a government appointed administrator

By means of a writ of summons served on the Parent Company on 23 December 2022, Società Italiana per Condotte D'Acqua S.p.A. under the control of a government appointed administrator brought an action for damages against the credit institutions in conjunction with the factoring companies (no. 32 opposing parties), the independent auditors PwC, the members of the Managing Board and of the Supervisory Board of the company in bonis, for having contributed - through the use and granting of credit - to the commission of acts of misadministration that caused (or contributed to causing) serious damage to the company and to the entire creditors. The damage is quantified:

- jointly and severally among all defendants in the amount of EUR 389.3 mln;
- subordinately EUR 322.0 mln (increase in insolvency liabilities);
- or subordinately in the amount of EUR 39.5 mln with reference to individual transactions (referring to associates).

The first hearing set for 12 July 2023 was postponed to 25 September 2023.

With a second writ of summons served on 19 April 2023, Società Italiana per Condotte D'Acqua S.p.A. under the control of a government appointed administrator also sued Cassa Depositi e Prestiti S.p.A. and SACE S.p.A. (case ref. no. 24431/2023) for the same factual events, in addition to all the parties already cited in the legal proceedings previously mentioned.

Given the obvious reasons for joinder (part-subjective and part-objective), in the same writ of summons the Judge was asked to order an immediate preliminary joinder to avoid duplicate decisions, as well as for obvious reasons of procedural economy.

The first hearing is set for 25 October 2023.

2 - Employment law disputes

As at 30 June 2023, disputes as defendant were pending for which the total claim, where quantified, was equal to approximately EUR 68.0 mln. In particular:

- approx. EUR 47.2 mln in relief sought for disputes classified as having a "likely" risk of losing the case, for which provisions of about EUR 36.6 mln have been recognised;
- approx. EUR 20.8 mln as relief sought for disputes classified as having a "possible" risk of losing the case.

Below is provided the main information of the most significant case in place as at 30 June 2023.

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

After the sale of the business unit, 634 workers (then reduced to 233 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.

To date, for 224 workers involved, the judgement has been unfavourable to the Parent Company. With regard to the remaining 9 workers, a first and/or second instance ruling unfavourable to the Parent Company has been issued.

It should also be noted that in the case of the transfer of a branch of business deemed unlawful, the Court of Cassation, with reference to the salary obligation incumbent on the transferor, has ruled in a manner that differs from the settled opinion of the Court of Cassation itself. In fact, numerous 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 at the reporting date of these Half-yearly Condensed Consolidated Financial Statements, 208 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 Bank before the Courts of Siena, Florence, Mantua and Rome, with hearings currently scheduled between July 2023 and June 2024.

For this group of disputes, 36 first instance rulings and 11 second instance rulings have been issued so far:

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

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 to the start of negotiations for the settlement of disputes which, to date, have led to the completion of 242 transactions. The subsequent reform by the Court of Appeal of Florence of the first sentence issued by the Court of Siena, as well as the now consolidated trend of law cases favourable to workers on the subject of "double remuneration", did not prevent the continuation of the settlement activity, although with the adoption of different criteria (recognition of 60% of the amounts claimed by way of "double remuneration"). This led to the conclusion of a further 8 settlements, for a grand total of 250 transactions to date.

In addition, writs of summons were served by 2 workers requesting the Bank to return the portion of social security contributions charged to them in the spontaneous execution of the unfavourable rulings on so-called "double remuneration". By appeals filed on 26 September 2022, the Bank contested these claims. The Court of Siena, Labour Law Division, suspended the enforceability of the acts, setting a hearing date of 22 December 2023.

Please also note that the Court of Siena, Labour Law Division, with ruling of 25 January 2019, rejected the appeals of 52 Fruendo workers (later reduced to 32 following waivers/settlements) which sued the Bank 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 Bank 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 unlawfulness of the contract, ordering the reinstatement in service of 14 workers (as for 2 workers, the matter in dispute was declared to have ceased to exist following waivers/settlements), which was implemented with effect from 1 March 2022. The case is currently pending before the Court of Cassation.

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

a) No. 13 claimants appealed to the Court of Padua - Labour Law Division: the cases were settled at the hearing of 24 October 2022;
b) No. 32 workers brought action before the Court of Siena - Labour Law Division. The status of the related rulings is summarised below:
    - for two groups of applicants (18 in total) who have introduced collective disputes, favourable rulings for the Bank were issued at first instance by the Court of Siena Labour Law Division., which were challenged before the Court of Appeal of Florence: next hearing 5 October 2023;
    - • for another group of applicants (13 in total), a first instance decision is currently pending before the Court of Siena, Labour Law Division, next hearing date 6 November 2023;
    - for the only applicant who filed an individual claim, the Court of Siena - Labour Law Division set the next hearing on 20 October 2023.

3 - Tax disputes

As at 30 June 2023 tax disputes were pending for which the total claim, where quantified, was equal to approximately EUR 40.0 mln. In particular:

- approx. EUR 12.4 mln as relief sought for disputes classified as having a "likely" risk of losing the case, for which provisions of approx. EUR 12.1 mln have been allocated;
- approx. EUR 27.6 mln as relief sought for disputes classified as having "possible" risk of losing the case.

Risk linked to representations and warranties given in the disposal 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, amounting to around 3,600 claims, with relief sought of approximately EUR 584 mln, 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 expired on 1 December 2022, 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 disposal of portfolios of unlikely to pay loans, which took place between 2018 and 2020, with a maximum maturity of July 2023. As at 30 June 2023, 231 claims for around EUR 106 mln had been received and analysed for "Hydra M" (of which approx. 68% of the relief sought in the disputes was subject to reservation of rights and, therefore, with uncertainty as to the indemnity claimed by AMCO) and approx. 450 claims for EUR 3.2 mln for Morgana, of which a low percentage were deemed founded.

Lastly it should be noted the "Fantino" sale transaction carried out in 2022, concerning a portfolio of non-performing loans for a total amount of EUR 0.9 bn, whose representations and warranties will expire by the deadline of the first half of 2024. As at 30 June 2023, 3 claims were notified (one for each transferee) in which only one of the significant amount of around EUR 5.5 mln, relating to approximately 170 positions included in the scope of receivables assigned to Illimity S.p.A., which is currently deemed unfounded.

In general, the risk provisions for this type of transaction, if the claims are not fully analysed and/or the expiry date has not yet been reached, are also determined through the use of statistical techniques to take into account the overall expected risk.

Compensation for transactions in diamonds

With reference to the "diamond" affair and the self-money laundering allegations, the Public Prosecutor's Office at the Court of Siena, with reference to the criminal proceedings issued a request for dismissal on 12 September

2022 against the natural persons (4 former executive managers and the only executive manager still employed), who had been investigated for self-laundering and also issued a decree for dismissal with regard to the Parent Company as party bearing administrative liability, and also ordered the removal of the attachment order issued in relation to the offence of self-money laundering pursuant to Italian Legislative Decree 231/2001, for the sum of EUR 0.2 mln

The dismissal with respect to the Parent Company was transmitted to the Attorney General of the Court of Appeal of Florence, which endorsed it on 16 November 2022, while the Preliminary Investigations Judge issued a decree of dismissal against the natural persons on 5 October 2022.

With regard to the criminal proceedings pending before the Court of Rome under reference no. 44268/21, on 11 July 2023 the first preliminary hearing was held and postponed to 21 November 2023, due to issue concerning defects in the notification against certain defendants.

For the same case, additional criminal proceedings for the offences of aggravated fraud, self-money laundering and hindering the exercise of the functions of Public Supervisory Authorities were lodged before the Public Prosecutor’s Office at the Court of Milan. On 28 September 2021 the Public Prosecutor made a request for committal for trial, against seven former executive managers (of which five in the main line of litigation) and the Chief Executive Officer and pro tempore General Manager of the Parent Company.

The preliminary hearing was set for 30 September 2022. At that hearing, the Preliminary Hearing Judge postponed the hearing to 25 January 2023 for any civil action and the relative matters as well as for further preliminary matters, including regarding jurisdiction.

At the hearing of 25 January 2023, the Court ordered a postponement to 5 April 2023 and after to 22 June 2023, pending the filing of the reasoning of the Court of Cassation's ruling that settled the conflict of jurisdiction between the Judicial Authorities of Rome and Verona in the IDB-Banco BPM case, which has the same indictment scheme as the proceedings at issue.

At the hearing of 22 June 2023, the issue of lack of territorial jurisdiction was discussed. The Public Prosecutor did not contest it and referred to the judge’s assessment.

At the hearing of 10 July 2023, the Judge for preliminary investigation issuing three ruling s of lack of territorial jurisdictions: (i) in favour of the Judicial Authority of Rome, for the fraud hypothesis alleged against the exponent of DPI and Parent Company; (ii) in favour of the Judicial Authority of Siena for the hypothesis of self-money laundering and obstacle to the function of Public Surveillance Authorities against the managers of the Parent Company; (iii) in favour of the Judicial Authority of Verona for the alleged offences concerning Banco BPM.

The Judge reserved the filing of the motivations within 30 days. In these new proceedings, the Parent Company is not involved as party with administrative liability pursuant to Italian Legislative Decree 231/2001.

To meet the initiatives taken, the Parent Company has set aside provisions which take into account, among other things, the anticipated number of requests and the current wholesale value of the stones to be returned.

As at 30 June 2023, the transactions completed represent 92.2% 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 2.4 mln as at 30 June 2023.

As at 30 June 2023, the stones returned were recognised for a total value of EUR 68.8 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 in the first half of the year, or with significant updates compared to those published in the 2022 Financial Statements.

The new inspection activities of the six months are shown below:

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 the Parent Company 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. On 1 March 2023, the Parent Company received the final decision with an indication of the obligations, which were followed up with an appropriate remedial action plan. The models were implemented in the Group's management systems from February 2023 and used for regulatory reporting in the first quarter of 2023.

Bank of Italy and FIU audit on anti-money laundering

The audit undertaken by the FIU (Financial Intelligence Unit), which began on 8 May 2018 and ended on 28 August 2018, concerned the assessment of procedures implemented to verify potential anomalies relating to the transactions of customers and employees of the Parent Company on a limited number of branches and an analysis of customers identified as potentially linked to money laundering phenomena. The Authority, confirming the occurrence of the unlawful act and the Parent Company's liability for the alleged violation (failure to report suspicious transactions), notified in November 2020 to eight branch managers and to the Bank, jointly and severally, 8 penalty orders for a total amount of EUR 219,612.00, for which the Bank, not considering the merits of the conditions for the imposition of penalties, filed an appeal before the Court of Rome within the legal terms.

In October 2021, the Supervisory Division of the Venice Office of the Bank of Italy carried out inspections at three branches of Banca MPS, mainly aimed at investigating the operations of some cooperative companies subject to insolvency proceedings, active in the goods handling sector.

In August 2022, the Bank of Italy communicated the results of the anti-money laundering branch audit which identified some areas of weakness that resulted in the lack of ability of the branches to intercept the overall pattern of cash transactions of the cooperatives. The aforementioned weaknesses concerned the due diligence and active collaboration process that require the strengthening of the controls in order to identify, characterise and, consequently, address the objective and subjective elements of anomaly in the transactions carried out by the cooperatives, referring to both corporate characteristics and *modus operandi*.

The findings of the Supervisory Authority were duly taken into account and the Bank's response letter, accompanied by the ongoing and planned corrective measures, the contents of which were approved by the Board of Directors, was sent to the Bank of Italy on 20 December 2022.

With reference to the subsidiary Widiba, it should be noted that, in December 2022, the audit in the AML (anti-money laundering) area started on 7 November 2022 for a total duration of 7 weeks. The objective of the audit concerned the assessment of issues relating to the "Verification of the safeguards adopted by the intermediary to mitigate money laundering risks linked to the digital Onboarding process" The areas of assessment were as follows: customer identification methods, customer due diligence, customer profiling, active collaboration, AML controls, fraud and denial complaints.

On 6 March 2023, the subsidiary received the inspection report from the Supervisory Authority, which highlighted certain needs to strengthen the customer due diligence processes and improve information flows.

The findings of the Supervisory Authority were duly taken into account and the Bank's response letter, attaching the corrective measures envisaged in the 2023 AML-CFT Plan, the contents of which were approved by the Board of Directors of Widiba, was sent to the Bank of Italy on 4 April 2023.

Bank of Italy audit on banking transparency

On 7 October 2019, Bank of Italy launched an audit to ascertain compliance with regulations on Transparency of transactions and fairness of relations with customers. The inspection was completed on 21 January 2020. The audits were carried out at the General Management Division and the Branches of Banca MPS, as well as at Banca Widiba. In particular, for the latter the audit had the purpose of following up on the Remediation Plan resulting from the previous audit in 2018 and the "Rondine" project (migration of some contractual relations from the Parent Company to Widiba).

The in-depth analyses carried out by the Bank of Italy team during the inspection showed the persistence of critical elements and areas for improvement, which can be summarised as follows: 1) undue charges charged to customers for which reimbursements had to be made; 2) the need to strengthen governance with regard to both transparency and protection of all customers; 3) review of compliance processes by extending the terms of engagement of the Compliance Function; 4) strengthening of controls in the product chain and in customer relationship management and protection processes; 5) introduction of automatic controls and development of transparency applications; 6) inadequate positioning of the Complaints department and review of the process of managing them; 7) qualitative-quantitative increase of training courses on transparency and strengthening of qualitative elements on the subject of transparency in personnel assessment processes; 8) strengthening of transparency processes in Widiba and revision / adjustment of the conditions of former MPS customers migrated to the subsidiary (known as "Rondine Customers").

In response to the critical issues identified, during the audit, an Action Plan on Transparency was promptly defined, aimed at strengthening governance, improving the processes and tools for managing relations with customers and monitoring the matters to be part of the various functions involved. The Action Plan, including a specific Reimbursement Plan, was approved by the Board of Directors of the Parent Company at the meeting of 16 January 2020 and delivered to the Bank of Italy team by the end of the audit, accompanied by a similar action plan approved by the Board of Directors of Widiba for the reference areas.

On 12 June 2020, the Bank of Italy presented the findings with a "predominantly non-compliant" assessment and notified with formal claim the start of the sanction procedure for violations subject to administrative sanctions pursuant to art. 144 et seq. of the Consolidated Law on Banking (TUB). At the same time, with a note signed by the Governor of the Bank of Italy, it was requested to supplement the remedies plan already started, to be completed by 31 December 2020.

Following the presentation by the Parent Company of its counter-arguments on 11 August 2020, the remedial plan, duly supplemented, was completed. Further refinement/development activities linked to the initiatives of the remedial plan were implemented in 2021 and 2022. Following the corrective actions, reimbursements of around EUR 40 mln were made, of which around EUR 4.5 mln referring to amounts made available to those entitled, holders of contractual relationships transferred to third parties, by means of a notice published in the Official Gazette.

On 6 May 2021, an administrative fine of EUR 2.9 mln was imposed on the Parent Company, pursuant to art. 144 of the Consolidated Law on Banking (TUB), which did not take into account the conduct and practices of Banca Widiba.

On 7 August 2021, the Bank of Italy sent a further notice urging the Parent Company to provide additions and clarifications regarding (i) the mechanisms adopted to guarantee the timely delivery of the European Standardised Information Sheet (ESIS); (ii) the transfer of payment services; (iii) the remuneration of credit lines; and (iv) the application of charges in the event of withdrawal from the current account. In September 2021, the Parent Company provided the required clarifications.

Audit on internal models - Internal Model Investigation (IMI 4357 and IMI 5258)

During the months of August and October 2019, the ECB launched two inspections, one off-site (IMI 5258) and one on-site (IMI 4357), for the approval of an application for the authorisation of material changes for the models of credit risk used to determine the capital requirements. The inspections were completed in November 2019. On 10 May 2021, the ECB sent the Parent Company the Final Decision on the audits carried out, authorising implementation of the changes requested, also indicating twenty-six findings with related recommendations and obligations to be implemented by certain deadlines. On 31 May 2021, the Parent Company responded by sending a plan of remedial actions, many of which have been implemented and were submitted to the ECB for approval on 9 November 2021. The implementation of all remedial actions was completed in the second half of 2023.

Audit on the liquidity allocation process and the internal transfer rate (OSI-2019-4356)

In the period 23 October 2019 - 29 January 2020, an on-site audit was carried out on the topic of liquidity allocation and internal transfer rate. On 16 September 2020, the Parent Company received the report with the results of the audit, in which 10 findings were reported, essentially relating to the measurement of liquidity risk, data quality controls and the FTP framework. On 16 November 2021, the Bank received the Follow-up Letter with an indication of the recommendations associated with the findings that emerged in the inspection report and, subsequently, on 21 December 2021 it sent the ECB the plan of remedial actions to the recommendations formulated with evidence of the activities already carried out. As at 30 March 2023, the Parent Company completed the remediation plan for the recommendations made.

Audit of Internal Models under the New Definition of Default - Internal Model Investigation (IMI 4857)

In the November 2020 –January 2021 period, ECB carried out an off-site review of the credit risk models (IMI); the checks were aimed at analysing the application model change in the NDOD (New Definition of Default) area. On 22 July 2021, the ECB sent the Parent Company the Final Decision on the audits carried out, authorising implementation of the changes for NDOD aspects, also indicating eighteen findings with related recommendations and obligations to be implemented by certain deadlines. On 20 August 2021, the Parent Company responded by sending a remedial action plan on the reported obligations. All the findings relating to the “Advanced Internal Rating Based” (“AIRB”) models were resolved with the submission of the 2021 Model Change application to the regulator in the fourth quarter of 2021. As regards processes, only one marginal finding remains to be resolved on the systems of the subsidiaries, resolved for the merged entities MPS Capital Services Banca per le Imprese S.p.A. and MPS Leasing & Factoring S.p.A. but not yet for Banca Widiba, for which finalisation of the IT solution is expected by the end of 2023.

Supervisory assessment, implementation plan and ECB Thematic Review on climate and environmental risks

In the first half of 2023, the Group continued to implement the plan to integrate climate and environmental risks into the risk management framework, in line with indications received from the ECB as part of the specific Thematic Review launched at the beginning of 2022, which envisages remedial actions to be implemented with specific deadlines up to the end of 2024.

As mentioned among events after the close of 2022, on 3 February 2023 the ECB sent a letter to the Parent Company relating to the results of analysis conducted on the adequacy of the disclosure provided by the Bank on climate and environmental risks. This letter requires further improvement of its disclosure on climate and environmental risks, recommending suitable actions to address the identified gaps.

In March 2023, the Parent Company and the Supervisory Authority compared the 2022 year-end deadlines against those relating to the end of March 2023, during which the Parent Company presented the progress status of the action plan. On the basis of elements acquired on that occasion, the Supervisory Authority launched an assessment of the effectiveness of actions taken to implement the aforementioned plan, whose conclusion is expected by the end of July 2023. In a communication received on 16 June 2023, the ECB expressed its opinion in favour of the results achieved, indicating only one point still to be addressed among those monitored between the end of 2022 and the beginning of 2023, relating to the request to characterise the materiality analyses and risk measurements with respect to their medium/long-term impact, and not just, as already done, in the short term. The ECB announced that the Parent Company will receive instructions for suitably addressing this aspect among the 2023 year-end deadlines.

Credit and counterparty risk audit (OSI 0198380)

On 19 April 2022, the ECB launched an audit on credit and counterparty risk with the aim of i) identifying and quantifying any impairment effects on the portfolios under audit, ii) verifying the IFRS 9 provisioning model for portfolios under review, iii) reviewing the credit classification and provisioning process. The activities were completed in the third quarter of 2022 and the Parent Company received the final inspection report in February 2023, in which sixteen *findings* were formulated, one of which of high relevance, relating to the framework of collateral management in the credit disbursement process. On 10 July 2023, the Parent Company received the Follow-up Letter with an indication of the recommendations associated with the findings that emerged in the inspection report, which will be followed by the Parent Company's preparation of a plan for the implementation of remedial actions.

Residential Real Estate Targeted Review
During the fourth quarter of 2022, the Parent Company was involved in a Targeted Review by the ECB of the "residential properties" portfolio, focusing on the credit granting process.
The exercise included a preliminary phase, which ended in February 2023, of data collection and benchmarking checks, followed by a workshop to meet with the institutions involved.
During the third quarter of 2023, the Parent Company is expected to receive an Operational Act indicating the findings, and related remedial actions, that emerged as a result of the investigation.

Audit on internal models - Internal Model Investigation (IMI 0227377)

On 19 June 2023, the ECB launched an onsite inspection for the approval of an application for authorisation of material changes to the credit risk models used to determine the capital requirements of Banca Widiba. The application is based on the request to extend the Group models (corporate and retail) for the three parameters PD/LGD/EAD to the subsidiary Banca Widiba.

The inspection is expected to be completed by the end of the first week of August.

Audit procedure of the Antitrust Authority (hereinafter AGCM - Autorità Garante della Concorrenza e del Mercato) 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 withdrawal of an account holder holding term deposits following a unilateral change by Widiba. On 21 July 2022, AGCM notified it of the decision to close the proceedings. AGCM accepted the commitments presented by Widiba with reference to the two disputed business practices, without ascertaining any offence against the subsidiary. Widiba has fulfilled the commitments undertaken with AGCM by the end of October 2022. In addition, on 19 November 2022, the Compliance Report was filed with AGCM, which summarises all the obligations carried out in implementation of the Measure. The AGCM announced that, in December 2022, the documentation submitted by the subsidiary was reviewed and the proceedings were closed, taking note of the measures adopted in execution of the Measure.

Consob Audit on Investment Services

From 3 May 2022 to 17 February 2023, a Consob inspection was carried out on the Parent Company. The inspection was to ascertain the state of compliance with new regulations following the adoption of Directive 2014/65/EU (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. As a result of the aforementioned audits, on 28 July 2023 Consob, highlighting a context of substantial compliance with the regulatory framework and supervision by the control functions, called a meeting, pursuant article 7, paragraph 1, lett. a) of Legislative Decree no. 58/1998, with the Chief Executive Officer and the head of compliance function, in order to discuss some profiles worthy of investigation and update that had emerged during the inspection.

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.

It should be noted that the comparative economic values (first half of 2022) were restated following the changes in the representation of operating segments made from 31 December 2022:

- introduction of the new Large Corporate & Investment Banking segment, which includes the results of Large Group customers and the ex-subsidiary MPS Capital Services Banca per le imprese S.p.A. (which in the first three quarters of 2022 were included in the Corporate Banking segment);
- reconciliation of the economic and financial results of non-performing customers managed centrally by the Non-Performing Loans Unit within the Corporate Center, rather than on the commercial service models.

On 24 April 2023 and 29 May 2023, respectively, the mergers by incorporation into the Parent Company of MPS Leasing & Factoring and MPS Capital Services Banca per le imprese S.p.A. took effect. Though in both cases the accounting and tax effects date from 1 January 2023, the merged entities are included in the Segment Reporting results on the basis of their contribution to the Group's results as independent business units; this also in order to ensure continuity of representation with the quarters prior to the merger and in line with management reporting. This contribution, for the post-merger part of the second quarter of 2023 (approximately 2 months for MPS Leasing & Factoring S.p.A. and approximately 1 month for MPS Capital Services Banca per le imprese S.p.A.) was estimated on the basis of management and, where available, accounting records.

Also note that, from 1 January 2023, the insurance associates AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni Vita S.p.A. simultaneously adopted for the first time the new accounting standard IFRS 17 "Insurance contracts", which came into force on 1 January 2023, and IFRS 9 "Financial instruments". The transition date is the beginning of the financial year immediately prior to that of first application (i.e. 1 January 2022).

The income statement values as at 30 June 2022 relating to the value of the investees, recognised in the financial statements of the MPS Group using the synthetic equity method, were therefore restated compared to those published, to ensure like-for-like comparison.

Based on the Group's reporting criteria, which also take into account the organisational structures and the above, the following operating segments are defined:

- ***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);
- ***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 Banking***, which includes the income statement/balance sheet results of enterprise customers (SME, Corporate Client and Small Business segments), the Foreign Branches, the merged entity MPS Leasing & Factoring S.p.A. and the foreign bank MP Banque;
- ***Large Corporate and Investment Banking***, which includes the economic/financial results of Large Group customers and the merged entity MPS Capital Services Banca per le imprese S.p.A.;
- ***Corporate Centre***, which in addition to the offsetting of intragroup entries, incorporates the results of the following business centres:
    - Non-Performing customers managed centrally by the Non-Performing Loans Unit;
    - companies consolidated with the equity method and those held for sale;
    - operating units, such as proprietary finance, treasury and capital management;
    - service units supporting the Group's business, dedicated in particular to the management and development of IT systems.

The income statement and balance sheet results for each identified operating segment are shown in the following paragraphs. It should be noted that, starting from the first quarter of 2023:

- some refinements were implemented in the methodology for allocating operating costs to the operating segments;
- the following reclassifications are no longer reported:
  i. the economic effects of the Purchase Price Allocation (PPA) of past business combinations, which impacted the items "Net interest income", "Net value adjustments on property, plant and equipment and intangible assets" and "Income taxes for the period", are no longer recognised in the specific item (PPA) but remain in the economic items concerned;
  ii. Rental income, previously reclassified to the item "Net value adjustments on property, plant and equipment and intangible assets", remain in the item "Other operating income/expenses".

The comparative periods were restated in order to allow a homogeneous comparison.

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 2023:

SEGMENT REPORTING	Operating Segments											
Primary segment	Retail banking		Wealth Management		Corporate Banking		Large Corp. & Investment Banking		Corporate Center		Total Montepaschi Group	
(EUR mln)	30/06/23	Chg % Y/Y	30/06/23	Chg % Y/Y	30/06/23	Chg % Y/Y	30/06/23	Chg % Y/Y	30/06/23	Chg % Y/Y	30/06/23	Chg % Y/Y
PROFIT AND LOSS AGGREGATES												
Total Revenues	888.8	41.2%	87.8	26.0%	710.0	48.8%	124.0	17.3%	40.7	-85.0%	1,851.2	19.2%
Operating expenses	(510.2)	-14.2%	(54.0)	-14.4%	(252.7)	-14.5%	(45.1)	-14.4%	(51.8)	-24.1%	(913.8)	-14.9%
Pre-Provision operating Profit	378.6	n.m.	33.8	n.m.	457.2	n.m.	78.9	48.8%	(11.0)	n.m.	937.4	95.9%
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(58.7)	n.m.	(1.7)	-22.6%	(117.8)	16.5%	(1.2)	-96.9%	(23.9)	-73.7%	(203.3)	-8.9%
Net Operating Income	319.8	n.m.	32.0	n.m.	339.4	n.m.	77.7	n.m.	(34.9)	n.m.	734.1	n.m.
	30/06/23	Chg. % 31/12	30/06/23	Chg. % 31/12	30/06/23	Chg. % 31/12	30/06/23	Chg. % 31/12	30/06/23	Chg. % 31/12	30/06/23	Chg. % 31/12
BALANCE SHEET AGGREGATES												
Gross Interest-bearing loans to customers (*)	30,616	-1.2%	513	-10.0%	32,833	-0.6%	5,692	2.0%	7,170	-21.9%	76,823	-3.2%
Direct funding	39,663	-6.6%	2,485	-8.3%	22,453	-3.3%	2,686	66.2%	16,856	40.6%	84,142	2.6%
Indirect Funding	54,401	8.4%	15,344	7.6%	5,752	2.8%	7,975	1.2%	11,232	-22.6%	94,704	2.5%
Assets under management	*43,321*	*2.9%*	*10,793*	*0.2%*	*2,313*	*-6.6%*	*37*	*-0.5%*	*403*	*-82.8%*	*56,867*	*-1.5%*
Assets under custody	*11,080*	*37.1%*	*4,551*	*30.4%*	*3,439*	*10.3%*	*7,938*	*1.2%*	*10,829*	*-10.9%*	*37,837*	*9.1%*

(*) 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

Retail MPS

- Funding and provision of insurance products.
- Lending.
- Financial advisory services.
- Electronic payment services.

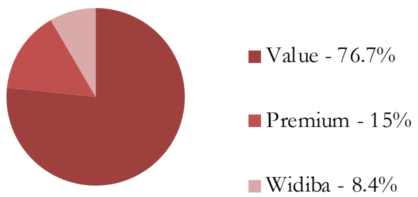
Widiba

- 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 554 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.

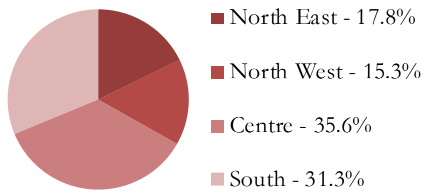
Customers

Retail Banking customers amount to approximately 3.3 million and include approximately 251,800 exclusive Widiba customers. The total number of Widiba customers, including those shared with the Parent Company, is approximately 276,200, of which approximately 112,200 on the Financial Advisor Network channel, approximately 109,900 on the Self channel, and approximately 54,100 customers migrated from the MPS branch network.

Breakdown by type



Breakdown by geography



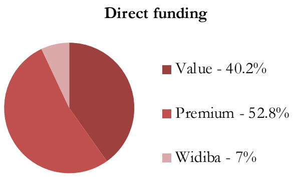
As part of the review of the organisational structures of the Network, in the last quarter of 2022, the access threshold to the Premium service model was revised, with the consequent transition of customers from the Value service model to the Premium service model.

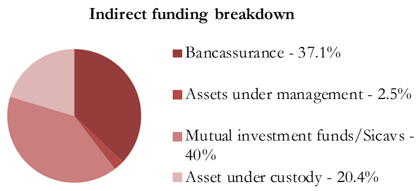
Income statement and balance sheet results

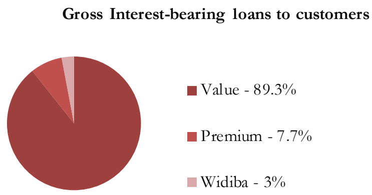
As at 30 June 2023, Total Funding from Retail Banking amounted to **EUR 94.1 bn**, an increase of EUR 0.6 bn compared to the levels of March 2023 and EUR 1.4 bn compared to the end of 2022; the increase recorded on both component of Indirect funding was more than offset by the outflows recorded in the Direct Funding components. More specifically:

- **Direct Funding**, amounting to **EUR 39.7 bn**, was down by EUR 1.3 bn compared to 31 March 2023, mainly due to the decrease recorded on the demand component (EUR -1.0 bn) and medium/long-term technical components (EUR -0.6 bn), while short-term deposits posted a slight increase (EUR +0.2 bn). The aggregate was likewise down when compared to 31 December 2022 (EUR -2.8 bn), with a decrease in on-demand deposits (EUR -2.1 bn) and medium/long-term funding (EUR -1.2 bn), while short-term funding increased slightly (EUR +0.4 bn);
- **Indirect Funding**, amounting to **EUR 54.4 bn**, increased by EUR 1.9 bn compared to levels at the end of March 2023, thanks to the growth in assets under custody (EUR 1.5 bn) and assets under management (EUR +0.4 bn). The aggregate was also up compared to 31 December 2022 (EUR +4.2 bn), both on the asset management component (EUR +1.2 bn) and on the assets under custody component (EUR +3.0 bn);
- **Gross interest-bearing loans to Retail Banking customers** were **EUR 30.6 bn**, down slightly compared to 31 March 2023 (EUR -0.2 bn) and as at 31 December 2022 (EUR -0.4 bn).

RETAIL BANKING - BALANCE SHEET AGGREGATES							
(Eur mln)	30/06/23	31/03/23	31/12/22	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**39,663**	**40,959**	**42,453**	**(1,296)**	**-3.2%**	**(2,790)**	**-6.6%**
Assets under management	*43,321*	*42,909*	*42,095*	*412*	*1.0%*	*1,225*	*2.9%*
Assets under custody	*11,080*	*9,627*	*8,081*	*1,453*	*15.1%*	*2,999*	*37.1%*
Indirect Funding	**54,401**	**52,536**	**50,176**	**1,865**	**3.5%**	**4,225**	**8.4%**
Total Funding	**94,064**	**93,495**	**92,629**	**569**	**0.6%**	**1,435**	**1.5%**
Gross Interest-bearing loans to customers	**30,616**	**30,804**	**30,974**	**(188)**	**-0.6%**	**(358)**	**-1.2%**







With regard to profit and loss, as at 30 June 2023, Retail Banking achieved total **Revenues** of approx. **EUR 889 mln**, up by 41.2% compared to the first half of 2022. A breakdown of the aggregate shows:

- Net Interest Income was EUR 477 mln, up by EUR 318 mln compared to the first half of 2022, driven by the higher contribution of commercial assets;
- Net fees and commissions were equal to EUR 380 mln, with a 12.7% decrease on the corresponding period of the previous year, primarily due to lower placement fees on asset management products due to customers' renewed interest in assets under custody instruments;
- Other income from banking and insurance business amounted to approximately EUR 34 mln, up by EUR 5 mln compared to the corresponding period of the previous year.

Considering the impact of Operating Expenses, down 14.2% YoY (both on personnel costs, following exits due to early retirement/access to the Solidarity Fund at the end of 2022, and on other administrative expenses), Retail Banking achieved **Gross Operating Income** of **EUR 379 mln** (EUR 35 mln as at 30 June 2022). The cost of credit was **EUR -59 mln** (EUR +9 mln as at 30 June 2022).

The **Net Operating Result** as at 30 June 2023 was **positive for EUR 320 mln**.

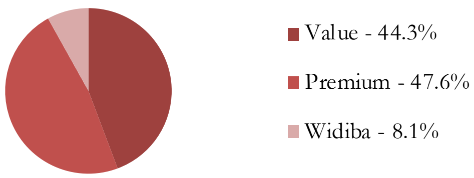
The non-operating components amounted to EUR +1 mln, in line with the same period of the previous year.

The **Profit (loss) before tax from continuing operations** was equal to **EUR 321 mln** (EUR 45 mln as at 30 June 2022).

The ***cost-income ratio*** of the Operating Segment is **57.4%** (94.5% as at 30 June 2022).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/06/23	30/06/22	Abs.	%
Net interest income	*476.6*	*158.1*	*318.5*	*n.m.*
Net fee and commission income	*379.7*	*435.2*	*-55.5*	*-12.7%*
Other Revenues from Banking and Insurance Business	*33.6*	*29.1*	*4.6*	*15.7%*
Other operating expenses/income	*(1.2)*	*7.1*	*-8.3*	*n.m.*
Total Revenues	**888.8**	**629.5**	**259.3**	**41.2%**
Operating expenses	*(510.2)*	*(594.8)*	*84.6*	*-14.2%*
Pre Provision Operating Profit	**378.6**	**34.7**	**343.9**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(58.7)	8.7	-67.4	n.m.
Net Operating Income	**319.8**	**43.4**	**276.5**	**n.m.**
Non-operating components	**1.3**	**1.4**	**-0.2**	**-11.2%**
Profit (loss) before tax from continuing operations	**321.1**	**44.8**	**276.3**	**n.m.**

Breakdown of revenues



Results for the subsidiary

Banca Widiba S.p.A.: as at 30 June 2023, **Total Funding** for Banca Widiba was equal to **EUR 9.3 bn**, up by EUR 0.2 bn compared to 31 March 2023 and EUR 0.5 bn compared to the end of 2022. The increases are concentrated in the Indirect Funding segment (mainly on Assets under Custody, in line with system trends and also absorbing the positive effects of the financial markets), while Direct Funding recorded a slight decrease compared to 31 March 2023 (EUR -0.1 bn) and compared to 31 December 2022 (EUR -0.3 bn).

With regard to economic results, as at 30 June 2023 Banca Widiba achieved **total revenues** of **EUR 71.7 mln**, up by EUR 37.0 mln (+ 107%) compared to the same period of the previous year, due to the growth in Net Interest Income (EUR +36.5 mln, an increase attributable exclusively to the higher system interest rates) while Net Fee and Commission Income (equal to EUR 10.5 mln in the first half of the year) are in line with 30 June 2022, highlighting the among the various phenomena, (i) a decline in revenues in the Asset Management segment both on placements, also referring to the Eurovita case for which Banca Widiba suspended placements from February, and on continuing, and (ii) an increase in income from Assets under Custody and the Global Advisory portfolio.

The **Gross Operating Income** stood at **EUR 38.5 mln** (up by EUR 34.5 mln), absorbing **Operating Expenses** (EUR 33.2 mln in the first half, an increase of EUR 2.5 mln compared to the previous year, mainly due to the Communication initiatives in the first quarter of this year).

In relation to the Cost of credit, equal to EUR 2.6 mln and up by EUR 1.9 mln compared to 30 June 2022, **Net Operating Income** was **EUR 35.9 mln**, with an increase of EUR 32.6 mln compared to June 2022.

Lastly, as a result of non-operating components that absorb allocations of EUR 1.2 mln on some items of provisions for risks and charges, the **Profit (loss) before tax from continuing operations** was **EUR 34.7 mln**, with an increase of EUR 31.2 mln compared to the first half of the previous year.

Wealth Management

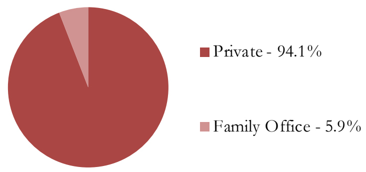
Business areas

- 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).

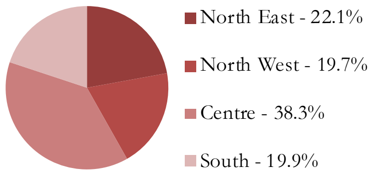
Customers

There are around 35,600 private customers.

Breakdown by type



Breakdown by geography



Income statement and balance sheet results

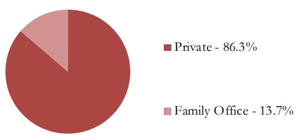
As at 30 June 2023, **Total Funding** in *Wealth Management* amounted to **EUR 17.8 bn,** essentially stable compared to 31 March 2023 and up by EUR 0.9 bn on year-end 2022, driven by Assets under Custody. More specifically:

- **Direct Funding** came to **EUR 2.5 bn**, down compared to 31 March 2023 (EUR -0.2 bn) and compared to 31 December 2022 (EUR -0.2 bn);
- **Indirect Funding**, amounting to **EUR 15.3 bn**, rose by EUR 0.3 bn compared to 31 March 2023 and by EUR 1.1 bn compared to the end of 2022 thanks to Assets under Custody; Asset Management essentially remained stable;
- **Gross interest-bearing loans to customers** were essentially in line with both 31 March 2022 (EUR -0.1 bn) and the end of 2022 (EUR -0.1 bn), standing at **EUR 0.5 bn**.

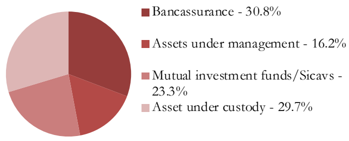
WEALTH MANAGEMENT - BALANCE SHEET AGGREGATES

(EUR mln)	30/06/23	31/03/23	31/12/22	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**2,485**	**2,702**	**2,711**	**(217)**	**-8.0%**	**(226)**	**-8.3%**
Assets under management	*10,793*	*10,812*	*10,774*	*(19)*	*-0.2%*	*18*	*0.2%*
Assets under custody	*4,551*	*4,241*	*3,489*	*311*	*7.3%*	*1,062*	*30.4%*
Indirect Funding	**15,344**	**15,053**	**14,263**	**291**	**1.9%**	**1,081**	**7.6%**
Total Funding	**17,829**	**17,755**	**16,974**	**74**	**0.4%**	**854**	**5.0%**
Gross Interest-bearing loans to customers	**513**	**568**	**570**	**(55)**	**-9.6%**	**(57)**	**-10.0%**

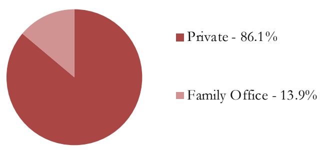
Direct funding



Indirect funding breakdown



Gorss Interest-bearing loans to customers



With regard to profit and loss, Wealth Management achieved total **Revenues** of approx. **EUR 88 mln** as at 30 June 2023, up 26.0% compared to the same period of last year. A breakdown of the aggregate shows:

- Net Interest Income amounted to approx. EUR 24 mln, up EUR 22 mln compared to the corresponding period in 2022, due mainly to the higher contribution from direct funding;
- Net fee and commission income amounted to EUR 56 mln, down 5.5% compared to 30 June 2022, reflecting, as in the case of Retail Banking, lower revenue from asset management, only partly offset by higher income from assets under custody;
- Other Income from Banking and Insurance Business amounted to EUR 8 mln, up by EUR 1 mln YoY.

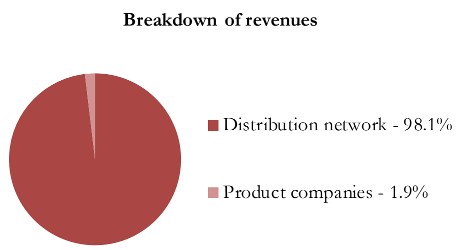
Considering the impact of Operating Expenses, which were down by 14.4% compared to the same period of the previous year (in line with the trends recorded by other Operating Segments and the Group), Wealth Management generated a **Gross Operating Income** of **EUR 34 mln** (EUR 7 mln at 30 June 2022). Including Cost of credit equal to EUR -2 mln, the **Net Operating Income** totalled **EUR 32 mln**.

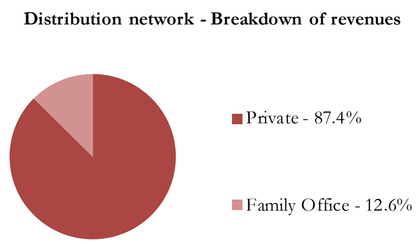
The non-operating components were equal to approx. EUR 0.4 mln, essentially stable compared to the corresponding period of 2022.

The **Profit (loss) before tax from continuing operations** was equal to **EUR 32 mln** (EUR 5 mln as at 30 June 2022).

The ***cost-income ratio*** of the Operating Segment is **61.6%** (90.6% in the first half of 2022).

WEALTH MANAGEMENT - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/06/23	30/06/22	Abs.	%
Net interest income	*23.7*	*1.5*	*22.2*	*n.m.*
Net fee and commission income	*55.8*	*59.1*	*(3.3)*	*-5.5%*
Other Revenues from Banking and Insurance Business	*8.4*	*7.8*	*0.6*	*8.0%*
Other operating expenses/income	*(0.2)*	*1.3*	*(1.5)*	*n.m.*
Total Revenues	**87.8**	**69.7**	**18.1**	**26.0%**
Operating expenses	*(54.0)*	*(63.2)*	*9.1*	*-14.4%*
Pre Provision Operating Profit	**33.8**	**6.5**	**27.2**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(1.7)	(2.2)	0.5	-22.6%
Net Operating Income	**32.0**	**4.3**	**27.7**	**n.m.**
Non-operating components	**0.4**	**0.2**	**0.2**	**94.2%**
Profit (loss) before tax from continuing operations	**32.4**	**4.5**	**27.9**	**n.m.**



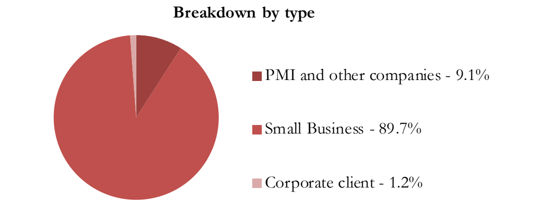


Result of the subsidiary MPS Fiduciaria: in the first half of 2023 the subsidiary reported a profit for the period equal to EUR 0.2 mln.

Corporate Banking

Corporate Banking includes the economic/financial results of Corporate customers (SME, Corporate Client and Small Business segments), Foreign Branches, the subsidiary MPS Leasing & Factoring S.p.A. (merged by incorporation in April 2023) and the foreign bank MP Banque, while the financial results of Large Group customers and the subsidiary MPS Capital Services Banca per le imprese S.p.A.(merged by incorporation in May 2023) are reported within the Large Corporate & Investment Banking operating segment.

It should also be noted that the customers as at 30 June 2022 were represented as Corporate Clients in this report are composed of the two service models called SMEs and Corporate Clients, as defined in the context of the review of the organisational structures of the Network, during the last quarter of 2022.

<table>
<tr><th>Business areas</th><th>Customers</th></tr>
<tr><td rowspan="3">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 S.p.A. until the merger).
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).</td><td>About 316,600 Corporate customers of the Parent Company, directly followed by Corporate Banking.</td></tr>
<tr><td>
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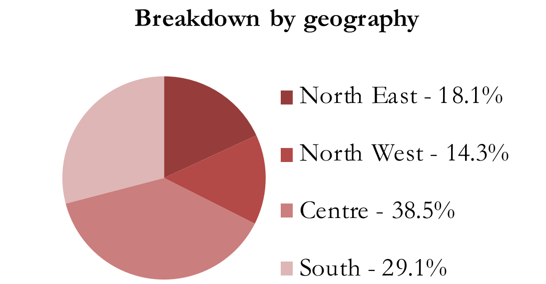
<tr><td>
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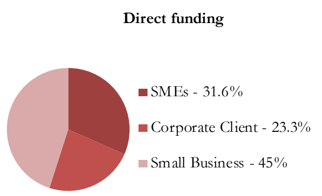
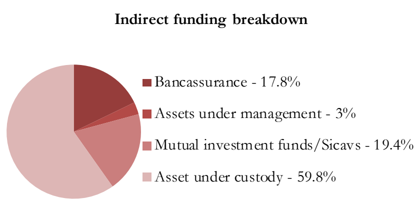
Income statement and balance sheet results

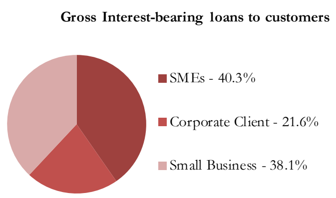
Total Funding from Corporate Banking as at 30 June 2023 amounted to **EUR 28.2 bn**, up slightly compared to 31 March 2023 (EUR +0.2 bn), and for Direct Funding (EUR +0.2 bn); Indirect Funding remained stable. The aggregate was also down compared to the end of 2022 (EUR -0.6 bn), due to a reduction in Direct Funding (EUR -0.8 bn) partially offset by the increase in Indirect Funding (EUR +0.2 bn), as a result of the actions taken by the Parent Company to optimise the cost of funding.

With regard to lending, as at 30 June 2023, **Gross interest-bearing loans to Corporate Banking customers** stood at **EUR 32.8 bn**, down compared to 31 March 2023 (EUR -0.9 bn, in relation to end of June maturities in the medium/long-term component) and compared to 31 December 2022 (EUR -0.2 bn).

CORPORATE BANKING - BALANCE SHEET AGGREGATES							
(EUR mln)	30/06/23	31/03/23	31/12/22	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**22,453**	**22,255**	**23,228**	**198**	**0.9%**	**(775)**	**-3.3%**
Assets under management	*2,313*	*2,395*	*2,477*	*(82)*	*-3.4%*	*(164)*	*-6.6%*
Assets under custody	*3,439*	*3,370*	*3,119*	*69*	*2.1%*	*320*	*10.3%*
Indirect Funding	**5,752**	**5,764**	**5,595**	**(12)**	**-0.2%**	**156**	**2.8%**
Total Funding	**28,205**	**28,019**	**28,823**	**186**	**0.7%**	**(619)**	**-2.1%**
Gross Interest-bearing loans to customers	**32,833**	**33,757**	**33,044**	**(924)**	**-2.7%**	**(211)**	**-0.6%**







For profit and loss aggregates, as at 30 June 2023 Corporate Banking **Revenues** came to **EUR 710 mln** (+48.8% compared to the first half of the previous year). A breakdown of the aggregate shows:

- Net Interest Income was EUR 460 mln, up EUR 236 mln YoY mainly due to the higher contribution of commercial assets;
- Net Fee and Commission income was equal to EUR 241 mln as at 30 June 2023, down slightly compared to the same period of the previous year;
- Other Income from Banking and Insurance Business amounted to EUR 11 mln, essentially in line with the levels recorded in the first half of 2022.

Considering the impact of Operating Expenses, down by 14.5% compared to the same period of the previous year, **Gross Operating Income** amounted to **EUR 457 mln** (EUR 181 mln as at 30 June 2022).

The **Net Operating Income** stood at **EUR 339 mln** (EUR 80 mln as at 30 June 2022), against a Cost of credit of EUR -118 mln (compared to EUR -101 mln as at 30 June 2022).

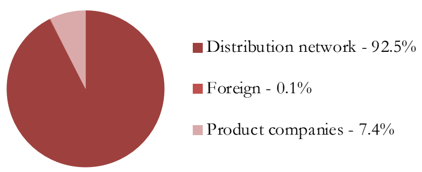
The non-operating components amounted to EUR -2 mln, compared to EUR -1 mln in the first half of the previous year.

The **Profit (loss) before tax from continuing operations** was equal to EUR 337 mln (EUR 79 mln as at 30 June 2022).

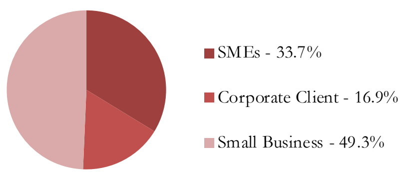
The ***cost-income ratio*** of Corporate Banking was equal to **35.6%** (62.0% as at 30 June 2022).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/06/23	30/06/22	Abs.	%
Net interest income	*460.3*	*224.0*	*236.3*	*n.m.*
Net fee and commission income	*240.5*	*244.5*	*(4.0)*	*-1.6%*
Other Revenues from Banking and Insurance Business	*11.2*	*10.9*	*0.3*	*2.7%*
Other operating expenses/income	*(2.0)*	*(2.4)*	*0.4*	*-15.4%*
Total Revenues	**710.0**	**477.0**	**233.0**	**48.8%**
Operating expenses	*(252.7)*	*(295.6)*	*42.9*	*-14.5%*
Pre Provision Operating Profit	**457.2**	**181.4**	**275.8**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(117.8)	(101.1)	(16.7)	16.5%
Net Operating Income	**339.4**	**80.3**	**259.2**	**n.m.**
Non-operating components	**(2.3)**	**(1.4)**	**(0.9)**	**66.3%**
Profit (loss) before tax from continuing operations	**337.1**	**78.9**	**258.2**	**n.m.**

Breakdown of revenues



Distribution network - Breakdown of revenues



Results of the main subsidiaries

- **MP Banque[18]:** profit of EUR 1.8 mln as at 30 June 2023 compared to a loss of EUR 2.8 mln posted in the first half of 2022.

[18] 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

Large Corporate & Investment Banking

Business areas	Customers
• Credit brokerage aimed at specialised follow-up; provision of tailor-made products and services with a view to coverage teams; cross-fertilisation of skills between group resources and financial products and services for businesses, also through strategic collaboration with institutional entities. • Corporate finance: mid- and long-term lending, corporate finance and structured finance.	Approximately 1,040 Large Group customers of the Parent Company are directly supported by Large Corporate & Investment Banking.

Income statement and balance sheet results

Total Funding from Large Corporate & Investment Banking as at 30 June 2023 amounted to **EUR 10.7 bn**, up compared to EUR 0.5 bn as at 31 March 2023 due to the increase in Direct Funding (EUR +0.8 bn), partly offset by the decline in Indirect Funding (EUR -0.3 bn). The aggregate was also up compared to the end of December 2022 (EUR +1.2 bn), mainly as a result of the increase in Direct Funding (EUR +1.1 bn).

With regard to lending, as at 30 June 2023, **Gross interest-bearing loans to Large Corporate & Investment Banking customers** stood at **EUR 5.7 bn** (down by EUR 0.3 bn compared to 31 March 2023 but up by EUR 0.1 bn compared to 31 December 2022).

Large Corporate and Investment Banking - BALANCE SHEET AGGREGATES							
(EUR mln)	30/06/23	31/03/23	31/12/22	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**2,686**	**1,929**	**1,616**	**756**	**39.2%**	**1,069**	**66.2%**
Assets under management	*37*	*37*	*37*	*0*	*0.8%*	*0*	*-0.5%*
Assets under custody	*7,938*	*8,196*	*7,843*	*(259)*	*-3.2%*	*95*	*1.2%*
Indirect Funding	**7,975**	**8,233**	**7,880**	**(258)**	**-3.1%**	**95**	**1.2%**
Total Funding	**10,661**	**10,162**	**9,496**	**498**	**4.9%**	**1,164**	**12.3%**
Gross Interest-bearing loans to customers	**5,692**	**5,943**	**5,580**	**(250)**	**-4.2%**	**113**	**2.0%**

For profit and loss aggregates, as at 30 June 2023, Large Corporate & Investment Banking **Revenues** came to **EUR 124 mln** (+17.3% compared to the corresponding period of 2022). A breakdown of the aggregate shows:

- Net Interest Income amounted to EUR 66 mln, down by EUR 13 mln YoY, due to the decrease recorded by the merged entity MPS Capital Services Banca per le Imprese S.p.A., penalised by the higher cost of funding;
- Net Fee and Commission income were down 3.1% compared to the first half of 2022, to stand at EUR 26 mln;
- Other Revenues from Banking and Insurance Business amounted to EUR 31 mln, up compared to the same period of the previous year (EUR -0.7 mln), thanks to the positive trend recorded by the merged entity MPS Capital Services Banca per le Imprese S.p.A.

Considering the impact of Operating Expenses, down by 14.4% compared to 30 June 2022, **Gross Operating Income** amounted to **EUR 79 mln** (EUR 53 mln as at 30 June 2022).

The **Net Operating Income** stood at **EUR 78 mln** (EUR 15 mln in the first half of 2022), against a Cost of credit of EUR -1 mln (compared to EUR -38 mln as at 30 June 2022).

The non-operating components were equal to approx. EUR -14 mln, improved compared to EUR -20 mln in the corresponding period of 2022.

The **Profit (loss) before tax from continuing operations** was equal to **EUR 64 mln** (EUR -4 mln as at 30 June 2022).

The Large Corporate & Investment Banking ***cost-income ratio*** stood at **36.4%** (49.8% as at 30 June 2022).

Large Corporate & Investment Banking - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	**30/06/23**	**30/06/22**	**Abs.**	**%**
Net interest income	*65.6*	*78.3*	*(12.7)*	*-16.2%*
Net fee and commission income	*26.4*	*27.3*	*-0.8*	*-3.1%*
Other Revenues from Banking and Insurance Business	*31.2*	*(0.7)*	*31.9*	*n.m.*
Other operating expenses/income	*0.8*	*0.8*	*0.0*	*-2.1%*
Total Revenues	**124.0**	**105.7**	**18.3**	**17.3%**
Operating expenses	*(45.1)*	*(52.6)*	*7.6*	*-14.4%*
Pre Provision Operating Profit	**78.9**	**53.0**	**25.9**	**48.8%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(1.2)	(37.7)	36.5	-96.9%
Net Operating Income	**77.7**	**15.3**	**62.4**	**n.m.**
Non-operating components	**(13.6)**	**(19.6)**	**6.0**	**-30.7%**
Profit (loss) before tax from continuing operations	**64.1**	**(4.3)**	**68.4**	**n.m.**

Corporate Centre

The Corporate Centre includes:

- the economic/financial results of Non-Performing customers managed centrally by the Non-Performing Loans Unit;
- 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;
- business service and support units, particularly with regard to the development and management of information systems.

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.

With regard to Non-Performing customers managed centrally by the Non-Performing Loans Unit, as at 30 June 2023, Gross interest-bearing loans to customers amounted to EUR 1.0 bn; the contribution to the economic results of the Corporate Centre was EUR 3 mln in Revenues, EUR -22 mln in Operating Expenses and EUR -37 mln in the Cost of Credit.

With regard to Finance activities, sales of securities in the first half of 2023 were marginal; on the other hand, securities for around EUR 698 mln matured, almost entirely classified in the portfolio of financial assets measured at fair value through other comprehensive income. As partial offsetting, securities were repurchased for approximately EUR 628 mln, classified at amortised cost.

Prospects and outlook on operations

For the Italian banking system, in the coming months, the trend in lending to the private sector is expected to continue following the sharp rise in interest rates that is limiting demand from households and businesses. For households, penalised for the second year in a row by the loss of purchasing power, credit growth is expected to remain positive, albeit downsized: higher rates and less favourable conditions in the real estate market slow the growth of loans for home purchases, while consumer credit is expected to grow in line with the recovery in spending on durable goods. Companies will continue to make use of accumulated liquidity to meet financial needs and the improvement of conditions on the financial markets, with bond rates more in line with bank rates, may drive greater recourse to market financing, reducing the demand for loans.

The economic slowdown forecast for the current year, the impact of inflation on household budgets and the increase in borrowing costs are expected to lead to a moderate decline in the non-performing loan ratio and default rate in the coming months. However, the support measures for households and businesses, accumulated liquidity and the stability of business margins result in a gradual emergence of new non-performing exposures; the cost of risk is therefore expected to increase moderately.

Also in the second half of the year, households will continue to reallocate liquidity to forms of funding with longer maturities capable of guaranteeing a better return and to government bonds. The recomposition process to longer-term funding will also be favoured by banks in order to keep funding indicators steady, once the liquidity acquired through TLTROs has been repaid. Overall, bank funding is expected to decline: the reduction in current accounts is only partially offset by the increase in fixed-term deposits and bonds.

System profitability is expected to continue growing thanks to the boost in net interest income, which from next year, however, will see its momentum reduced. The contribution to revenues from the placement and management of indirect funding products is expected to remain stable, while that linked to liquidity management services is expected to grow. Personnel expenses are expected to increase as a result of the new national negotiations in progress, while high inflation will require additional effort to control administrative expenses.

These dynamics in the Italian banking system will also have an impact on the Group, which will in any case be committed to supporting businesses 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 may still benefit in the coming months from rising rates and the contribution of the new consumer credit platform, despite the progressive increase in the cost of funding. Particular attention will be paid to lending strategies with the aim of supporting loans while maintaining the quality of the portfolio.

In terms of costs, it should be noted that, with the loss of approximately 4,000 resources (approximately 4,100 also considering those seconded outside the Group) due to participation in the early retirement scheme and in the sector Solidarity Fund, which took place mainly with effect from 1 December 2022, structural personnel costs fell significantly. However, the dynamics of this aggregate will be affected by the results of the national negotiations in progress.

In line with implementation of the 2022-2026 Business Plan, on 24 April 2023 and 26 May 2023, MPS Leasing & Factoring S.p.A. and MPS Capital Services Banca per le imprese S.p.A. were merged by incorporation into Banca MPS. The mergers, with accounting and tax effects from 1 January 2023, will generate synergies both on costs, as a result of the simplification and streamlining of processes, and on revenues thanks to the expected greater efficiency of the business chain.

Lastly, the deconsolidation of the non-performing loan portfolio of the so-called "Mugello" project is expected in the fourth quarter of the year, of which portfolio the sale was finalised on 3 August 2023, for a total gross exposure of approximately EUR 0.2 bn as at 30 June 2023.

Related-party transactions

Compensation of key management personnel

Items/Amounts	Total 30 06 2023	Total 30 06 2022
Short-term benefits	3.1	2.8
Termination benefits	-	0.2
Total	**3.1**	**3.0**

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 "Identified Staff";
- 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 2023, there were 14 terminations of employment contracts of key management personnel. No termination indemnities were recognised.

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 Law on Banking (TUB) and its implementing provisions (Bank of Italy Circular no. 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.

The "*Group Directive concerning Management of regulatory obligations on related parties, associated parties and obligations of bank representatives*" (hereinafter the "Group Directive"), accompanied by the "*Group Regulation concerning Management of regulatory obligations on related parties, associated parties and obligations of bank representatives*" (hereinafter the "Group Regulations"), approved by the Parent Company's Board of Directors, with the prior favourable opinions of the Committee for Related Party Transactions and the Board of Statutory Auditors, contains the provisions and internal procedures on related parties, aligned with the provisions of the Consob Regulation in force as of 1 July 2021, which introduced, inter alia, a new definition of a related party and the need to define thresholds of small amounts differentiated at least in consideration of 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 Regulations, 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 BMPS;
  - *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 subsidiaries 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. no. 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 bonds recorded in the portfolios "Financial assets measured at fair value through other comprehensive income" for a nominal amount of EUR 2,980.5 mln and "Financial assets measured at fair value through profit or loss" for a nominal amount of EUR 2,102.3 mln as well as "Financial assets measured at amortised cost" for a nominal amount of EUR 6,713.4 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 2023.

MEF related-party transactions

On 27 January 2023 and, subsequently, on 13 June 2023, the Credit Committee of the Parent Company authorised Banca MPS to comply with the waiver requests made by WEBUILD S.p.A., concerning certain contractual clauses governing the Revolving Credit Facility agreement, for EUR 70.0 mln, previously stipulated with this company. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since WEBUILD S.p.A. is an associate - through CDP Equity S.p.A. - of Cassa Depositi e Prestiti S.p.A. (hereinafter also "CDP S.p.A."), in turn controlled by the MEF.

On 31 January 2023, the Credit Committee of the Parent Company authorised a mixed credit facility in favour of Banca MPS customers for a total of EUR 30.0 mln, usable for the issue of financial and commercial guarantees in Italy/abroad; the use of this credit facility is at least 50% backed by a guarantee issued by SACE S.p.A. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since SACE S.p.A. is a wholly-owned subsidiary of the MEF.

On 22 March 2023, the Credit Committee of MPS L&F Leasing & Factoring S.p.A. (hereinafter "MPS L&F") - a company merged by incorporation into the Parent Company Banca MPS with effect from 24 April 2023 - approved the renewal in favour of SNAM RETE GAS S.p.A. with increased risk ceiling as debtor without recourse, from EUR 0.4 mln to a total of EUR 20 mln, based on the assignor customer relationship. The transactions concern the purchase of *non-notification receivables*, with direct collections to the transferor and subsequent transfer to the transferee MPS L&F, backed by an insurance policy, with coverage ratio equal to 95% of the risk ceiling. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since SNAM RETE GAS S.p.A. is an indirect subsidiary of Cassa Depositi e Prestiti S.p.A. which is in turn controlled by the MEF.

On 28 March 2023, the Credit Committee of the Parent Company, subject to the opinion in favour from the Related Party Transactions Committee, resolved to authorise in favour of the VALVITALIA Group the participation of Banca MPS, together with other banks, in the 2023-2029 recovery plan proposed by VALVITALIA S.p.A. (acceptance of the arrangement pursuant to art. 23, paragraph 1, letter c) of Legislative Decree no. 14/2019 "Corporate Crisis and Insolvency Code in implementation of Law no. 155"), which entails confirmation good till cancelled and reactivation of agreement for unsecured credit facilities down from EUR 22.0 mln to EUR 12.0 mln, and confirmation good till cancelled and reactivation of the agreement for forward purchase and sale of currency for EUR 3.0 mln, for a total of EUR 15.0 mln. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since VALVITALIA S.p.A. is an indirect subsidiary - through CDP Equity S.p.A. - of CDP S.p.A., in turn controlled by the MEF.

On 30 March 2023, the Board of Directors of the Parent Company, subject to opinion in favour from of the Related Party Transactions Committee, resolved to renew the framework resolution of greater significance (expired on 2 December 2022), with a reduction of the amount from EUR 1.0 bn to EUR 0.5 bn, concerning the Parent Company's operations with SACE S.p.A., relating to the issue of financial guarantees by SACE against credit facilities/loans granted by Banca MPS to companies as part of the *"Green New Deal"*, i.e. to pursue environmental objectives adequately supported by suitable projects for reducing pollution and the extent of polluting emissions and therefore at promoting eco-sustainable development ("DQSACEGREEN2023"). The DQSACEGREEN2023 is valid for a period of 12 months from the date of adoption of the resolution and operates in relation only to Banca MPS and not at Group level. A number of insurance policies confirming documentary credits were also entered into with SACE S.p.A., in execution of the "SACE 2022 Framework Resolution", to cover 50% of the risk of non-payment related to confirmation transactions of documentary credits in US dollars, entered into by its customers with foreign banks, for approximately USD 33.1 mln, USD 29.3 mln, USD 24.6 mln and USD 24.3 mln. These transactions, finalised with SACE, fall within the scope of application of Consob Regulation no. 17221/2010, since SACE S.p.A. is a wholly-owned subsidiary of the MEF.

On 5 April 2023, the Credit Committee of the Parent Company resolved to authorise in favour of ANSALDO ENERGIA S.p.A., the ordinary review of existing credit lines, with a reduction from EUR 20.0 mln to EUR 17.0 mln, which can be used for opening credit against documents, for the issue of commercial and/or financial sureties both in Italy and abroad, in euro and foreign currency, as well as for hedging exchange rate risks. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since ANSALDO ENERGIA S.p.A. is a subsidiary of CDP Equity S.p.A., a wholly-owned subsidiary of CDP S.p.A., in turn controlled by MEF.

On 19 April 2023, the Credit Committee of MPS L&F authorised in favour of AUTOSTRADE PER L'ITALIA S.p.A. a credit facility with recourse as transferred debtor, for a total of EUR 20.0 mln, on the transferor customer relationship for intercompany factoring transactions in the commercial field of infrastructural works with a disinvestment percentage of 80%. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since AUTOSTRADE PER L'ITALIA S.p.A. is an indirect subsidiary (jointly controlled) - through CDP Equity S.p.A. - of Cassa Depositi e Prestiti S.p.A., in turn controlled by the MEF.

On 8 May 2023, the Board of Directors of the Parent Company, subject to opinion in favour from the Related Party Transactions Committee, authorised in favour of ENI S.p.A., as part of the ordinary review of credit facilities, the confirmation of the credit facility good till cancelled for EUR 300.0 mln, usable on a mixed and multiple basis (opening of current account credit, financial transactions in the form of forward contracts, issue of sureties and letters of credit in Italy/abroad, loans in foreign currency, opening of credit against documents) by ENI S.p.A. and the ENI Group companies consolidated line by line. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, as ENI S.p.A. is a subsidiary of the MEF.

Also on 8 May 2023, the Board of Directors of the Parent Company, subject to opinion in favour from the Related Party Transactions Committee, resolved to approve in favour of AMCO - Asset Management Company S.p.A. the signing of a new fronting bank agreement ("Amended Agreement"), replacing the agreement signed in 2020 and, at the same time, renewal of a credit facility in the form of a forward revolving current account for a maximum amount of EUR 30.0 mln, for execution of the Amended Agreement. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, as AMCO S.p.A. is a subsidiary of the MEF.

On 28 June 2023, the Credit Leasing and Factoring function of the Parent Company authorised in favour of OPEN FIBER S.p.A. the increase in the risk ceiling of the debtor transferred without recourse from EUR 6.5 mln to a total of EUR 7.5 mln, in addition to confirmation of the notional limit of a total of EUR 10 mln, applicable to transferor customers subject to separate resolution. The transactions concern the purchase of non-notification receivables, with transfer only of single contracts of the transferred debtor, backed by an insurance policy with coverage ratio of 95% of the risk ceiling. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since OPEN FIBER S.p.A. is an indirect subsidiary (under common control) of Cassa Depositi e Prestiti S.p.A., through CDP Equity S.p.A., in turn controlled by the MEF.

In the first half of 2023, in order to support the financing needs of its corporate customers, two funding transactions were also carried out with Cassa Depositi e Prestiti S.p.A., on the SME Plafond made available by CDP, as part of the Agreement signed by the latter and ABI, called the "Business Platform", for the amounts of EUR 12.5 mln and EUR 36.4 mln. The transactions fall within the scope of application of Consob Regulation no. 17221/2010, as CDP S.p.A. is a subsidiary of the MEF.

Also in the first half of 2023, MPS Capital Services Banca per le Imprese S.p.A. (hereinafter "MPS Capital Services"), a company merged by incorporation into the Parent Company Banca MPS with effect from 29 May 2023, resolved to conclude with SACE S.p.A.:) three transactions for the issue of financial guarantees as part of the "Green New Deal" for the amounts of EUR 20.0 mln, EUR 53.5 mln and EUR 14.1 mln, respectively, to cover 80%, 100% and 50% of the amount of loans granted to three corporate customers, and (b) three transactions for the issue of "SupportItalia" guarantees for amounts of EUR 16.0 mln, EUR 40.0 mln and EUR 13.5 mln, respectively, to cover 80%, 80% and 90% of the amount of loans granted to three corporate customers. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since SACE S.p.A. is a wholly-owned subsidiary of the MEF.

Lastly, in the first half of 2023, MPS Capital Services (now Banca MPS) approved the granting of a loan to M.T. Manifattura Tabacchi S.p.A., which envisages the construction of two new buildings as part of a plan to redevelop an owned site in Florence. The loan for a total of EUR 43.6 mln was structured and pool financed by MPS Capital Services (now Banca MPS) and two other banks, with a share subscribed by Banca MPS totalling EUR 10.9 mln. The company financed is 40% owned by CDP Immobiliare S.r.l., in turn a wholly-owned subsidiary of CDP S.p.A.; therefore, the transaction falls within the scope of application of Consob Regulation no. 17221/2010 as M.T. Manifattura Tabacchi S.p.A. is a company subject to significant indirect influence of CDP S.p.A., in turn controlled by the MEF.

Transactions with other related parties

On 21 February 2023, the Credit Committee of the Parent Company authorised the ordinary review of existing credit facilities in favour of IMMOBILIARE NOVOLI S.p.A., with a partial decrease (in mixed, unsecured and multiple credit lines) for a total of EUR 41.2 mln. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, as IMMOBILIARE NOVOLI S.p.A. is jointly controlled by the Parent Company through its 50% equity investment in the share capital.

On 27 June 2023, the Parent Company's *Corporate Lending* function authorised the mortgage restriction concerning SANDONATO S.r.l. relating to two pooled loans backed by a first and second degree mortgage on real estate, to guarantee the residual amount of two mortgages for the Banca MPS portion equal to EUR 25.4 mln. The transaction falls within the scope of application of Consob Regulation no. 17221/2010 as SANDONATO S.r.l. is a wholly-owned subsidiary of Immobiliare Novoli S.p.A., in turn jointly controlled by the Parent Company through its 50% equity investment in the share capital.

The following tables summarise the relationships and economic effects of transactions carried out in the first half of 2023 with associates, key management personnel and other related parties.

The "MEF Scope" column highlights the balances of the balance sheet and income statement items as at 30 June 2023 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.[19]

Related-party transactions: balance sheet items

	Value as at 30 06 2023						
	joint venture	Associated companies	key management personnel	Other related parties	MEF Scope	Total	% on FS item
Financial assets held for trading	-	3.5	-	-	4,577.9	**4,581.4**	62.07%
Other financial assets mandatorily measured at fair value	-	-	-	-	29.6	**29.6**	6.34%
Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,855.0	**2,855.0**	77.69%
Loans to banks measured at amortised cost	-	-	-	-	19.0	**19.0**	0.55%
Loans to customers measured at amortised cost	70.2	62.4	2.1	1.2	8,094.6	**8,230.5**	9.63%
Other assets	-	-	-	-	1,128.3	**1,128.3**	35.82%
Total assets	**70.2**	**65.9**	**2.1**	**1.2**	**16,704.4**	**16,843.8**	**-**
Financial liabilities measured at amortised cost	6.4	113.1	1.4	118.8	2,468.7	**2,708.4**	2.68%
Financial liabilities held for trading	-	3.5	-	-	234.5	**238.0**	5.80%
Other liabilities	0.2	4.5	-	-	4.2	**8.9**	0.18%
Total liabilities	**6.6**	**121.1**	**1.4**	**118.8**	**2,707.4**	**2,955.3**	**-**
Guarantees issued and Commitments	15.6	26.6	0.2	-	2,289.8	**2,332.2**	n.a.

Related-party transactions: income statement items

	Value as at 30 06 2023						
	joint venture	Associated companies	key management personnel	Other related parties	MEF Scope	Total	% on FS item
Interest income and similar revenues	1.6	1.2	-	-	140.6	**143.4**	7.24%
Interest costs and similar charges	-	(0.5)	-	(1.4)	(2.7)	**(4.6)**	0.51%
Fee and commission income	-	93.2	-	-	96.1	**189.3**	24.18%
Fee and commission expense	-	(0.2)	-	-	(9.8)	**(10.0)**	9.17%
Net profit (loss) from other assets and liabilities measured at fair value through profit or loss	-	-	-	-	(1.7)	**(1.7)**	-49.73%
Net adjustments/impaiments	0.3	(0.1)	-	-	(2.9)	**(2.7)**	1.33%
Dividends	-	-	-	-	2.4	**2.4**	15.42%
Operating costs	-	(0.6)	(3.1)	-	(3.4)	**(7.1)**	0.70%

[19] 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".

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 2023.

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 2023 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 2023:
   - 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, 03/08/2023

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") as of 30 June 2023, 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 2023 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.

Milan, 9 August 2023

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 2023 and related statutory accounts

Item	Income Statement accounts	30/06/23	Customer repayments	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	30/06/23	Reclassified Income Statement accounts
			0.2	-	-	-	-	-	-	-	-	**1,082.8**	**Net interest income**
10	Interest income and similar revenues	1,979.3	0.2	-	-	-	-	-	-	-	-	1,979.5	
	of which interest income calculated applying the effective interest rate method	1,663.0	-	-	-	-	-	-	-	-	-		
20	Interest expense and similar charges	(896.7)	-	-	-	-	-	-	-	-	-	(896.7)	
			(3.5)	-	-	-	-	-	-	-	-	**670.0**	**Net fee and commission income**
40	Fee and commission income	783.1	(3.5)	-	-	-	-	-	-	-	-	779.6	
50	Fee and commission expense	(109.6)	-	-	-	-	-	-	-	-	-	(109.6)	
70	Dividends and similar income	15.7	-	(4.5)	41.9	-	-	-	-	-	-	**53.1**	**Dividends, similar income and gains (losses) on equity investments**
			-	4.5	-	-	-	-	-	-	**(4.9)**	**47.1**	**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	44.1	-	4.5	-	-	-	-	-	-	-	48.6	
100	Gains/(losses) on disposal/repurchase of:	0.1	-	-	-	-	-	-	-	-	0.2	**0.3**	
	a) financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	0.2	0.2	
	b) Financial assets measured at fair value through other comprehensive income	0.2	-	-	-	-	-	-	-	-	-	0.2	
	c) financial liabilities	(0.1)	-	-	-	-	-	-	-	-	-	(0.1)	
110	Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss	3.4	-	-	-	-	-	-	-	-	(5.1)	**(1.7)**	
	a) financial assets and liabilities designated at fair value	1.3	-	-	-	-	-	-	-	-	-	1.3	
	b) other financial assets mandatorily measured at fair value	2.1	-	-	-	-	-	-	-	-	(5.1)	(3.0)	
90	Net profit (loss) from hedging	0.1	-	-	-	-	-	-	-	-	-	**0.1**	**Net profit (loss) from hedging**
230	Other operating expenses/income	93.7	-	-	-	-	(95.6)	-	-	-	-	**(1.9)**	**Other operating income (expenses)**
190	Administrative expenses:	(1,009.4)	-	-	-	58.6	95.6	31.5	(13.8)	10.2	-	**(827.3)**	**Administrative expenses**
	a) personnel expenses	(560.6)	-	-	-	-	-	-	(13.8)	-	-	(574.4)	a) personnel expenses
	b) other administrative expenses	(448.8)	-	-	-	58.6	95.6	31.5	-	10.2	-	(252.9)	b) other administrative expenses
			-	-	-	-	-	-	-	-	-	**(86.5)**	Net value adjustments to property, plant and equipment and intangible assets
210	Net adjustments to/recoveries on property, plant and equipment	(54.5)	-	-	-	-	-	-	-	-	-	(54.5)	
220	Net adjustments to/recoveries on intangible assets	(32.0)	-	-	-	-	-	-	-	-	-	(32.0)	
130	Net impairment (losses)/reversals on	(200.0)	-	-	-	-	-	-	-	-	**(4.6)**	**(204.9)**	**Cost of customers credit**
	a) financial assets measured at amortised cost	(200.8)	-	-	-	-	-	-	-	-	(0.8)	(201.6)	*130a) financial assets measured at amortised cost - customers*
	b) financial assets measured at fair value through other comprehensive income	0.8	-	-	-	-	-	-	-	-	(0.8)		
			-	-	-	-	-	-	-	-	(0.2)	(0.2)	100a) Loans to customers measured at amortised cost
			-	-	-	-	-	-	-	-	5.1	5.1	110b) Loans
			-	-	-	-	-	-	-	-	(7.9)	(7.9)	200 a) Net provision for risks and charges related to financial guarantess and other commitments
140	Modification gains/(losses)	(0.3)	-	-	-	-	-	-	-	-	-	(0.3)	140 Modification gains (losses)
			-	-	-	-	-	-	-	-	1.6	**1.6**	**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:	(13.6)	3.3	-	-	-	-	-	-	-	7.9	**(2.4)**	**Net provisions for risks and charges**
	a) commitments and guarantees issued	(7.9)	-	-	-	-	-	-	-	-	7.9		
	b) other net provisions	(5.7)	3.3	-	-	-	-	-	-	-	-	(2.4)	
250	Gains (losses) on investments	40.6	-	-	(41.9)	-	-	-	-	-	-	**(1.3)**	**Gains (losses) on investments**
			-	-	-	-	-	-	13.8	(10.2)	-	**3.6**	Restructuring costs /One-0ff costs
			-	-	-	(58.6)	-	-	-	-	-	**(58.6)**	Risks and charges related to the SRF, DGS and similar schemes
			-	-	-	-	-	(31.5)	-	-	-	**(31.5)**	DTA Fee
260	Net gain (losses) on property, plant and equipment and intangible assets measured at fair value	(28.8)	-	-	-	-	-	-	-	-	-	**(28.8)**	Net gain (losses) on property, plant and equipment and intangible assets measured at fair value
280	Gains (losses) on disposal of investments	0.2	-	-	-	-	-	-	-	-	-	**0.2**	Gains (losses) on disposal of investments
290	Profit (loss) before tax from continuing operations	615.3	-	-	-	-	(0.0)	-	-	-	0.0	**615.3**	Profit (loss) for the period before tax
300	Tax (expense)/recovery on income from continuing operations	3.6	-	-	-	-	-	-	-	-	-	**3.6**	Tax (expense)/recovery on income from continuing operations
310	Profit (loss) after tax from continuing operations	618.9	-	-	-	-	(0.0)	-	-	-	0.0	**618.9**	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	618.9	-	-	-	-	(0.0)	-	-	-	0.0	**618.9**	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
			-	-	-	-	-	-	-	-	-	**-**	PPA (Purchase Price Allocation)
	Parent company's net profit (loss) for the period	**619.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**619.0**	**Parent company's net profit (loss) for the period**

Reconciliation between the reclassified income statement as at 30 June 2022 and related statutory accounts

Item	Income Statement accounts	30/06/22	Customer repayments	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
			0.3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**658.5**	**Net interest income**
10	Interest income and similar revenues	955.4	0.3-	-	-	-	-	-	-	-	-	955.7	
	of which interest income calculated applying the effective interest rate method	*776.5*	-	-	-	-	-	-	-	-	-		
20	Interest expense and similar charges	(297.2)	-	-	-	-	-	-	-	-	-	(297.2)	
			0.7-	-	-	-	-	-	-	-	-	**728.9**	**Net fee and commission income**
40	Fee and commission income	841.1	0.7-	-	-	-	-	-	-	-	-	841.8	
50	Fee and commission expense	(112.9)	-	-	-	-	-	-	-	-	-	(112.9)	
70	Dividends and similar income	18.1	**-**	(4.3)	37.4	-	-	-	-	**-**	**-**	**51.2**	**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 measured 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	-	-	-	-	(109.2)	-	-	-	-	**23.9**	**Other operating income (expenses)**
190	Administrative expenses:	(1,212.9)	-	-	-	88.7	109.2	31.4	2.5	0.6	-	**(980.5)**	**Administrative expenses**
	a) personnel expenses	(715.1)	-	-	-	-	-	-	2.5	-	-	(712.6)	a) personnel expenses
	b) other administrative expenses	(497.8)	-	-	-	88.7	109.2	31.4	-	0.6	-	(267.9)	b) other administrative expenses
			-	-	-	-	-	-	-	-	-	**(93.9)**	Net value adjustments to property, plant and equipment and intangible assets
210	Net adjustments to/recoveries on property, plant and equipment	(60.1)	-	-	-	-	-	-	-	-	-	(60.1)	
220	Net adjustments to/recoveries on intangible assets	(33.8)	-	-	-	-	-	-	-	-	-	(33.8)	
130	Net impairment (losses)/reversals on	(223.8)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2.2)**	**(224.9)**	**Cost of customers loans**
	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)	(1.1)	-	-	-	-	-	-	-	6.6	**(79.1)**	**Net provisions for risks and charges**
	a) commitments and guarantees issued	(6.6)	-	-	-	-	-	-	-	-	6.6		
	b) other net provisions	(78.0)	(1.1)	-	-	-	-	-	-	-	-	(79.1)	
250	Gains (losses) on investments	38.6	-	-	(37.4)	-	-	-	-	-	-	**1.2**	**Gains (losses) on investments**
			-	-	-	-	-	-	(2.5)	(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	44.1	-	-	-	-	0.0	-	-	-	-	**44.1**	Profit (loss) for the period before tax
300	Tax (expense)/recovery on income from continuing operations	8.9	-	-	-	-	-	-	-	-	-	**8.9**	Tax (expense)/recovery on income from continuing operations
310	Profit (loss) after tax from continuing operations	53.0	-	-	-	-	0.0	-	-	-	-	**53.0**	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	53.0	-	-	-	-	0.0	-	-	-	-	**53.0**	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
		-	-	-	-	-	-	-	-	-	-	**-**	PPA (Purchase Price Allocation)
	Parent company's net profit (loss) for the period	**53.1**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**53.1**	**Parent company's net profit (loss) for the period**

** The Income Statement figures as at 30 June 2022 were restated, compared to those published at their reporting date, following retrospective application of the IFRS 17 and IFRS 9 by the insurance associates.*

Reconciliation between the reclassified balance sheet and related statutory accounts as at June 2023

	Balance-sheet Items - Assets	30/06/23	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	30/06/23	Reclassified Balance-sheet Items - Assets
10	Cash and cash equivalents	**11,769.1**	**-**	**-**	**-**	**-**	**-**	**-**	**11,769.1**	**Cash and cash equivalents**
20	Financial assets measured at fair value through profit or loss	**7,848.0**	**(158.8)**	**(2,052.0)**	**13,952.5**	**-**	**-**	**-**	**19,589.7**	**Securities assets**
			-	**-**	**13,952.5**	**-**	**-**	**-**	**13,952.5**	
	a) financial assets held for trading	7,381.1	-	(2,052.0)	-	-	-	-	5,329.1	
	b) financial assets designated at fair value	-	-	-	-	-	-	-	-	
	c) other financial assets mandatorily measured at fair value	466.9	(158.8)	-	-	-	-	-	308.1	
30	Financial assets measured at fair value through other comprehensive income	**3,675.1**	**-**	**-**	**(3,675.1)**	**-**	**-**	**-**	**-**	
40	Financial assets measured at amortised cost	**88,900.1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
			-	**-**	**-**	**544.1**	**-**	**-**	**544.1**	**Loans to central banks**
	a) Loans to banks	3,452.2	-	-	(670.2)	(544.1)	-	-	2,237.9	**Loans to banks**
	b) Loans to customers	85,447.9	158.8	-	(9,607.2)	-	56.6	-	76,056.0	**Loans to customers**
50	Hedging derivatives	**971.6**	**-**	**2,052.0**	**-**	**-**	**-**	**-**	**3,023.6**	**Derivatives**
60	Change in value of macro-hedged financial assets (+/-)	**(808.3)**	**-**	**-**	**-**	**-**	**-**	**808.3**	**-**	
70	Equity investments	**677.3**	**-**	**-**	**-**	**-**	**-**	**-**	**677.3**	**Equity investments**
80	Reinsurers' share of techincal reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
90	Property, plant and equipment	**2,293.5**	**-**	**-**	**-**	**-**	**65.2**	**-**	**2,358.7**	**Property, plant and equipment**
100	Intangible assets	**137.1**	**-**	**-**	**-**	**-**	**-**	**-**	**137.1**	**Intangible assets**
	- of which goodwill	*7.9*	-	-	-	-	-	-	*7.9*	*-of which goodwill*
110	Tax assets	**2,065.6**	**-**	**-**	**-**	**-**	**-**	**-**	**2,065.6**	**Tax assets**
	a) current	556.5	-	-	-	-	-	-	556.5	a) current
	b) deferred	1,509.1	-	-	-	-	-	-	1,509.1	b) deferred
			-	**-**	**-**	**-**	**-**	**-**	**2,342.0**	**Other assets**
120	Non-current assets held for sale and disposal groups	121.8	-	-	-	-	(121.8)	-	(0.0)	120 Non-current assets held for sale and disposal groups
130	Other assets	3,150.2	-	-	-	-	-	(808.3)	2,342.0	130 Other assets
	Total Assets	**120,801.1**	**-**	**-**	**-**	**-**	**-**	**-**	**120,801.1**	**Total Assets**

Items	Balance-sheet Items - Liabilities	30/06/23	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	30/06/23	Reclassified balance-sheet items - Liabilities
10	Financial liabilities measured at amortised cost	101,222.1									84,142.3	Direct funding
	a) due to banks	17,181.1	(15,283.4)	(1,897.7)							-	
	b) due to customers	74,590.4			136.3						74,726.7	a) due to customers
	c) debts securities issued	9,450.6			(136.3)		101.3				9,415.6	b) Securities issued
			15,283.4								15,283.4	Due to central banks
				1,897.7							1,897.7	Due to banks
20	Financial liabilities held for trading	4,102.3				(1,242.4)					2,859.9	On-balance-sheet financial liabilities held for trading
30	Financial liabilities designated at fair value	101.3					(101.3)				-	
											1,554.5	Derivatives
40	Hedging derivatives	312.1									312.1	Hedging derivatives
						1,242.4					1,242.4	Trading derivatives
50	Change in value of macro-hedged financial liabilities (+/-)	(48.3)							48.3		-	
60	Tax liabilities	7.0									7.0	Tax liabilities
	a) current	1.1									*1.1*	*a) current*
	b) deferred	5.9									*5.9*	*b) deferred*
70	Liabilities associated with non-current assets held for sale and disposal groups	-									-	
											5,032.7	Other liabilities
									(48.3)		(48.3)	Change in value of macro-hedged financial liabilities (+/-)
											-	Liabilities associated with non-current assets held for sale and disposal group
80	Other liabilities	5,081.0									5,081.0	Other liabilities
90	Provisions for employees severance pay	67.7						(67.7)			-	
100	Provisions for risks and charges:	1,455.6									1,523.3	Provisions for specific use
								67.7			67.7	a) Provision for staff severance indemnities
	a) financial guarantees and other commitments	148.6									148.6	b) Provision related to guarantees and other commitments given
	b) post-employment benefits	3.7									3.7	c) Pension and other post-retirement benefit obligations
	c) other provisions	1,303.3									1,303.3	d) Other provisions
120	Valuation reserves	(18.4)								18.4	-	
150	Reserves	445.4								(445.4)	-	
											8,499.5	Group net equity
										(18.4)	(18.4)	a) Valuation reserves
											-	b) Redeemable shares
											-	c) Equity Instruments
										445.4	445.4	d) Reserves
											-	e) Share premium reserve
170	Share capital	7,453.5									7,453.5	f) Share capital
										-	-	g) Treasury shares (-)
										619.0	619.0	h) Net profit (loss) for the period
180	Treasury shares (-)	-								-	-	
190	Non-controlling interests (+/-)	0.8									0.8	Non-controlling interests
200	Profit (loss) for the period (+/-)	619.0								(619.0)	-	
	Total Liabilities and Shareholders' Equity	**120,801.1**	-	-	-	-	-	-	-	-	**120,801.1**	**Total Liabilities and Shareholders' Equity**

Reconciliation between the reclassified balance sheet and related statutory accounts as at December 2022

	Balance-sheet Items - Assets	31 12 2022*	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 2022*	Reclassified Balance-sheet Items - Assets
10	Cash and cash equivalents	12,538.6	-	-	-	-	-	-	-	12,538.6	Cash and cash equivalents
20	Financial assets measured at fair value through profit or loss	6,756.7	-	-	-	-	-	-	-	18,393.6	Securities assets
		-	-	-	-	14,115.9	-	-	-	14,115.9	
	a) financial assets held for trading	6,299.4	-	-	(2,336.5)	-	-	-	-	3,962.9	
	b) financial assets designated at fair value	-	-	-	-	-	-	-	-	-	
	c) other financial assets mandatorily measured at fair value	457.3	-	(142.5)	-	-	-	-	-	314.8	
30	Financial assets measured at fair value through other comprehensive income	4,352.3	-	-	-	(4,352.3)	-	-	-	-	
40	Financial assets measured at amortised cost	88,464.6	-	-	-	-	-	-	-	-	
		-	-	-	-	-	628.1	-	-	628.1	Loans to central banks
	a) Loans to banks	3,255.6	-	-	-	(677.4)	(628.1)	-	-	1,950.1	Loans to banks
	b) Loans to customers	85,209.0	-	142.5	-	(9,086.2)	-	-	-	76,265.3	Loans to customers
50	Hedging derivatives	1,077.1	-	-	2,336.5	-	-	-	-	3,413.6	Derivatives
60	Change in value of macro-hedged financial assets (+/-)	(908.7)	-	-	-	-	-	-	908.7	-	
70	Equity investments	750.7	-	-	-	-	-	-	-	750.7	Equity investments
80	Technical insurance reserves reassured with third parties	-	-	-	-	-	-	-	-	-	
90	Property, plant and equipment	2,375.9	-	-	-	-	-	65.5	-	2,441.4	Property, plant and equipment
100	Intangible assets	162.6	-	-	-	-	-	-	-	162.6	Intangible assets
	- of wich goodwill	*7.9*	-	-	-	-	-	-	-	*7.9*	*-of which goodwill*
110	Tax assets	2,216.4	-	-	-	-	-	-	-	2,216.4	Tax assets
	a) current	718.3	-	-	-	-	-	-	-	718.3	a) current
	b) deferred	1,498.1	-	-	-	-	-	-	-	1,498.1	b) deferred
		-	-	-	-	-	-	-	-	1,474.9	Other assets
120	Non-current assets held for sale and disposal groups	65.5	-	-	-	-	-	(65.5)	-	-	Non-current assets held for sale and disposal groups
130	Other assets	2,383.6	-	-	-	-	-	-	(908.7)	1,474.9	Other assets
	Total Assets	**120,235.3**	-	-	-	-	-	-	-	**120,235.3**	**Total Assets**

** The balance sheet values as at 31 December 2022 were restated, with respect to those published at the reporting date, following the retrospective application of IFRS 17 and IFRS 9 by the insurance associates.*

Items	Balance-sheet Items - Liabilities	31 12 2022*	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 2022*	Reclassified balance-sheet items - Liabilities
10	Financial liabilities measured at amortised cost	103,283.4									81,997.6	Direct funding
	a) due to banks	21,382.8	(19,176.9)	(2,205.9)								
	b) due to customers	73,349.6			7.2						73,356.8	a) due to customers
	c) debts securities issued	8,551.0			(7.2)		97.0				8,640.8	b) Securities issued
			19,176.9								19,176.9	Due to central banks
				2,205.9							2,205.9	Due to banks
20	Financial liabilities held for trading	3,988.5				(1,421.3)					2,567.2	On-balance-sheet financial liabilities held for trading
30	Financial liabilities designated at fair value	97.0					(97.0)				-	
											1,722.9	Derivatives
40	Hedging derivatives	301.6									301.6	Hedging derivatives
						1,421.3					1,421.3	Trading derivatives
50	Change in value of macro-hedged financial liabilities (+/-)	(77.4)							77.4		-	
60	Tax liabilities	6.6									6.6	Tax liabilities
	a) current	-									-	*a) current*
	b) deferred	6.6									6.6	*b) deferred*
70	Liabilities associated with non-current assets held for sale and disposal groups	-										
											3,111.5	Other liabilities
									(77.4)		(77.4)	Change in value of macro-hedged financial liabilities (+/-)
											0	Liabilities associated with non-current assets held for sale and disposal groups
80	Other liabilities	3,188.9									3,188.9	Other liabilities
90	Provisions for employees severance pay	70.2						(70.2)				
100	Provisions for risks and charges:	1,515.5									1585.7	Provisions for specific use
								70.2			70.2	a) Provision for staff severance indemnities
	a) financial guarantees and other commitments	142.5									142.5	b) Provision related to guarantees and other commitments given
	b) post-employment benefits	26.6									26.6	c) Pension and other post-retirement benefit obligations
	c) other provisions	1346.4									1,346.4	d) Other provisions
120	Valuation reserves	(30.6)								30.6		
150	Reserves	615.5								(615.5)		
											7,860.1	Group net equity
										(30.6)	(30.6)	a) Valuation reserves
											-	b) Redeemable shares
											-	c) Equity Instruments
										615.5	615.5	d) Reserves
											-	e) Share premium reserve
170	Share capital	7453.5									7,453.5	f) Share capital
										-	-	g) Treasury shares (-)
										(178.4)	(178.4)	h) Net profit (loss) for the period
180	Treasury shares (-)	-								-	-	
190	Non-controlling interests (+/-)	0.9									0.9	Non-controlling interests
200	Profit (loss) for the period (+/-)	(178.4)								178.4	0	
	Total Liabilities and Shareholders' Equity	**120,235.3**	**-**	-	-	-	-	-	-	-	**120,235.3**	**Total Liabilities and Shareholders' Equity**

** The balance sheet values as at 31 December 2022 were restated, with respect to those published at the reporting date, following the retrospective application of IFRS 17 and IFRS 9 by the insurance associates.*