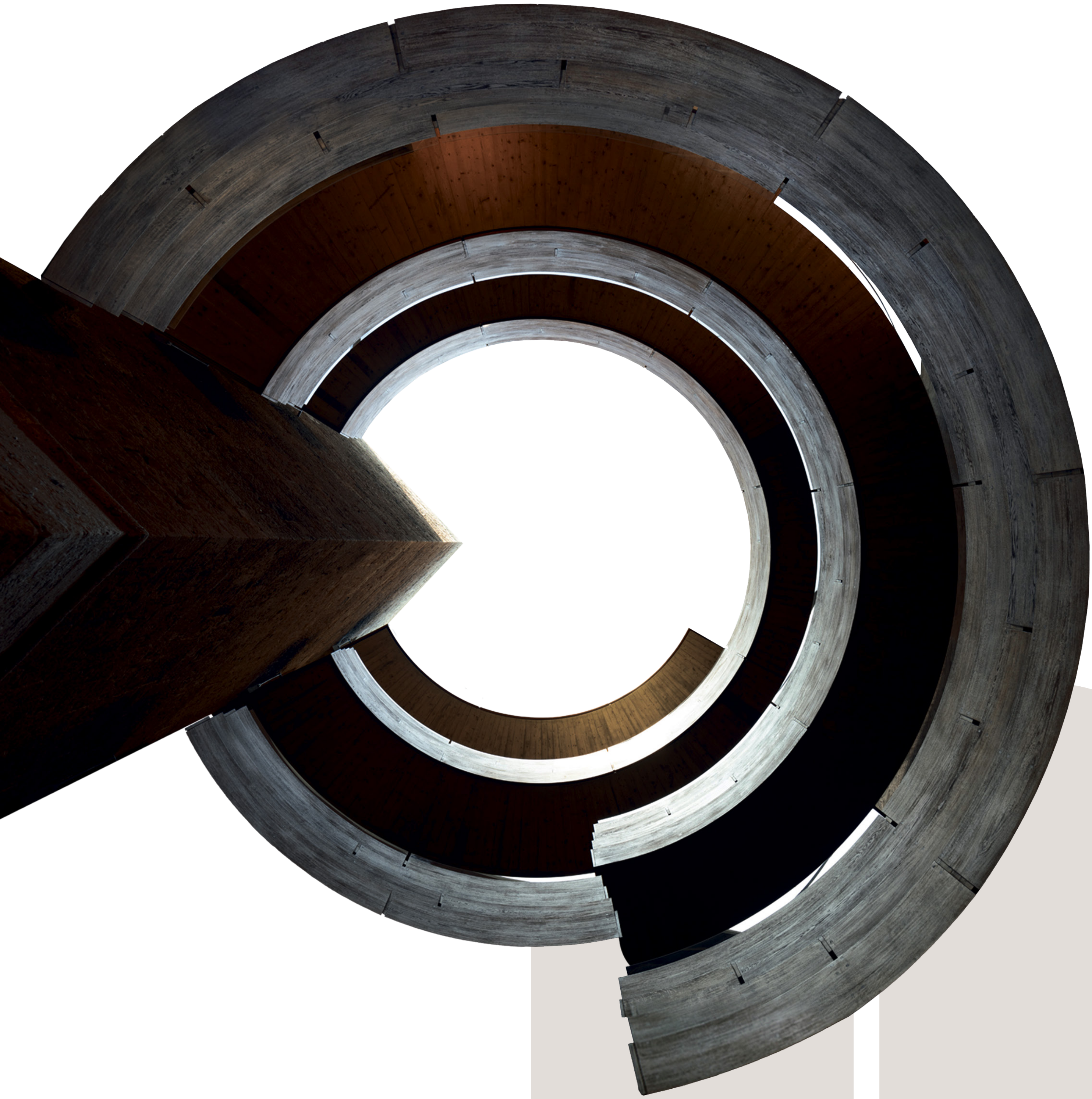

Monte dei Paschi di Siena Group
Consolidated interim report
as at 31 march 2023

Interim Report on Operations
Monte dei Paschi di Siena Group
31 March 2023

Banca Monte dei Paschi di Siena S.p.A.
Registered office in Piazza Salimbeni 3, Siena, Italy
Share Capital: € 7,453,450,788.44 fully paid in
Registered with the Arezzo-Siena Companies' Register – registration no. and tax code 00884060526
MPS VAT Group - VAT number 01483500524
Member of the Italian Interbank Deposit Protection Fund. Registered with the Register of Banks under no. 5274
Monte dei Paschi di Siena Banking Group, registered with the Register of Banking Groups.

CONTENTS

Introduction

Following the amendment of the Consolidated Law on Finance (art. 154-ter, Italian Legislative Decree no. 58/1998) and the Issuers' Regulation (art. 82-ter, Consob Resolution no. 11971/1999), in implementation of what is known as the *Transparency II Directive* (Directive 2013/50/EU), the obligation for listed companies to publish interim reports on operations (as at 31 March and as at 30 September) was repealed, allowing issuers to decide on a voluntary basis whether to disclose periodic financial information in addition to the annual and half-yearly reports.

Montepaschi Group has chosen, as its policy on additional periodic financial disclosures, to publish this information on a voluntary basis with reference to 31 March and 30 September of each year, by means of Interim Reports on Operations approved by the Board of Directors of the Parent Company, in essential agreement and continuity with the past.

This Interim Report on Operations, not subject to limited audit requirements, provides a description of the activities and results which largely characterised Montepaschi Group's operations as at 31 March 2023, both as a whole and in the various business lines.

Results in brief

Below are the main economic and financial values of the Montepaschi Group as at 31 March 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 consolidated 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 complete or limited 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 that took place starting from the first quarter of 2023, illustrated in more detail in the section "Management criteria for the reclassification of economic and equity data" of the this report.

INCOME STATEMENT AND BALANCE SHEET FIGURES			
MONTEPASCHI GROUP			
INCOME STATEMENT FIGURES (EUR mln)	31 03 2023	31 03 2022**	Chg.
Net interest income	504.5	322.2	56.6%
Net fee and commission income	331.7	369.5	-10.2%
Other income from banking business	44.4	94.4	-52.9%
Other operating income and expenses	(1.7)	0.2	n.m.
Total Revenues	878.9	786.2	11.8%
Operating expenses	(464.6)	(539.0)	-13.8%
Cost of customer credit	(107.2)	(111.3)	-3.6%
Other value adjustments	1.5	(0.4)	n.m.
Net operating income (loss)	308.6	135.6	n.m.
Non-operating items	(88.3)	(131.8)	-33.0%
Parent company's net profit (loss) for the period	235.7	9.7	n.m.
EARNINGS PER SHARE (EUR)	31 03 2023	31 03 2022***	Chg.
Basic earnings per share	0.187	0.970	-80.7%
Diluted earnings per share	0.187	0.970	-80.7%
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	31 03 2023	31 12 2022	Chg.
Total assets	124,286.0	120,235.3	3.4%
Loans to customers	77,755.6	76,265.3	2.0%
Direct funding	84,067.0	81,997.6	2.5%
Indirect funding	93,784.0	92,420.7	1.5%
of which: assets under management	56,575.0	57,733.6	-2.0%
of which: assets under custody	37,209.1	34,687.1	7.3%
Group net equity	8,128.9	7,860.1	3.4%
OPERATING STRUCTURE	31 03 2023	31 12 2022	Chg.
Total headcount - end of period	16,905	17,020	(115)
Number of branches in Italy	1,362	1,362	n.m.

** The balance sheet and income statement values as at 31 December 2022 were restated, compared to those published at the reference date, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the associated insurance companies AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni Vita S.p.A., consolidated in the financial statements of the MPS Group using the equity method.*

*** The economic values as at 31 March 2022 were restated, compared to those published at the reference 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.*

**** Basic and diluted earnings per share as at 31 March 2022 were restated, compared to the figures posted at the reporting date, following the grouping operation of the Parent Company's ordinary shares at a ratio of 1 new ordinary share to 100 treasury 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.*

 # The item was not restated as at 31 March 2022 as it was not possible at the reference date of this Interim Report on Operations to determine retroactively the specific effects in the period deriving from the change of the IFRS 17 and IFRS 9 accounting standards by the insurance associates. The compared figures are not, therefore, equivalent.

ALTERNATIVE PERFORMANCE MEASURES			
MONTEPASCHI GROUP			
PROFITABILITY RATIOS (%)	31 03 2023	31 12 2022	Chg.
Cost/Income ratio	52.9	68.1	-15.2
ROE (on average equity)	11.8	(2.5)	14.3
Return on Assets (RoA) ratio	0.8	(0.2)	1.0
ROTE (Return on tangible equity)	12.0	(2.6)	14.6
CREDIT QUALITY RATIOS (%)	31 03 2023	31 12 2022	Chg.
Net NPE ratio	2.1	2.2	-0.1
Gross NPL ratio	3.4	3.6	-0.2
Rate of change of non-performing loans to customers	0.3	(19.6)	19.9
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	14.2	14.9	-0.7
Coverage of non-performing loans to customers	50.2	48.1	2.1
Coverage of bad loans to customers	66.7	65.1	1.6
Provisioning	0.55	0.55	n.m.
Texas Ratio	34.3	35.5	-1.2

** The balance sheet and income statement values as at 31 December 2022 were restated, compared to those published at the reference date, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the associated insurance companies AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni Vita S.p.A., consolidated in the financial statements of the MPS Group using the equity method.*

*** The economic values as at 31 March 2022 were restated, compared to those published at the reference date, following (i) the discontinued application of the reclassifications on PPA and Rents and (ii) the introduction 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.*

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

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

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

Return On Tangible Equity (ROTE): ratio between the annualised Net profit (loss) for the period and the average between the tangible shareholders' equity[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[3], net of assets under disposal, and total Gross Loans to customers and banks[3], net of assets under disposal.

[1] Book value of Group shareholders' equity inclusive of profit (loss) for the year, 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 (%)	31 03 2023	31 12 2022	Chg.
Common Equity Tier 1 (CET1) ratio - phase in	14.4	16.6	-2.2
Common Equity Tier 1 (CET1) ratio - fully loaded	14.4	15.6	-1.2
Total Capital ratio - phase in	18.0	20.5	-2.5
Total Capital ratio - fully loaded	18.0	19.5	-1.5
FINANCIAL LEVERAGE INDEX (%)	31 03 2023	31 12 2022	Chg.
Leverage ratio - transitional definition	5.4	5.8	-0.4
Leverage ratio - fully phased	5.4	5.4	n.m.
LIQUIDITY RATIO (%)	31 03 2023	31 12 2022	Chg.
LCR	210.6	192.3	18.3
NSFR	131.9	134.1	-2.2
Encumbered asset ratio	33.6	31.9	1.7
Loan to deposit ratio	92.5	93.0	-0.5
Spot counterbalancing capacity (bn of Eur)	25.1	25.5	-0.4

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.

***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

Changes in the key items of the Group's main aggregates recorded as at 31 March 2023, highlighting that the results of the first quarter of 2023 were impacted by the persisting effects caused by the Russia-Ukraine conflict, which had an impact on the previous financial year starting from the end of February 2022. The first quarter of 2022 was also still impacted by the effects of the COVID-19 pandemic health emergency.

- **Net Interest Income,** equal to EUR 505 mln, was up compared to the same period of 2022 (+56.6%). 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 growth of the contributions of the Parent Company's 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. A cost of EUR 140 mln was, in fact, recorded on the latter in the first quarter of 2023, compared to the benefit of EUR 74 mln recorded in the same period of the previous financial year; this effect was only partially offset by the benefit on liquidity deposited with central banks, equal to EUR 87 mln as at 31 March 2023 compared to the cost of EUR 23 mln as at 31 March 2022. The cost of market funding also increased, especially as a result of the rise in rates.

- **Net fee and commission income**, equal to EUR 332 mln, showed a decrease compared to those recorded in the same period of the previous year (-10.2%) due to the persistent market volatility recorded also in the first quarter of the current financial year and the renewed interest from customers for fixed-rate investments (mainly government bonds).

- **Other income from banking business**, equal to EUR 44 mln, decreased by EUR 50 mln compared to the corresponding period of the previous year, which had recorded 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 contribution of EUR +0.2 mln as at 31 March 2022.

- As a result of the trends described above, **Total revenues** amounted to EUR 879 mln, an increase of 11.8% compared to the same period of the previous year.

- **Operating expenses** amounted to EUR 465 mln, down compared to the first quarter of 2022 (-13.8%) on all components. In particular, within the aggregate, **Personnel expenses**, equal to EUR 288 mln, were down by 19.2%, 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 133 mln, were down by 1.8%, also thanks to the implementation of a rigorous expenditure management process. **Net value adjustments to property, plant and equipment and intangible assets** totalled EUR 44 mln, a decrease of 8.0%.

- The **Cost of customer credit** is equal to EUR 107 mln, essentially in line with the EUR 111 mln recorded in the corresponding period of the previous year. The ***Provisioning*** [7] **Rate** is **55 bps** (56 bps as at 31 March 2022).

- The **Net Operating Income** for the first quarter of 2023 stood at EUR 309 mln, compared to the net operating result of EUR 136 mln in the first quarter of 2022.

- In addition to the changes in these economic aggregates, there were **non-operating components** amounting to EUR -88 mln (EUR -132 mln in the corresponding period of 2022). Non-operating components include: **Net provisions for risks andcharges**, equal to EUR -6 mln (EUR -29 mln as at 31 March 2022), **Other gains (losses) on investments**, equal to EUR -2 mln (EUR +2 mln as at 31 March 2022), **Restructuring /One-off costs**, equal to EUR -6 mln (EUR -0.2 mln as at 31 March 2022), costs associated with **SRF (Single Resolution Fund), DGS (Deposit Guarantee Systems) and similar**

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

schemes, equal to EUR -58 mln (EUR -89 mln as at 31 March 2022), the **DTA fee** equal to EUR -16 mln (in line with the first quarter of 2022), the **Net gains (losses) on property, plant and equipment** and intangible **assets measured at fair value** equal to EUR 0.1 mln (against a zero contribution recorded in the first quarter of 2022).

- As a result of these trends, combined with the positive impact on **taxes** of EUR 15 mln (compared to a positive contribution of EUR 6 mln in the first quarter of 2022), the Group recorded a **Parent Company's net profit (loss) for the period of EUR 236 mln**, compared to a profit of EUR 10 mln in the same period of 2022.

- As at 31 March 2023, the Group's **Total Funding** volumes amounted to EUR 177.9 bn, with an increase in volumes of EUR 3.4 bn compared to 31 December 2022, referable to both Direct Funding (EUR +2.1 bn) as well as Indirect Funding (EUR +1.4 bn). More specifically, the growth in Direct Funding is attributable to repurchase agreements (EUR +3.3 bn), time deposits (EUR +0.4 bn) and bonds (EUR +0.7 bn); on the other hand, current accounts (EUR -2.3 bn) and other forms of funding (EUR -0.1 bn) were down. The increase in Indirect Funding was driven by the Assets under custody component (EUR +2.5 bn), which benefits from both the positive market effect and net positive flows due to renewed interest from customers in debt securities, in particular government bonds, also as a result of the rise in yields.The asset management component was down slightly (EUR -1,2 bn).
  Total Funding compared to 31 March 2022 posted a drop in assets of EUR 6.4 bn, essential in relation to Indirect Funding (EUR -6.1 bn); Direct Funding was stable (EUR -0.4 bn). The trend in Direct Funding shows a decrease in current accounts (EUR -1.7 bn), time deposits (EUR -1.3 bn) and other forms of direct funding (EUR -0.3 bn), also as a result of the continuation of the actions taken by the Parent Company to optimise the cost of funding. On the other hand, Repurchase agreements were up (EUR +2.9 bn); Bonds remained essentially stable (EUR -0.1 bn). On the other hand, as regards Indirect Funding, in comparison with 31 March 2022 there was a reduction in assets of EUR 6.1 bn, essentially attributable to Assets under Management (EUR -6.2 bn), penalised by the negative market effect; Assets under custody remained stable, benefiting from the renewed interest induced by the rise in rates.

- **Loans to Customers** stood at around **EUR 77.8 bn** as at 31 March 2023, an increase compared to 31 December 2022 (EUR +1.5 bn), due to the increase in Repurchase Agreements (EUR +0.8 bn), Current accounts (EUR +0.5 bn) and Other loans (EUR +0.6 bn); Mortgages (EUR -0.3 bn) and Non-performing Loans (EUR -0.1 bn) decreased.

  Compared to 31 March 2022, loans to customers show a decrease of EUR 1.5 bn, relating to mortgages (EUR -2.2 bn) and non-performing loans (EUR -0.3 bn). On the other hand, Other loans (EUR +0.5 bn), Current accounts (EUR +0.3 bn) and Repurchase Agreements (EUR +0.2 bn) were up.

- As at 31 March 2023, **the coverage ratio** of non-performing loans stood at 50.2%, up compared to the level of coverage posted as at 31 December 2022 (equal to 48.1%) due to the increase in the coverage ratio of Bad Loans (which went from 65.1% as at 31 December 2022 to 66.7% as at 31 March 2023) and Unlikely to pay exposures (which went from 37.5% as at 31 December 2022 to 39.4% as at 31 March 2023). The coverage ratio of non-performing loans is substantially in line as at 31 March 2022, when it was 50.8%.

With regard to capital ratios, as at 31 March 2023 the **Common Equity Tier 1 Ratio** stood at **14.4%** (compared to 16.6% at the end of 2022 and 11.6% as at 31 March 2022) and the **Total Capital Ratio** at **18.0%** (compared to 20.5% at the end of 2022 and 15.3% as at 31 March 2022). The same ratios, in the case of profit calculation for the period, stood at **14.9%** and **18.6**% on a transitional basis as at 31 March 2023, respectively.

Reference context

The international scenario

After a slowdown in the economy in the last part of 2022 that turned out to be less significant than expected, the global economy showed signs of resilience in the first quarter of the year, adapting to an international scenario envisaging a protracted conflict in Ukraine and rearranged world trade. The fall in energy commodities prices allowed European inflation to cool, even though in any case it remains higher than in the United States. Considering the drop in prices too slow, the Central Banks continued their monetary tightening. The recent bankruptcies and liquidity problems of some banks in the United States and Switzerland have forced the same Monetary Authorities to intervene to manage financial crisis risks and the effects of contagion, introducing new uncertainties and repercussions on the real economy.

In the first quarter of the year, GDP in the **United States** grew by +1.1% annualised QoQ (preliminary figure), with a slower than expected growth in the fourth quarter of 2022. Inflation fell further to 5% YoY in March, benefiting from the decrease in the more volatile components; the core component, as expected, slightly increased again (5.6% YoY from 5.5% in February). The labour market provided indications of a certain soundness, while in the real estate sector, prices and residential investments fell due to the ongoing monetary restriction.

In the **Eurozone**, after the stagnation of the last quarter of 2022, GDP recorded a modest expansion in the first quarter of the year (+0.1% QoQ). In April, the general price index rose slightly to 7.0% YoY, while core inflation fell slightly to 5.6% YoY (from 5.7% in March). The most recent surveys of the EU Commission[8] report: i) for households, medium-term inflation expectations returned to the levels prior to the price shock phase; ii) for companies, a mitigation of the intention to increase price lists in the short term. Although the wage trend is strengthening thanks to the growth in employment, the transfer of inflation to wages remains limited.

In April, the EU Commission outlined a first draft proposal to reform the common budgetary rules[9], in view of the deactivation of the general escape clause of the Stability and Growth Pact, which was confirmed for the end of 2023. At the same time, the Commission partially amended/extended the *Temporary Crisis Framework*[10] in order to allow Member States to use the flexibility provided by state aid rules to promote support measures in sectors essential to the transition to a zero-emission economy, in line with the Green Deal business plan.

In the first quarter of 2023, the funds distributed by the EU Commission as part of the Recovery and Resilience Facility amounted to approximately EUR 13 bn, with disbursements rising to over EUR 150 bn since the launch of the program. In February, the European plan to reduce energy dependence on Russia and accelerate the green transition (*REPowerEU)* obtained the final approval of the EU Council; States that have requested additional resources must include the corresponding measures in a specific chapter of their recovery and resilience plans.

Among the **emerging economies**, China benefited from expansionary policies, primarily in support of real estate, which is still experiencing imbalances, and of suspension of the zero-Covid strategy: GDP thus accelerated beyond expectations in the first quarter (+4.5% YoY). Beijing has set its 2023 growth target at around 5%, while tensions over Taiwan's possible independence are intensifying. In Russia, the repercussions of the conflict have begun to have an impact, with the reduction of the support deriving from Russian exports of raw materials to Europe, only partially replaced by Asian markets. The monetary tone of many emerging countries (India, Brazil, South Africa) remained restrictive in order to pursue macroeconomic stability; expansive fiscal measures mitigated the depressive effects on the recovery of these monetary interventions.

[8] Economic Bulletin, Bank of Italy, April 2023.

[9] The draft envisages each country to be called upon to prepare a debt recovery plan based on net public spending. For countries with high debt, the national plans, with a duration of four years that can be extended to seven, must guarantee a reduction in debt for at least 10 years, without the need for further recovery measures. At the end of the plan period, the debt/GDP ratio must be lower than at the start of the period and a minimum budget adjustment of 0.5% of GDP per year must be implemented as long as the deficit remains above 3.0% of GDP.

[10] New aid scheme to allow Member States to support the economy in the context of the conflict.

Italy: economic context

In **Italy**, after the slight economic decline at the end of 2022, GDP returned to grow in the first quarter of 2023 (+0.5% QoQ) thanks to services resilience and manufacturing progress, which benefited from the drop in energy prices and the easing of supply chains bottlenecks. According to surveys conducted by the Bank of Italy between February and March[11], opinions on the general economic situation continued to recover. The decrease in consumption in the last part of 2022 was followed by substantial stability in the first months of 2023. Inflation continued to grow, to 8.3% YoY in April (from 7.6% in March), but the core component remained stable at 6.3% YoY. At the beginning of 2023, the trend in exports remained positive. Labour demand showed signs of growth and wages did not show signs of acceleration; business profit margins increased slightly. The real estate market recorded weakness, with declining sales and operators no longer expecting prices to rise.

In the first few months of 2023, the Government introduced measures aimed at extending support for households and businesses with high electricity consumption, and reviewing tax breaks on construction. The interventions include:

- Italian Law Decree no. 11 ("Cessione Crediti" Law Decree) of 16 February 2023, containing urgent measures regarding the assignment of tax credits deriving from building interventions tax concessions in order, among other things, to prohibit (except for particular exceptions): i) Public Administration entities from purchasing tax credits deriving from the exercise of the options for the assignment of the credit and of the invoice discount; ii) the option, in place of the direct use of the deduction, for an advance contribution as an invoice discount or for the assignment of the credit.

- Law of 24 February 2023, converting the "Milleproroghe" decree, containing, inter alia, extension measures regarding: i) Guarantee fund for first home purchase, ii) smart working, iii) early retirement, iv) tax credit for investments in "other capital goods" and new capital goods, v) guarantee insurance policies for buyers of properties to be built, vi) registration of state aid.

- Italian Law Decree no. 34 ("Bollette" decree) of 30 March 2023, containing urgent measures to support households and businesses for the purchase of electricity and natural gas, as well as relating to health and tax obligations, which provides, inter alia , that the tax credits accrued by companies with high electricity consumption may be transferred, only in total, to beneficiary companies, also in favour of credit institutions and other financial intermediaries, without the option of subsequent transfer (subject to exceptions).

In February, the Government also approved Italian Law Decree 13 of 2023, which introduces urgent provisions for the implementation of the NRRP and the PNC[12], as well as cohesion and common agricultural policy policies: the text disciplines the revision of the NRRP governance system, the strengthening of the administrative capacity of the subjects called to implement the interventions and the acceleration/simplification of procedures in various sectors. The Executive is negotiating with the EU on the revision/adjustment of some interventions envisaged by the NRRP, while the chapter relating to the REPowerEU is expected to include new investments.

Financial markets and monetary policy

The possibility of a less difficult economic cycle has reassured stock markets which, at the beginning of the year, experienced an upward trend that weakened in March after tensions were highlighted in the international banking system. The crash of the US *Silvergate Bank*, *Silicon Valley Bank* and *Signature Bank* and, in Europe, the *Credit Suisse* crisis, caused sharp drops; however, the interventions of the US authorities and the acquisition of the Swiss bank by UBS have recently contributed to a recovery of the upward trend. From the beginning of the year to 31 March 2023, the FTSE Mib gained over 14% with a performance similar to that recorded by the Euro Stoxx; the S&P 500 rose by approximately 7%, similarly to the Nikkei; the Chinese Shenzen recorded a lower gain (approximately +5%).

In the first few months of 2023, expectations of a continuation of monetary tightening in the USA and in the Eurozone led to a marked increase in long-term rates, with the Treasury rising above 4% at the beginning of March and the Bund at 2.75%. The banking crises outbreak subsequently led to a marked reduction in American and European yields. The US 10-year yield thus closed on 31 March 2023 at 3.47% (approximately 41 basis points lower than at the end of 2022); similarly, the German market recorded a rate of 2.29% at the end of the quarter from 2.57% on 31 December 2022. The Italian 10-year rate, which had risen above 4.6% at the beginning of March, also closed at 4.1% on 31 March 2023, almost 62 basis points lower than at end of 2022. The financial markets

[11] Economic Bulletin, Bank of Italy, April 2023.

[12] National Recovery and Resilience Plan and National Plan for Complementary Investments to the NRRP.

turbulence was not reflected in the spread, with the BTP10Y-Bund differential closing the quarter at around 181 basis points, down compared to 214 basis points at the end of 2022.

The FED continued its monetary tightening with the aim of curbing a still high inflation. In each of the meetings in February, March and May, the Authority increased rates by 25 basis points, bringing the current rate level of FED Funds in the 5.00%-5.25% range. However, at the last meeting, the Authority's monetary policy stance was more neutral, adopting a data-dependent decision-making approach and open to assessing ta pause to the squeeze to be discussed in June. To stem the turbulence in the banking sector[13], in addition to the full Government guarantee for the deposits of the collapsed regional banks, the FED has opened a one-year credit line (Bank Term Funding Program) aimed at US banks, offering liquidity in exchange for collateral securities at par value. The ECB was determined to fight inflation, increasing the cost of money by 50 basis points both in the February and March meetings and a further 25-bps rise in May, bringing the interest rate on the main refinancing operations to 3.75% and the deposit rate to 3.25%. The Authority also expects reinvestments of maturing securities purchased during quantitative easing to be suspended from July. The ECB reiterated that inflation is expected to remain high for a long time and that further rate rises may be necessary, excluding a pause in the process leading to sufficiently restrictive rate levels in order to achieve inflation's prompt return to the 2% medium-term target. Further decisions will be made meeting by meeting according to a data dependent approach. With regard to the recent financial tensions, the Authority underlined that the Eurozone banking sector has in any case been resilient, even though the approach remains very cautious, especially in consideration of the speed of any possible "contagion" effects from the United States. Already in March, the ECB reiterated the stacking order in the banking crisis resolution framework in force in Europe.[14]

Russia - Ukraine Conflict

On 24 February 2022, the gradually growing tension between Russia and Ukraine resulted in a conflict that, in terms of intensity and extent, had not been experienced in Europe since the end of the Second World War. 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[15]. Since the outbreak of the conflict, in order to ensure oversight over the operational risks inherent in the new restrictive measures introduced by the Regulators, a Task Force was set up with the duty of verifying existing oversight mechanisms, coordinating risk mitigation measures and identifying any critical issues for the entire Group. The mitigation measures assessed as priorities were completed during the first quarter of 2022, and the monitoring, analysis and coordination of residual points of attention, as well as adjustments resulting from changes in the relevant regulations, continued during 2022.

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 31 March 2023, the exposures are represented by loans and unsecured loans with a balance of approximately EUR 8.8 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 31 March 2023, continues to be subject to careful monitoring and on the date on which this Interim Report on operations was drafted, there were no particular signs of deterioration.

[13] At the end of April, new uncertainties about the soundness of the US banking sector culminated with the bailout of the First Republic Bank, in relation to which an agreement was signed for the sale of most of the bank's assets to JPMorgan Chase & Co.
[14] According to EU rules, in the event of resolution, the common equity instruments are the first to absorb losses and only after their full use it becomes necessary to write down the Additional Tier 1 instruments (AT1). In the process mediated by the Swiss government which led to Credit Suisse being acquired by UBS, the Swiss Financial Market Supervisory Authority (FINMA) immediately declared the AT1 subordinated securities had been zeroed.
[15] 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".

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 quarter of 2023 is confirmed as very low (annualised at approximately 1%) in line with the value observed in 2022.

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

COVID-19

Summary of measures to support households and businesses

In the context of the COVID-19 health emergency, starting from 2020 the Group granted multiple support measures to customers, including moratoria pursuant to law (Cura Italia Decree), disbursements of new loans as provided for in the "Liquidità" Italian Law Decree and interventions defined internally by the Group (e.g. bilateral suspension agreements).

With regard to the expiry of the moratoria pursuant to the Cura Italia Decree, it should be noted that the Italian Law Decree Sostegni bis (Italian Law Decree 73/2021) extended the measures until 31 December 2021, subject to the customer's request by 15 June 2021, while the Group identified the 30 June 2022 as the deadline for granting additional moratorium measures falling within the scope of the measures granted to support households and businesses for COVID-19.

In light of the expiry of the term of the moratoria, as illustrated above, the gross performing exposures affected by active moratorium measures are down compared to 31 December 2022, standing at around EUR 37.0 mln as at 31 March 2023 (EUR 64.5 mln as at 31 December 2022), of which EUR 36.1 mln classified in stage 2. The aggregate consists exclusively of moratoria that do not comply with the EBA Guidelines due to the phase-out of the EBA provisions relating to the criteria for the exemption from the forborne assessment. In this regard, note that 94% are classified as forborne in terms of amount.

Gross non-performing exposures with current moratoria amounted to EUR 4.7 mln as at 31 March 2023 (EUR 17.0 mln as at 31 December 2022).

At the same date, the total volume of exposures that benefited from COVID-19 moratorium measures with an expired suspension period amounted to EUR 9.4 bn, classified as performing exposures for EUR 8.8 bn and EUR 0.6 bn as non-performing exposures. With respect to performing exposures, it should be noted that nearly all of them have instalments that have fallen due and been paid, with some limited overdue amounts.

With regard to the new disbursements of State-guaranteed loans (in application of the "Liquidity" Italian Law Decree no. 23 of 8 April 2020), the residual debt of the exposures subject to loans falling within the scope of public guarantee schemes amounted to EUR 9.2 bn as at 31 March 2023. Performing exposures amounted to approximately EUR 8.8 bn, of which 27% classified as stage 2.

During 2023, only residual new disbursements were recorded for approximately EUR 8.7 mln, deriving from the non-coincidence in timing between the completion of the guarantee acquisition process - which took place in 2022 - and the opening of the credit line.

Approximately 86% of the exposures originating from secured finance ended the pre-amortisation period with delays in payments of 2.8%, or 0.8% of performing positions; finally, it should be noted that, limited to the lines that exceeded the thresholds for the reporting of risk events, the fulfilments for the management of the state guarantee have begun.

The guarantee coverage ratio compared to the total disbursed is roughly 87%, basically unchanged compared to the end of 2022.

Shareholders

As at 31 March 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. On 28 February 2023, as per Consob communication, AXA S.A. sold a part of its own shareholding going from 7.947% to a stake of less than 3%.

According to the communications received pursuant to the applicable legislation and based on other information available, as well as based on information on CONSOB's website, the entities that, as at 31 March 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 31 March 2023

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

Information on the BMPS share

Share price and trends

After experiencing a negative 2022 year but closing with a clear recovery in the fourth quarter, stock markets started to grow again at the beginning of 2023 in the wake of renewed confidence among operators, only to be affected by greater uncertainties in recent weeks, especially in the banking sector.

In the USA the S&P500 index closed the quarter with growth of +7.0%.

In Asia, the year began with an initial acceleration, which was followed by a stabilisation, with the Tokyo Nikkei index recording growth of +6.0% in the quarter. There was also a similar increase for the Shanghai SHCOMP index, which gained +5.9%, in the context of a growth in 2023 in the national economy expected by the Chinese central government of 5%, a value in any case slightly below expectations.

For the EU main economies, stock markets indices quarterly data are aligned: in Germany the Frankfurt DAX index gained 12.2%, in Spain the Madrid IBEX35 recorded an equivalent +12.2%.; the quarterly increase in France was slightly better, with the Paris CAC40 recording +13.1%. In the United Kingdom, the London FTSE1000 index, one of the few to have closed 2022 on a positive note, recorded more contained growth in the first quarter of 2023, equal to +2.4%.

In Italy, the FTSEMIB index closed the quarter with growth of +14.4%, benefiting from the confidence recovery determined by the improvement in economic prospects, strengthened by a spread reduced by about 30 bps compared to the end of 2022. The quarterly positive change in the IT8300 "*All Italian Banks*" index was even better, with +15.4%, in a context of significant volatility.

The BMPS share closed the first quarter of 2023 at a value of EUR 2.01, with growth of +4.2% in the quarter. The average volume of trades on a daily basis was around 14.3 mln over the quarter.

SHARE PRICE SUMMARY STATISTICS (from 31/12/2022 to 31/03/2023)	
Average	2.25
Minimum	1.81
Maximum	2.85

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*	Stable	16/02/23
Fitch	B	-	B+	Stable	24/11/22
DBRS	R-4	Stable	B (High)	Stable	15/06/22

** Long-Term Senior Unsecured Debt Rating*

- On 16 February 2023, **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 outlook on the long-term deposit rating and senior unsecured debt rating was confirmed as stable.
- 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 15 June 2022, during its annual review, **DBRS Morningstar**confirmed all BMPS ratings, including the Long-Term Issuer Rating at "B (high)", the Long-Term Senior Debt at "B (high)" and the Long-Term Deposits at "BB (low)". The outlook for all ratings remained "stable".

Significant events in the first three months of 2023

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 forfeiture 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 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 **30 March 2023,** the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. approved the merger by incorporation into the Parent Company of MPS Leasing & Factoring S.p.A. and MPS Capital Services Banca per le Imprese S.p.A. The transactions had been authorised by the European Central Bank on 27 February 2023.

Significant events after 31 March 2023

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 **20 April 2023,** and **5 May 2023** in executing the resolutions passed on 30 March 2023, the Parent Company signed the deed of incorporation of MPS Leasing & Factoring S.p.A. and MPS Capital Services S.p.A. into Banca MPS, with statutory effects from 24 April 2023 and 29 May 2023 respectively, and accounting and tax effects from 1 January 2023.

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, the MEF 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, 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. By 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.

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.

With a view to simplifying the Group's structure, on 22 June 2022 the Parent Company's Board of Directors approved the projects for the merger by incorporation into the Parent Company of three subsidiaries: MPS Leasing & Factoring, MPS Capital Services and Consorzio Operativo Gruppo MPS. With reference to the Group Operating Consortium, the transaction was finalised on 2 December 2022 with the signing of the merger deed, the statutory effects of the merger took effect from 5 December 2022 and the accounting and tax effects 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 merger deed relating to the incorporation of MPS Leasing & Factoring and MPS Capital Services S.p.A. into Banca MPS was signed; the statutory effects take effect from 24 April 2023 and 29 May 2023 respectively, while the accounting and tax effects take effect from 1 January 2023.

In November 2022, the new model of central and regional coordination structures was also introduced with a view to reducing 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.

Last year, in line with the Plan's expectations, contracts were signed for the sale without recourse of a portfolio of "non-performing" loans for a total gross book value of approximately EUR 0.9 bn, deconsolidated in the fourth quarter of 2022 with benefits on theNPE ratio.

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 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.

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. The results of the first quarter of 2023, compared to the Plan, also continued to benefit from the rise in interest rates despite a worse than expected market context as regards assets management. Operating expenses were also lower 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 quarter 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.

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 and 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 2023, the Group intends to develop a Green Mortgage through which different spreads will be applied based on the energy class of the property to be purchased.

The monitoring of **credit strategies** continued with a specific dashboard/monthly report and did not show substantial critical issues in terms of gross credit production. During the first quarter of 2023, following the approval of the new credit strategies, the monitoring dashboard was revised, further focusing on credit stocks trends and risk indicators.

In order to mitigate emerging risks, in continuity with the second half of 2022, the internal EWS score will be used to submit, as a priority, to credit analysts the relationships referring to customers showing early signs of deterioration ("Operational Credit Plans").

A dedicated process was developed for the management of customers in difficulty who benefited from government measures during the pandemic through automatic interception mechanisms and centralised management.

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 quarter of 2023, in continuity with the process already started in 2022 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 three months of 2023 are reported below.

Private

- development of new solutions in the bancassurance segment with the release of a new Multi-segment savings policy called Investiplan, placed with both Retail and Private customers. Launch of a new Protected Unit called *Progetto Protetto New - Global and Technology* to be placed with both Retail and Private customers;
- 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 initiative was activated for funding recovery with dedicated levers;
- in a market scenario that reported a significant increase in interest rates, the offer of consumer mortgage loans was adjusted, with the introduction of a capped variable rate product and with an overall favourable repricing action for customers;
- 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 theacquisition 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;
- 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.
- finalise initiatives focused on Protection with dedicated Branch days, with a view to accelerating the benefits of the partnership with Axa.

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 entered into in December 2021 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 million) 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. Within the agrifood sector, following adherence to the CDP/MASAF Agreement[16] for the Fourth and Fifth Call supply chain projects and the mandate acquired by the subsidiary MPS Capital Services as an authorised bank for the implementation of 10 supply chain contracts, it should be noted that the confinement activity was launched for the projects submitted by the supply chains companies with the resolution of approximately EUR 90 mln under the aforementioned agreement.

Process digitalisation and platform development
- promoting participation in the Remote Digital Signature service through information banners on Digital Banking to incentivise the remote signing of deeds and contracts with the Bank (Remote Collaboration);
- 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

[16] Minister of Agriculture, Food Sovereignty and Forests

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);
- 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;
- simplifying and improving the efficiency of branch activities, by optimising of the Collection and Payment functions user experience on the Digital Branch platform, also making data more accessible to visually impaired and blind customers;
- 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 173 Branches, the use of electronic signatures has been made mandatory for the signing of certain documents (deeds and contracts).

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.

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. The same amount applies as at 31 March 2023.

In addition to the residual TLTRO auctions, in the 2023-2025 three-year period 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 addition, 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).

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.

Lastly, it should be noted that 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%.

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 commercial 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* maynot 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 perspective or personal 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 for 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.

Explanatory Notes

The Interim Report on Operations of Monte dei Paschi di Siena Group as at 31 March 2023, approved by the Board of Directors on 8 May 2023, was prepared in consolidated format by applying the recognition and measurement criteria envisaged in IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations by the IFRS Interpretations Committee, as endorsed by the European Commission and effective at the time this interim report was prepared, pursuant to EC Regulation no. 1606 of 19 July 2002.

The document is not drafted pursuant to the provisions of IAS 34 "Interim financial statements", since the Monte dei Paschi di Siena Group applies this principle to half-yearly financial reporting but not to quarterly reporting.

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 Interim report on operations are unchanged from those applied to the Financial Statements as at 31 December 2022, to which the reader is referred for more detail, without prejudice to the first application from 1 January 2023 of the new accounting standards, IFRS 17 "Insurance contracts" and IFRS 9 "Financial Instruments", by associate insurance companies "AXA MPS Assicurazioni Danni S.p.A." and "AXA MPS Assicurazioni Vita S.p.A.", as described below.

The Interim Report as at 31 March 2023 is supplemented by the certification of the Financial Reporting Officer, pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance.

The additional IAS/IFRS accounting standards and related SIC/IFRIC interpretations, whose mandatory application took effect on 1 January 2023, are listed below.

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 following 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.

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

IFRS 9 – Financial instruments

It should be noted that the accounting standard IFRS 9 "Financial instruments" replaced IAS 39 from 1 January 2018 in the regulation of the classification and measurement of financial instruments. The AXA Group availed itself of the option to apply the "Deferral Approach", by virtue of which financial assets and liabilities continue to be recognised in the financial statements in accordance with the provisions of IAS 39, until the entry into force of the accounting standard on insurance contracts (IFRS 17), on 1 January 2023. The Parent Company Banca MPS has taken advantage of the temporary exemption from certain provisions of IAS 28, and consequently since 2018 maintained the accounting standards (IAS 39) in applying the equity method, applied by the associated insurance companies.

In this context, starting from 1 January 2023, insurance companies jointly apply IFRS 9 and IFRS 17 for the first time.

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 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:

- for AXA MPS Assicurazioni Vita: EUR 42.1 mln recognised respectively in the item "Reserves" for EUR -147.1 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 Interim report on operations

The application of certain accounting standards necessarily implies the use of estimates and assumptions that impact the values of the assets and liabilities recognised in the financial statements as well as the disclosure provided on contingent assets and liabilities. The assumptions underlying the estimates developed take into consideration all available information at the date on which this Interim Report on Operations was drafted as well as the assumptions considered reasonable, also in light of historical experience. By their very nature, it is therefore not possible to exclude that the assumptions used, albeit reasonable, may not be confirmed in the future scenarios in which the Group will be operating. The results achieved in the future therefore could differ from the estimates developed in order to draft this Interim Report on Operations 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. In particular, elements of absolute uncertainty concern: i) the evolution of the Russia-Ukraine conflict, ii) the future trend of energy prices, iii) the macroeconomic impact of monetary policies in the Eurozone and worldwide.

Please note that in the period subject to disclosure there were no changes compared to the estimation criteria applied to draft the Financial Statements as at 31 December 2022, which are referred to for an extensive description of the most relevant valuation processes for the Group, without prejudice to the new aspects and refinements introduced in the first three months of 2023, as described below.

Macroeconomic forecasts for 2023, 2024 and 2025

On 16 March 2023, the ECB published the regular update of its macroeconomic forecasts for the Eurozone prepared by its own staff (therefore without the contribution of the individual national central banks, according to common practice). The projections baseline scenario is based on a context where energy supplies have become safer, energy price dynamics have considerably slowed down, the climate of confidence has improved and supply-side bottlenecks have disappeared. Provided that the current tensions in the financial markets are eased, this rebalancing process is expected to continue and real income are expected to improve, despite less favourable financing conditions.

In detail, the GDP overall average annual growth rate in real terms is expected to drop to 1.0% in 2023 (from 3.6% in 2022), and then rise to 1.6% in 2024 and 2025. Compared to the macroeconomic projections of December 2022, GDP growth was revised upwards by 0.5% for 2023 thanks to a carry-over effect exerted by better-than-expected trends in the second half of 2022 and the improvement in the short-term outlook, while it was revised downward by 0.3% and 0.2%, respectively, for 2024 and for 2025 in a context where the tightening of financing conditions and the recent appreciation of the Euro more than offset the positive effects on income and confidence deriving from the drop in inflation.

Overall inflation measured on the harmonized index of consumer prices (HICP), already revised downwards before recent developments, mainly due to the lower contribution of energy prices compared to previous expectations, is expected to stand at 5.3% on average in 2023 (6.3% in the December projections) to then decrease to 2.9% in 2024 (3.4% in December) and 2.1% in 2025 (2.3% in December) as the upwards drivers resulting from past supply shocks and the reopening of economic activities cease and the more restrictive monetary policy increasingly holds back demand.

As regards the dynamics of the Italian GDP, the latest estimates provided by the experts of the Bank of Italy published in the Economic Bulletin of April 2023 highlighted the end at the end of 2022 of the expansion phase of the Italian economy, especially due to the contraction in household spending. According to the available indicators, in the first quarter of the current year, the GDP trend is expected to have become slightly positive again, benefiting from the drop in energy prices and the easing of bottlenecks along the supply chains. In terms of inflation, it should be noted that during the first quarter it gradually decreased to 8.2% in March, but the core component grew, still affected by the transfer to final prices of the higher costs associated with energy shocks.

This being said, information is provided below relating to the main macroeconomic and financial indicators included in the "baseline", "severe but plausible", "extremely severe" and "best"; scenarios, referring to the 2023-2025 period, used by IFRS 9 models for the determination of staging and of losses on receivables from a forward looking point of view, whose estimate was developed internally in October 2022 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	Construction Investments
Baseline Financial Statements 2022 and Consolidated interim report	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 Financial Statements 2022 and Consolidated interim report	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 Financial Statements 2022 and Consolidated interim report	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 Financial Statements 2022 and Consolidated interim report	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%

The most relevant macroeconomic variable for the purposes of determining the ECL is GDP and, therefore, it is the representative variable that drives all the others: the average value over the three-year period 2023-2025 is 1.56%, 0.84%, 0.19% and -0.60% in the "best", "baseline", "severe but plausible" and "extreme worst" case scenarios, respectively.

The baseline scenario developed by the external provider and made available in April 2023 shows, compared to the October 2022 scenario, a deterioration of GDP on a three-year basis of about 30 basis points, with a slight negative impact on accounting valuations. Also taking into account the overlay still in place relating to the asymmetry of the scenarios, the Group decided to confirm the scenario spread in October 2022 pending the availability of a complete set of macroeconomic scenarios.

In March, following the ECB's Final Decision which approved the start-up of the new PD, LGD and EAD regulatory models revised in 2021 (2021model change), the rating models used were re-estimated for use in staging and for the calculation of the loan portfolio value adjustments. The time series used for the re-estimation remained unchanged (2012-2019) in line with that used for the AIRB models, pending the analyses to be developed in 2023 on the period affected by the COVID-19 pandemic (2020-2022).

Given 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 IFRS 9 PD models were differentiated for the individual rating models with the exception of the large corporate and corporate segments, which have been merged due to low statistical numbers. The main drivers remain the rating, the seniority of the relationship (the financial statements structure, the ATECO code, the geographical area and the type of product)

The re-estimation in question led to a decrease in stage 2 of approximately EUR 800 mln and write-backs of approximately EUR 26.6 mln. This trend is mainly attributable to loans subject to forbearance measures for which the old rating models allowed no discrimination on the basis of this status, with the application of an excessively penalising rating floor, now removed due to the presence of the forbearance variable.

Management overlay

In the first quarter of 2023, in terms of IFRS 9 valuations, the Group maintained a prudent approach in estimating value adjustments, maintaining, appropriately integrated and updated, the "management overlays" in place since the first quarter of 2022. These corrections are aimed at the better definition of the uncertainty related to the estimates in the particular context of the economic and financial crisis, which began with the Covid-19 pandemic, and continued with the geopolitical tensions in Ukraine and the consequent effects identified in the increased uncertainty on the sectors (sector vulnerabilities) more exposed to the effects of persistent inflationary pressures on energy products and raw materials.

The management overlays used for the accounting valuations as at 31 March 2023 resulted in higher value adjustments of approximately EUR 144.1 mln, an increase of approximately EUR 35.7 mln compared to the value of EUR 108.4 mln Euro as at 31 December 2022. The change is mainly due to the higher adjustments deriving from the application of the new LGD grids on the performing and UTP portfolios following the back testing activities carried out on bad loans.

Overall, the increase in overlays and the aforementioned re-estimation of the IFRS 9 PD models led to higher adjustments on the cost of credit in the first quarter of approximately EUR 9 mln.

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. 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.

Going concern

This Interim Report on Operations as at 31 March 2023 was 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 this Interim Report on Operations on the basis of the going concern assumption.

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 relating to the value of the investees, recognised in the financial statements of the MPS Group using the synthetic equity method, therefore, as at 31 December 2022 were restated, with respect to those published at that date, following the retrospective application of the standard. The comparative income statement and balance sheet data referring to the quarters of 2022 have not been restated at the reference date of this Interim Report on Operations as it was not possible to retroactively restate the specific effects in the periods deriving from the change in accounting standards. Consequently, the income statement item "Dividends, similar income and Gains (losses) on equity investments" for the quarters of 2022 is not fully consistent with those of the first quarter of 2023.

Given the greater cost of the accounting processes compared to the valuations carried out under the previous IFRS 4 and IAS 39 accounting standards, the balance sheet and income statement data of the insurance associates referring to the first quarter of 2023 are estimated using proxies or simplified calculation models.

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.

It should also be noted that, starting from December 2022, the amounts relating to the 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 afore-mentioned income statement items, are carried forward to 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.

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 items 40 "Fee and commission income", which was cleared of the portion of reimbursements to customers referring to previous years (EUR +0.8 mln), recognised under item "Other net provisions for risks and charges" and 50 "Fee and commission expense".
- Item "**Dividends, similar income and gains (losses) on investments**" incorporates item 70 "Dividends and similar income" and the relevant portion of profits from equity investment in the associate AXA, consolidated using the equity method, equivalent to EUR 18.0 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 0.6 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", 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 -1.1 mln) and securities deriving from sale/securitisation transactions of non-performing[17] loans (EUR +2.5 mln) posted to the reclassified item "Cost of customer credit". In addition, the aggregate incorporates dividends earned on equity securities other than equity investments (EUR +0.6 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 46.6 mln).
- The Item "**Personnel expenses**" includes the balance of item 190a "Personnel expenses" from which costs of EUR 1.0 mln has been excluded, reclassified under "Restructuring/ one-off costs".
- Item "**Other administrative expenses**" includes the balance of financial statement item 190b "Other administrative expenses", reduced by the following cost items:
  - expenses, amounting to EUR 58.4 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 15.7 mln (posted to the reclassified item "DTA fee");
  - charges of EUR 5.2 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 46.6 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 110b "Net profit (loss) on financial assets and liabilities measured at fair value as per mandatory requirements" (EUR -1.1 mln), 130a "Net impairment (losses)/reversalsfor credit risk on financial assets measured at amortised cost" (EUR -97.2 mln), 140 "Gains/losses from contractual changes without cancellation" (EUR -0.2 mln) and 200a "Net provisions for risks and charges - commitments and guarantees given" (EUR -11.2 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 +2.5 mln).
- The item "**Net impairment/losses reversals on securities and loans to bank**" includes the portion relating to securities (EUR +0.7 mln) and loans to banks (EUR +0.6 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 -11.2 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 +0.8 mln.
- Item "**Other gains (losses) on equity investments**" includes the balance of item 250 "Gains (losses) on investments", cleared of the portion of profit relative to the equity investments in the associate AXA, consolidated with the equity method, equal to EUR 18.0 mln, reclassified under item "Dividends, similar income and gains (losses) on investments".
- Item "**Restructuring costs/One-off costs**" includes the following amounts:
  - costs of EUR 1.0 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";

[17] 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".

- charges of EUR 5.2 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 58.4 mln, posted in the financial statements under item 190b "Other administrative expenses".
- 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 Law Decree 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 15.7 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 – due to 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 – Due to banks" relating to operations with central banks;

- liability item "**Du to banks**" includes the portion of item 10a "Financial liabilities measured at amortised cost – Due to banks" relating to operations with banks (excluding central banks);
- Liability item "**On-balance-sheet financial liabilities held for trading**" includes the portion of item 20 "Financial liabilities held for trading" net of the amounts relating to derivatives for trading.
- Liability item "**Derivatives**" includes item 40 "Hedging derivatives" and the portion related to derivatives in item 20 "Financial liabilities held for trading".
- Liability item "**Provision for specific use**" includes item 90 "Employee severance pay" and item 100 "Provisions for risks and charges".
- Liability item "**Other liabilities**" includes 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	31 03 2023	31 03 2022*	Change	
			Abs.	%
Net interest income	504.5	322.2	182.3	56.6%
Net fee and commission income	331.7	369.5	(37.8)	-10.2%
Income from banking activities	**836.2**	**691.7**	**144.5**	**20.9%**
Dividends, similar income and gains (losses) on investments	18.7	14.2	4.5	31.7%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	25.1	75.6	(50.4)	-66.7%
Net profit (loss) from hedging	0.6	4.6	(4.0)	-87.0%
Other operating income (expenses)	(1.7)	0.2	(1.9)	n.m.
Total Revenues	**878.9**	**786.2**	**92.7**	**11.8%**
Administrative expenses:	(421.1)	(491.7)	70.6	-14.4%
a) personnel expenses	(287.6)	(355.9)	68.2	-19.2%
b) other administrative expenses	(133.5)	(135.8)	2.4	-1.8%
Net value adjustments to property, plant and equipment and intangible assets	(43.5)	(47.3)	3.8	-8.0%
Operating expenses	**(464.6)**	**(539.0)**	**74.4**	**-13.8%**
Pre-Provision Operating Profit	**414.3**	**247.2**	**167.1**	**67.6%**
Cost of customer credit	**(107.2)**	**(111.3)**	**4.0**	**-3.6%**
Net impairment (losses)/reversals on securities and loans to banks	**1.5**	**(0.4)**	**1.9**	**n.m.**
Net operating income	**308.6**	**135.6**	**173.0**	**n.m.**
Net provisions for risks and charges	(6.5)	(29.0)	22.5	-77.6%
Other gains (losses) on equity investments	(1.6)	1.9	(3.5)	n.m.
Restructuring costs / One-off costs	(6.2)	(0.2)	(6.0)	n.m.
Risks and charges associated to the SRF, DGS and similar schemes	(58.4)	(88.7)	30.3	-34.2%
DTA Fee	(15.7)	(15.8)	0.0	-0.1%
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	0.1	-	0.1	n.m.
Gains (losses) on disposal of investments	-	(0.1)	0.1	-100.0%
Profit (Loss) for the period before tax	**220.3**	**3.8**	**216.5**	**n.m.**
Income tax for the period	15.4	5.9	9.5	n.m.
Profit (Loss) after tax	**235.7**	**9.7**	**226.0**	**n.m.**
Net profit (loss) for the period including non-controlling interests	**235.7**	**9.7**	**226.0**	**n.m.**
Net profit (loss) attributable to non-controlling interests	-	-	-	n.m.
Parent company's net profit (loss) for the period	**235.7**	**9.7**	**226.0**	**n.m.**

* *The economic values as at 31 March 2022 were restated, compared to those published at the reference date, following (i) the discontinued application of the reclassifications on PPA and Rents and (ii) the introduction 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 item was not restated as at 31 March 2022 as it was not possible at the reference date of this Interim Report on Operations to determine retroactively the specific effects in the period deriving from the change of the IFRS 17 and IFRS 9 accounting standards by the insurance associates. The compared figures are not, therefore, equivalent.*

Quarterly trend in reclassified consolidated income statement					
	2023	2022*			
MONTEPASCHI GROUP	1°Q 2023	4°Q 2022	3°Q 2022	2°Q 2022	1°Q 2022
Net interest income	504.5	498.4	378.7	336.3	322.2
Net fee and commission income	331.7	309.0	326.7	359.5	369.5
Income from banking activities	**836.2**	**807.4**	**705.4**	**695.8**	**691.7**
Dividends, similar income and gains (losses) on investments	18.7	30.0	30.0	11.1	14.2
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	25.1	0.4	(8.6)	6.9	75.6
Net profit (loss) from hedging	0.6	(2.4)	0.8	3.2	4.6
Other operating income (expenses)	(1.7)	3.3	0.3	23.7	0.2
Total Revenues	**878.9**	**838.7**	**727.9**	**740.7**	**786.2**
Administrative expenses:	(421.1)	(459.9)	(480.3)	(488.8)	(491.7)
a) personnel expenses	(287.6)	(326.9)	(354.0)	(356.8)	(355.9)
b) other administrative expenses	(133.5)	(132.9)	(126.3)	(132.0)	(135.8)
Net value adjustments to property, plant and equipment and intangible assets	(43.5)	(46.5)	(47.1)	(46.6)	(47.3)
Operating expenses	**(464.6)**	**(506.4)**	**(527.4)**	**(535.4)**	**(539.0)**
Pre-Provision Operating Profit	**414.3**	**332.3**	**200.5**	**205.2**	**247.2**
Cost of customer credit	**(107.2)**	**(96.9)**	**(95.1)**	**(113.7)**	**(111.3)**
Net impairment (losses)/reversals on securities and loans to banks	**1.5**	**(2.5)**	**(0.3)**	**2.1**	**(0.4)**
Net operating income	**308.6**	**232.9**	**105.1**	**93.7**	**135.6**
Net provisions for risks and charges	(6.5)	(40.7)	121.8	(50.1)	(29.0)
Other gains (losses) on equity investments	(1.6)	0.0	2.5	(0.7)	1.9
Restructuring costs/One-off costs	(6.2)	(2.9)	(925.4)	(2.9)	(0.2)
Risks and charges associated to the SRF, DGS and similar schemes	(58.4)	(7.5)	(83.5)	-	(88.7)
DTA Fee	(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	0.1	(20.3)	-	(10.8)	-
Gains (losses) on disposal of investments	-	-	-	0.9	(0.1)
Profit (Loss) for the period before tax	**220.3**	**145.7**	**(795.3)**	**14.4**	**3.8**
Income tax for the period	15.4	10.1	407.6	3.0	5.9
Profit (Loss) after tax	**235.7**	**155.8**	**(387.7)**	**17.4**	**9.7**
Net profit (loss) for the period including non-controlling interests	**235.7**	**155.8**	**(387.7)**	**17.4**	**9.7**
Net profit (loss) attributable to non-controlling interests	-	-	-	(0.1)	-
Parent company's net profit (loss) for the period	**235.7**	**155.8**	**(387.7)**	**17.5**	**9.7**

* *The economic 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 and (ii) 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 item was not restated in the quarters of 2022 as it was not possible at the reference date of this Interim Report on Operations to determine retroactively the specific effects deriving from the change of the IFRS 17 and IFRS 9 accounting standards by the insurance associates. The compared figures are not, therefore, equivalent.*

Revenue trends

As at 31 March 2023, the Group achieved total **Revenues** of **EUR 879 mln**, up 11.8% compared to the same period of last year.

This trend is due to the growth in Net Interest income, which benefits from the rise in interest rates. 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 quarter of 2022 incorporated substantial profits deriving from the disposal of securities classified in the Parent Company's banking book).

Revenues in the first quarter of 2023 also recorded growth compared to the previous quarter (+4.8%), driven by Net interest income (+1.2%) and, above all, by Net fee and commission income (+7.3%). Other revenues from financial operations also increased, benefiting from the positive trend in trading results, despite the lower contribution from AXA.

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

SEGMENT REPORTING	Operating Segment											
Primary segment	Retail banking		Wealth Management		Corporate banking		Large Corp. & Investment Banking		Corporate Center		Total Montepaschi Group	
(Eur mln)	31/03/23	Chg. % Y/Y	31/03/23	Chg. % Y/Y	31/03/23	Chg. % Y/Y	31/03/23	Chg. % Y/Y	31/03/23	Chg. % Y/Y	31/03/23	Chg. % Y/Y*
PROFIT AND LOSS AGGREGATES												
Net interest income	185.3	n.m.	8.7	n.m.	199.3	83.6%	29.2	-26.9%	82.0	-12.9%	504.5	56.6%
Net fee and commission income, of which	189.4	-15.6%	28.0	-8.1%	120.7	0.1%	13.4	-7.3%	(19.7)	-3.0%	331.7	-10.2%
Fee and commission income	*208.4*	*-14.7%*	*28.2*	*-8.2%*	*126.9*	*0.2%*	*24.6*	*-5.2%*	*(0.5)*	*-43.9%*	*387.6*	*-9.2%*
Fee and commission expense	*(19.0)*	*-4.2%*	*(0.3)*	*-12.0%*	*(6.2)*	*0.9%*	*(11.2)*	*-2.6%*	*(19.2)*	*-1.0%*	*(55.9)*	*-2.3%*
Other revenue from Banking and Insurance Business	14.3	31.6%	3.7	22.9%	5.7	10.3%	24.3	42.8%	(3.6)	n.m.	44.4	-52.9%
Other operating expense/income	(0.2)	-82.0%	(0.0)	-88.5%	(1.3)	82.8%	0.4	-11.0%	(0.6)	n.m.	(1.7)	n.m.
Total Revenues	388.9	24.1%	40.4	18.3%	324.3	38.9%	67.2	-6.4%	58.1	-56.5%	878.9	11.8%

* *The Group economic values as at 31 March 2022, on which YoY changes are calculated, 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 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 Interest Income as at 31 March 2023 amounted to **EUR 505 mln**, up compared to the same period of 2022 (+56.6%). 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 growth of the contributions of the Parent Company's 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. A cost of EUR 140 mln was, in fact, recorded on the latter in the first quarter of 2023, compared to the benefit of EUR 74 mln recorded in the same period of the previous financial year; this effect was only partially offset by the benefit on liquidity deposited with central banks, equal to EUR 87 mln as at 31 March 2023 compared to the cost of EUR 23 mln as at 31 March 2022. The cost of market funding also increased, especially as a result of the rise in rates.

In the first quarter of 2023, Net interest income increased also compared to the previous quarter (+1.2%) thanks to the higher contribution of commercial loans, which continue to benefit from the rate increase, in a context of careful monitoring of funding costs. The positive trend recorded in the commercial sector made it possible to absorb the higher cost of market funding and, above all, the higher cost linked to relations with central banks, as a result of the aforementioned monetary policy decisions. In particular, in the first quarter of 2023, despite the lower exposure, higher interest expense of EUR 109 mln was recorded on the TLTRO auctions compared to the previous quarter (respectively, EUR 140 mln in the first quarter of 2023 and EUR 31 mln in the fourth quarter of 2022, respectively), which were only partly offset by the higher contribution of deposits with central banks (EUR 87 mln in the first quarter of 2023 compared to EUR 76 mln in the previous quarter).

Items	31 03 2023	31 03 2022*	Change Y/Y		1°Q 2023	4°Q 2022	Change Q/Q	
			Abs.	%			Abs.	%
Loans to customers measured at amortised cost	574.4	314.5	259.9	82.6%	574.4	480.1	94.3	19.6%
Loans to Banks measured at amortised cost	14.6	(2.4)	17.1	n.m.	(74.4)	(74.1)	(0.3)	0.4%
Loans to Central banks	(53.0)	51.0	(104.1)	n.m.	(53.0)	45.1	(98.1)	n.m.
Government securities and other non-bank issuers at amortised cost	47.9	27.7	20.2	72.9%	47.9	37.6	10.3	27.4%
Securities issued	(79.9)	(79.4)	(0.5)	0.6%	(79.9)	(74.7)	(5.2)	7.0%
Hedging derivatives	(36.2)	(15.9)	(20.3)	n.m.	(36.2)	(33.0)	(3.2)	9.7%
Trading portfolios	11.6	11.0	0.6	5.5%	11.6	12.4	(0.8)	-6.5%
Portfolios measured at fair value	1.6	1.5	0.1	6.7%	1.6	1.5	0.1	6.7%
Financial assets measured at fair value through other comprehensive income	12.1	11.1	1.0	9.0%	12.1	10.5	1.6	15.2%
Other financial assets and liabilities	11.4	3.1	8.3	n.m.	100.4	93.0	7.4	8.0%
Net interest income	**504.5**	**322.2**	**182.3**	**56.6%**	**504.5**	**498.4**	**6.1**	**1.2%**
of which: interest income on impaired financial assets	*17.4*	*14.5*	*2.9*	*20.0%*	*17.4*	*18.3*	*(0.9)*	*-4.9%*

* *The economic 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 and (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.*

Net fee and commission income as at 31 March 2023, equal to **EUR 332 mln**, showed a decrease compared to those recorded in the same period of the previous year (-10.2%) due to the persistent market volatility recorded also in the first quarter of the current year and the renewed interest from customers for fixed-rate investments (mainly government bonds). In fact, the decrease is mainly attributable to income from asset management (-15.4%), mainly due to lower commissions on asset management product placement.

Revenues in the first quarter of 2023 showed a consistent growth compared to the previous quarter (+7.3%) mainly due to the recovery of commissions on asset management (EUR +18 mln), thanks to higher income on product placement, on continuing and on the securities service. In comparison with the previous quarter, Other net commissions also improved (benefiting from the greater contribution recorded by the subsidiary MPS Capital Services); commissions from traditional banking services were substantially stable.

Services/value	31 03 2023	31 03 2022*	Change Y/Y		1°Q 2023	4°Q 2022	Change Q/Q	
			Abs.	%			Abs.	%
Asset under management fees	**153.5**	**181.4**	**(27.8)**	**-15.4%**	**153.5**	**135.7**	**17.8**	**13.2%**
Product placement	38.4	59.7	(21.3)	-35.7%	38.4	22.9	15.5	67.9%
Continuing fees	94.8	102.1	(7.3)	-7.1%	94.8	92.5	2.3	2.5%
Placement of securities	10.7	8.9	1.8	19.9%	10.7	9.4	1.3	13.7%
Sales of Protection	9.6	10.7	(1.1)	-10.0%	9.6	10.9	(1.3)	-12.0%
Fees and commissions from traditional activities	**203.4**	**214.1**	**(10.7)**	**-5.0%**	**203.4**	**204.0**	**(0.6)**	**-0.3%**
Credit fees	81.8	94.3	(12.5)	-13.3%	81.8	80.3	1.6	1.9%
Fees from foreign services	16.4	14.9	1.5	9.9%	16.4	15.1	1.3	8.8%
Other services	105.2	104.8	0.3	0.3%	105.2	108.6	(3.5)	-3.2%
Other fees and commission income	**(25.3)**	**(26.0)**	**0.7**	**-2.8%**	**(25.3)**	**(30.7)**	**5.4**	**-17.6%**
Net fees and commission income	**331.7**	**369.5**	**(37.8)**	**-10.2%**	**331.7**	**309.0**	**22.7**	**7.3%**

* *The economic values relative to the first quarter of 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.*

SEGMENT REPORTING	Operating segments					
Primary segments	Retail banking	Wealth Management	Corporate banking	Large Corp. & Investment Banking	Corporate Center	Total Montepaschi Group
	31/03/23	31/03/23	31/03/23	31/03/23	31/03/23	31/03/23
Asset under management fees	**123.3**	**25.6**	**5.1**	**0.1**		**154.1**
Product placement	34.5	3.2	0.8	0.0		38.4
Continuing fees	71.8	20.7	2.2	0.1		94.8
Placement of securities	9.1	1.6	0.5	0.0		11.3
Sales of Protection	7.9	0.0	1.7	0.0		9.6
Fees and commissions from traditional activities	**82.8**	**1.6**	**118.6**	**15.6**		**218.6**
Credit fees	11.6	0.5	65.3	11.6		89.0
Fees from foreign services	1.3	0.1	13.5	3.3		18.2
Other services	69.9	1.1	39.8	0.6		111.3
Other fees and commission income	2.3	1.0	3.2	8.9	-0.5	14.9
Net fees and commission income	**208.4**	**28.2**	**126.9**	**24.6**	**-0.5**	**387.6**

Dividends, similar income and gains (losses) on equity investments amounted to **EUR 19 mln** , up by EUR 4 mln compared to 31 March 2022 and down by EUR 11 mln compared to the previous quarter. The trend is attributable to income generated by insurance investments in AXA associates. In this regard, however, it should be noted that the comparisons are not homogeneous as the comparative data referring to the quarters of 2022 were not restated following the first-time application of IFRS 17 and IFRS 9[18].

Net profit (loss) from trading, fair value measurement of assets/liabilities and gains on disposals/repurchase as at 31 March 2023 amounted to **EUR 25 mln**, a decrease of EUR 50 mln compared to the values recorded in the same period of the previous year (inclusive of consistent profits on the transfer of securities), but with a contribution in the first quarter of 2023 up by EUR 25 mln compared to the previous quarter. The analysis of the main aggregates shows the following:

[18] The accounting standards IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" were applied by insurance companies for the first time and jointly starting from 1 January 2023, with a transition date of 1 January 2022.

- **Net profit from trading activities** is positive for **EUR 31 mln**, compared to EUR 16 mln recorded in the same period of the previous year; the growth is attributable both to the subsidiary *MPS Capital Services* (which benefits, on the trading results, from the rise in rates), and to the Parent Company (which records, in particular, the recovery of the value of derivatives hedging fair value option bond liabilities). The result for the first quarter of 2023 was also up compared to the previous quarter (EUR +33 mln); also in this case, both the results of MPS Capital Services and those of the Parent Company contributed to the growth.

- **Net result of other assets/liabilities measured at fair value through profit and loss was negative for EUR 6 mln**, down compared to the EUR 11 mln recorded in the same period of the previous year following the capital loss recorded on some *UCITS* and debt securities recorded in the first quarter of 2023 and the negative effects linked to the increase in the fair value option of bond liabilities which, as mentioned above, are offset by the recovery in the value recorded by the corresponding hedging derivatives (recognised under the item "Net trading income"). The contribution of the first quarter of 2023 was down by EUR 8 mln compared to the previous quarter, following the aforementioned capital losses on *UCITS* and debt securities as well as capital losses recorded on fair value option bond liabilities.
- **Results from disposal/repurchase** (excluding loans to customers at amortised cost) **essentially nil** (EUR 0.1 mln), in line with the portfolio management strategy and down compared to the same period of the previous year (equal to EUR 49 mln), which had benefited from the profits achieved on the sale of government securities in the portfolio of Financial assets measured at amortised cost pertaining to the Parent Company. The contribution of the first quarter of 2023 is in line with that of the previous quarter (EUR 0.2 mln).

Items	31 03 2023	31 03 2022	Change Y/Y		1°Q 2023	4°Q 2022	Change Q/Q	
			Abs.	%			Abs.	%
Financial assets held for trading	52.8	(98.1)	150.9	n.m.	52.8	(13.4)	66.2	n.m.
Financial liabilities held for trading	(54.5)	110.4	(164.9)	n.m.	(54.5)	(13.1)	(41.4)	n.m.
Exchange rate effects	5.7	6.0	(0.3)	-5.0%	5.7	7.6	(1.9)	-25.0%
Derivatives	27.0	(2.1)	29.1	n.m.	27.0	17.3	9.7	56.1%
Trading results	**31.0**	**16.2**	**14.8**	**91.4%**	**31.0**	**(1.6)**	**32.6**	**n.m.**
Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss	(6.0)	10.8	(16.8)	n.m.	(6.0)	1.8	(7.8)	n.m.
Disposal / repurchase (excluding loans to customers measured at amortised cost)	0.1	48.6	(48.5)	-99.8%	0.1	0.2	(0.1)	-50.0%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	**25.1**	**75.6**	**(50.5)**	**-66.8%**	**25.1**	**0.4**	**24.7**	**n.m.**

The following items are also included in Revenues:

- **Net profit (loss) from hedging** equal to **EUR +1 mln**, down compared to the same period in the previous year (equal to EUR +5 mln) but up compared to the previous quarter (equal to EUR -2 mln);

- **Other operating income/expenses were negative for EUR 2 mln**, compared with the first quarter of 2022 of EUR +0.2 mln and with the previous quarter of EUR +3 mln.

Operating expenses

As at 31 March 2023, **Operating expenses** totalled **EUR 465 mln**, down compared to both the corresponding period of the previous year (-13.8%) and the previous quarter (-8.2%). A closer look at the individual aggregates reveals the following:

- **Administrative expenses** amounted to **EUR 421 mln** and decreased compared to both the first quarter of 2022 (-14.4%) and what was recorded in the previous quarter (-8.4%). A breakdown of the aggregate shows:

- **Personnel expenses**, amounting to **EUR 288 mln**, were down by 19.2% compared to the corresponding period in the previous year, 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 aggregate also decreased compared to the previous quarter (-12.0%).
- **Other administrative expenses**, amounting to **EUR 133 mln**, were down compared to as at 31 March 2022 (-1.8%), also thanks to the implementation of a rigorous expenditure management process. The amount is substantially stable compared to the previous quarter.

• **Net adjustments to property, plant and equipment and intangible assets** amounted to **EUR 44 mln** as at 31 March 2023, down compared to both 31 March 2022 (-8.0%) and compared to the previous quarter (-6.5%).

Type of transaction	31 03 2023	31 03 2022*	Change Y/Y		1°Q 2023	4°Q 2022	Change Q/Q	
			Abs.	%			Abs.	%
Wages and salaries	(205.8)	(256.2)	50.4	-19.7%	(205.8)	(230.4)	24.6	-10.7%
Social-welfare charges	(57.6)	(70.2)	12.6	-17.9%	(57.6)	(67.9)	10.3	-15.2%
Other personnel expenses	(24.2)	(29.5)	5.2	-17.7%	(24.2)	(28.6)	4.4	-15.4%
Personnel expenses	**(287.6)**	**(355.9)**	**68.2**	**-19.2%**	**(287.6)**	**(326.9)**	**39.3**	**-12.0%**
Taxes	(51.0)	(55.3)	4.3	-7.8%	(51.0)	(43.8)	(7.2)	16.4%
Furnishing, real estate and security expenses	(27.6)	(23.5)	(4.1)	17.4%	(27.6)	(20.0)	(7.6)	38.0%
General operating expenses	(50.4)	(52.0)	1.6	-3.1%	(50.4)	(46.1)	(4.3)	9.3%
Information technology expenses	(28.5)	(31.0)	2.5	-8.1%	(28.5)	(27.3)	(1.2)	4.4%
Legal and professional expenses	(15.8)	(14.7)	(1.1)	7.5%	(15.8)	(17.8)	2.0	-11.2%
Indirect personnel costs	(0.7)	(0.9)	0.2	-22.2%	(0.7)	(1.4)	0.7	-50.0%
Insurance	(4.6)	(4.8)	0.2	-4.2%	(4.6)	(4.8)	0.2	-4.2%
Advertising, sponsorship and promotions	(3.5)	(0.7)	(2.8)	n.m.	(3.5)	(0.8)	(2.7)	n.m.
Other	2.0	(5.3)	7.4	n.m.	2.0	(7.4)	9.5	n.m.
Expenses recovery	46.6	52.4	(5.8)	-11.1%	46.6	36.5	10.1	27.7%
Other administrative expenses	**(133.5)**	**(135.8)**	**2.4**	**-1.8%**	**(133.5)**	**(132.9)**	**(0.5)**	**0.4%**
Property, plant and equipment	(27.0)	(30.5)	3.5	-11.5%	(27.0)	(29.2)	2.2	-7.5%
Intangible assets	(16.5)	(16.8)	0.3	-1.8%	(16.5)	(17.3)	0.8	-4.6%
Net value adjustments to property, plant and equipment and intangible assets	**(43.5)**	**(47.3)**	**3.8**	**-8.0%**	**(43.5)**	**(46.5)**	**3.0**	**-6.5%**
Operating expenses	**(464.6)**	**(539.0)**	**74.4**	**-13.8%**	**(464.6)**	**(506.4)**	**41.8**	**-8.2%**

** The economic values as at 31 March 2022 were restated, compared to those published at the reference 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 414 mln,** up compared to both 31 March 2022 (EUR 247 mln) and to the previous quarter (EUR 332 mln).

Cost of customer credit

As at 31 March 2023, the Group recorded a **Cost of Customer Credit** of **EUR 107 mln**, substantially in line with the EUR 111 mln recorded in the same period of the previous year and higher than the EUR 97 mln recorded in the previous quarter.
As at 31 March 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 **55 bps** (56 bps as at 31 March 2022 and 55 bps as at 31 December 2022).

Items	31 03 2023	31 03 2022	Change Y/Y		1°Q 2023	4°Q 2022	Change Q/Q	
			Abs.	%			Abs.	%
Loans to customers measured at amortised cost	(94.7)	(115.2)	20.5	-17.8%	(94.7)	(106.2)	11.5	-10.8%
Modification gains/(losses)	(0.2)	(0.1)	(0.1)	100.0%	(0.2)	1.2	(1.4)	n.m.
Gains/(losses) on disposal/repurchase of loans to customers measured at amortised cost	(0.0)	0.2	(0.3)	n.m.	(0.0)	1.1	(1.1)	n.m.
Net change of Loans to customers mandatorily measured at fair value	(1.1)	8.5	(9.6)	n.m.	(1.1)	1.8	(2.9)	n.m.
Net provisions for risks and charges on commitments and guarantees issued	(11.2)	(4.7)	(6.5)	n.m.	(11.2)	5.2	(16.4)	n.m.
Adjustments to cost of customer credit	**(107.2)**	**(111.3)**	**4.0**	**-3.6%**	**(107.2)**	**(96.9)**	**(10.3)**	**10.7%**

The Group's **Net Operating Income** as at 31 March 2023 was positive for **EUR 309 mln**, compared to a positive value of EUR 136 mln in the same period of the previous year and a positive value of EUR 233 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 -6 mln**, an improvement compared to EUR -29 mln in provisions recorded in the same period of the previous year, when higher provisions were recorded for legal, tax and labour law risks. The contribution of the first quarter of 2023 is also improving compared to the previous quarter, when net provisions of EUR -41 mln were made in relation to certain types of legal risks.
- **Other gains (losses) on equity investments** equal to**EUR -2 mln** (including the*impairment* recorded on a Group equity investment), against a profit of EUR 2 mln recorded in the same period of the previous year and a basically nil contribution recorded in the previous quarter.
- **Restructuring charges/One-off charges** equal to **EUR -6 mln**, compared to a substantially nil contribution recorded in the first quarter of 2022 and a contribution of EUR -3 mln recorded in the previous quarter. These charges refer mainly to project initiatives, linked to the Strategic Plan.
- **Risks and charges associated with SRF, DGS and similar schemes,** amounting to **EUR -58 mln**, comprised of the contribution due from the Group to the Single Resolution Fund (SRF), down compared to the amount of EUR -89 mln recorded in the same period of 2022. The value recorded in the previous quarter, equal to EUR -8 mln, included the balance of the contribution due to the FITD (DGS), already mainly expensed in the third quarter of 2022.
- **DTA fee**, amounting to **EUR -16 mln**, basically unchanged compared to what was recorded in the same period of the previous year and in 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 31 March 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 +0.1 mln as** at 31 March 2023, compared to the zero contribution recorded in the same period of 2022 and a negative contribution of EUR 20 mln recorded in the previous quarter.
- **Gains (losses) on disposal of investments**, with a **nil contribution** in the first quarter of 2023, in line with the amount recorded in the corresponding period of 2022 (EUR -0.1 mln) and in the previous quarter.

Asa result of the trends highlighted above, the Group's **profit before tax for the period** amounted to **EUR 220 mln**, up compared to both the Pre-tax profit of EUR 4 mln recorded in the corresponding period of 2022, and the Pre-tax profit of EUR 146 mln recognised in the previous quarter.

Taxes on income for the period recorded a positive contribution of **EUR 15 mln** (EUR +6 mln as at 31 March 2022), mainly attributable to the valuation of DTAs net of the tax relative to the economic result for the quarter.

As a result of the trends described above, the **Parent Company's profit for the period amounted to EUR 236 mln** as at 31 March 2023, compared to a profit of EUR 10 mln in the first 3 months of 2022 and a profit of EUR 156 mln recorded in the previous quarter.

Reclassified balance sheet

The (i) reclassified balance sheet as at 31 March 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 Balance Sheet

Assets	31 03 2023	31 12 2022*	Change	
			Abs.	%
Cash and cash equivalents	14,512.4	12,538.6	1,973.8	15.7%
Loans to central banks	656.4	628.1	28.3	4.5%
Loans to banks	2,125.8	1,950.1	175.7	9.0%
Loans to customers	77,755.6	76,265.3	1,490.3	2.0%
Securities assets	18,652.3	18,393.6	258.7	1.4%
Derivatives	3,215.9	3,413.6	(197.7)	-5.8%
Equity investments	772.0	750.7	21.3	2.8%
Property, plant and equipment/Intangible assets	2,567.1	2,604.0	(36.9)	-1.4%
Of which goodwill	*7.9*	*7.9*	-	*0.0%*
Tax assets	2,219.7	2,216.4	3.3	0.1%
Other assets	1,808.8	1,474.9	333.9	22.6%
Total assets	**124,286.0**	**120,235.3**	**4,050.7**	**3.4%**

Liabilities	31 03 2023	31 12 2022*	Change	
			Abs.	%
Direct funding	84,067.0	81,997.6	2,069.4	2.5%
a) Due to customers	74,708.3	73,356.8	1,351.5	1.8%
b) Securities issued	9,358.7	8,640.8	717.9	8.3%
Due to central banks	19,317.2	19,176.9	140.3	0.7%
Due to banks	1,884.6	2,205.9	(321.3)	-14.6%
On-balance-sheet financial liabilities held for trading	3,276.3	2,567.2	709.1	27.6%
Derivatives	1,608.7	1,722.9	(114.2)	-6.6%
Provisions for specific use	1,554.2	1,585.7	(31.5)	-2.0%
a) Provision for staff severance indemnities	69.9	70.2	(0.3)	-0.4%
b) Provision related to guarantees and other commitments given	152.8	142.5	10.3	7.2%
c) Pension and other post-retirement benefit obligations	3.8	26.6	(22.8)	-85.7%
d) Other provisions	1,327.7	1,346.4	(18.7)	-1.4%
Tax liabilities	6.9	6.6	0.3	4.5%
Other liabilities	4,441.3	3,111.5	1,329.8	42.7%
Group net equity	8,128.9	7,860.1	268.8	3.4%
a) Valuation reserves	7.2	(30.6)	37.8	n.s.
d) Reserves	432.5	615.5	(183.0)	-29.7%
f) Share capital	7,453.5	7,453.5	-	0.0%
h) Net profit (loss) for the period	235.7	(178.4)	414.1	n.s.
Non-controlling interests	0.9	0.9	-	0.0%
Total Liabilities and Shareholders' Equity	**124,286.0**	**120,235.3**	**4,050.7**	**3.4%**

* *The balance sheet values as at 31 December 2022 were restated, compared to those published at the reference date, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the associated insurance companies AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni Vita S.p.A., consolidated in the financial statements of the MPS Group using the equity method.*

Reclassified Balance Sheet - Quarterly Trend

Assets	31/03/23	31/12/22*	30/09/22**	30/06/22**	31/03/22**
Cash and cash equivalents	14,512.4	12,538.6	16,540.4	1,518.8	1,791.0
Loans to central banks	656.4	628.1	4,426.4	17,626.5	15,392.8
Loans to banks	2,125.8	1,950.1	2,715.5	1,432.1	2,424.9
Loans to customers	77,755.6	76,265.3	77,939.1	78,621.7	79,259.7
Securities assets	18,652.3	18,393.6	19,794.3	22,312.7	23,382.2
Derivatives	3,215.9	3,413.6	3,521.3	3,029.2	2,352.6
Equity investments	772.0	750.7	692.2	756.5	985.2
Property, plant and equipment/Intangible assets	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*
Tax assets	2,219.7	2,216.4	2,205.7	1,769.3	1,798.0
Other assets	1,808.8	1,474.9	1,317.1	1,645.0	1,904.2
Total assets	**124,286.0**	**120,235.3**	**131,791.5**	**131,377.9**	**132,009.1**

Liabilities	31/03/23	31/12/22*	30/09/22**	30/06/22**	31/03/22**
Direct funding	84,067.0	81,997.6	83,805.1	84,305.1	84,428.2
a) Due to customers	74,708.3	73,356.8	75,164.3	74,940.9	74,992.2
b) Securities issued	9,358.7	8,640.8	8,640.8	9,364.2	9,436.0
Due to central banks	19,317.2	19,176.9	28,931.7	28,947.6	29,081.1
Due to banks	1,884.6	2,205.9	2,589.8	1,694.6	1,763.6
On-balance-sheet financial liabilities held for trading	3,276.3	2,567.2	2,362.2	2,658.7	3,174.4
Derivatives	1,608.7	1,722.9	1,777.2	1,727.5	2,081.9
Provisions for specific use	1,554.2	1,585.7	2,582.4	1,822.2	1,820.6
a) Provision for staff severance indemnities	69.9	70.2	136.9	142.5	157.8
b) Provision related to guarantees and other commitments given	152.8	142.5	148.5	148.8	147.8
c) Pension and other post-retirement benefit obligations	3.8	26.6	24.2	24.9	29.0
d) Other provisions	1,327.7	1,346.4	2,272.8	1,506.0	1,486.0
Tax liabilities	6.9	6.6	6.9	6.0	6.5
Other liabilities	4,441.3	3,111.5	4,430.8	4,378.1	3,645.4
Group net equity	8,128.9	7,860.1	5,304.1	5,836.7	6,006.1
a) Valuation reserves	7.2	(30.6)	(203.3)	(55.3)	131.6
d) Reserves	432.5	615.5	913.8	(3,330.2)	(3,330.2)
f) Share capital	7,453.5	7,453.5	4,954.1	9,195.0	9,195.0
h) Net profit (loss) for the period	235.7	(178.4)	(360.5)	27.2	9.7
Non-controlling interests	0.9	0.9	1.3	1.4	1.3
Total Liabilities and Shareholders' Equity	**124,286.0**	**120,235.3**	**131,791.5**	**131,377.9**	**132,009.1**

* *The balance sheet values as at 31 December 2022 were restated, compared to those published at the reference date, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the associated insurance companies AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni Vita S.p.A., consolidated in the financial statements of the MPS Group using the equity method.*

*** The balance sheet values as at 30 September, June and March 2022 were not restated with respect to those published at the respective reference dates as it was not possible, at the date of this Interim Report on Operations, to retroactively determine the specific effects in the periods deriving from the change in the aforementioned accounting standards. The compared figures are not, therefore, equivalent.*

Customer funding

As at 31 March 2023, the Group's **Total Funding** volumes amounted to **EUR 177.9 bn**, highlighting an increase of EUR 3.4 bn compared to 31 December 2022, both on Direct Funding (EUR +2.1 bn) and on Indirect Funding (EUR +1.4 bn).

The aggregate, on the other hand, was down compared to 31 March 2022 (EUR -6.4 bn) due to the decline in Indirect Funding (EUR -6.1 bn); Direct Funding was substantially stable (EUR -0.4 bn).

Background

At the beginning of 2023, bank funding continued in the downward trend that had already occurred in the last part of 2022, reflecting the trend in deposits, which experienced a more marked decrease (an average fall of approximately 2% in the first two months of the year). For the production sector (non-financial companies and family businesses), in the first two months of 2023, deposits recorded an average decrease of more than 3% YoY; those of households continued to slow down until recording, for the first time after years of expansion, a downward trend in February (-0.7%).
With reference to technical forms, the trend in resident customers' current accounts payables, already negative at the end of 2022, continued to decrease, recording a fall of -3.1% YoY in January and -4.3% YoY in February, while deposits with agreed maturity continued their marked acceleration, even recording an increase of more than 32% YoY in February, due to the rise in remuneration rates.
After the fall in 2022, bonds began to record year-on-year increases in the first two months of 2023 (higher than 2% YoY in February). Liabilities to the Eurosystem fell further following the voluntary redemptions and the maturity of the second transaction of the TLTRO3 program last December.
Funding rates continued to show substantial increases. In detail, the interest rate on deposits of non-financial companies and households rose to around 0.54% in February (+9 bps compared to the figure at the end of 2022); the rate on current accounts stood at approximately 0.22% in February (+7 bps compared to the end of 2022); that on deposits with fixed maturity recorded a higher increase, reaching 1.90% in February from 1.50% recorded at the end of 2022 (+40 bps). There was also an increase in the rate on bank bonds, which stood at 2.23% in February compared to 2.12% at the end of 2022 (approx. +12 bps).

The current context of uncertainty, in the presence of high inflation and restrictive monetary policy, continues to have an impact on savers' investment choices as well as causing a lower ability for household to save. On the asset management market, the provisional data for February showed negative net inflows of EUR -1.9 bn, with an overall balance in the first two months of 2023 of EUR -2.8 bn. In the first two months of the year, funds recorded a negative net balance of EUR -644 mln, portfolio management of EUR -2.2 bn (negative value of institutional management - EUR -2.7 bn, partly offset by retail management EUR +540 mln). At category level, savers focused their choices on equity and bond funds (EUR +3 bn and EUR +1.1 bn, respectively, since the beginning of the year); the balanced funds class is in the process of being divested (EUR -1.3 bn since the beginning of the year). Managed assets at the end of February stood at EUR 2,242 bn, substantially in line with the EUR 2,211 bn recorded at the end of 2022.
For the life insurance market, in the first two months of 2023 new business was recorded for EUR 12.4 bn, compared to EUR 13.7 bn in the same period of the previous year, with a decrease on an annual basis of approximately -9.5%. On the bank and post office branches distribution channel, growth continued in February in the placement of traditional products (+28.6% YoY), while hybrid solutions, already down since last year, recorded a decrease of -45.4% YoY; the component with the highest financial content (classic units), particularly exposed to market uncertainty, also continued to shrink, recording a change of -55.3% YoY. With reference to the channels for the placement of life insurance products, in the first two months of the year the financial advisors channel brokered a turnover -36.7% lower than in the same period of the previous year; the banking and the agency channels also fell (-0.8% and -22.8% YoY, respectively).

Customer Funding							
				Chg. Q/Q		Chg. Y/Y	
	31/03/23	31/12/22	31/03/22	Abs.	%	Abs.	%
Direct funding	84,067.0	81,997.6	84,428.2	2,069.4	2.5%	(361.2)	-0.4%
Indirect funding	93,784.0	92,420.7	99,846.6	1,363.3	1.5%	(6,062.6)	-6.1%
Total funding	**177,851.0**	**174,418.3**	**184,274.8**	**3,432.7**	**2.0%**	**(6,423.8)**	**-3.5%**

Volumes of **Direct Funding** amounted to **EUR 84.1 bn** and are up compared to the values at the end of December 2022 by EUR 2.1 bn due to the increase in Repurchase Agreements (EUR +3.3 bn), of time deposits (EUR +0.4 bn) and of bonds (EUR +0.7 bn), which include the issue of preferred unsecured senior notes for EUR 750 mln placed at the end of February 2023; on the other hand, Current Accounts (EUR -2.3 bn) and other forms of funding (EUR -0.1 bn) were down.

The aggregate is substantially stable compared to 31 March 2022 (EUR -0.4 bn). The decrease in current accounts (EUR -1.7 bn), time deposits (EUR -1.3 bn) and other forms of funding (EUR -0.3 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 +2.9 bn). The bond component was stable (EUR -0.1 bn).

The Group's market share[19] on direct funding was 3.31% (figure updated in February 2023), essentially in line with December 2022 (3.35%).

Direct funding

				Chg. Q/Q		Chg. Y/Y	
Type of transaction	31/03/23	31/12/22	31/03/22	Abs	%	Abs.	%
Current accounts	63,532.3	65,783.3	65,186.2	(2,251.0)	-3.4%	(1,653.9)	-2.5%
Time deposits	4,762.1	4,331.1	6,040.3	431.0	10.0%	(1,278.2)	-21.2%
Reverse repurchase agreements	3,826.4	559.4	903.6	3,267.0	n.m.	2,922.8	n.m.
Bonds	9,358.6	8,640.8	9,436.0	717.8	8.3%	(77.4)	-0.8%
Other types of direct funding	2,587.6	2,683.0	2,862.1	(95.4)	-3.6%	(274.5)	-9.6%
Total	**84,067.0**	**81,997.6**	**84,428.2**	**2,069.4**	**2.5%**	**(361.2)**	**-0.4%**

Indirect Funding amounted to approx. **EUR 93.8 bn, up by EUR** 1.4 bn compared to the end of December 2022, thanks to the increase in assets under custody (EUR +2.5 bn), only in part offset by the decrease in assets under custody (EUR -1.2 bn). The dynamic of assets under custody is attributable to both net positive flows (linked to the renewed interest from customers in government bonds, also following the increase in yields) and the positive market effect.

In comparison with 31 March 2022, there was a reduction in indirect funding of EUR 6.1 bn, essentially on assets under management (EUR -6.2 bn), mainly impacted by the negative market effect. Assets under custody were stable (EUR +0.1 bn).

[19] 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.

Indirect Funding							
				Chg. Q/Q		Chg. Y/Y	
	31/03/23	31/12/22	31/03/22	Abs.	%	Abs.	%
Assets under management	56,575.0	57,733.6	62,785.4	(1,158.7)	-2.0%	(6,210.5)	-9.9%
Funds	*26,274.4*	*25,701.0*	*28,643.1*	*573.4*	*2.2%*	*(2,368.6)*	*-8.3%*
Individual Portfolio under Management	*3,706.9*	*5,019.2*	*5,326.0*	*(1,312.3)*	*-26.1%*	*(1,619.1)*	*-30.4%*
Bancassurance	*26,593.7*	*27,013.5*	*28,816.4*	*(419.8)*	*-1.6%*	*-2,222.7*	*-7.7%*
Assets under custody	37,209.1	34,687.1	37,061.1	2,522.0	7.3%	147.9	0.4%
Government securities	*14,216.6*	*12,646.6*	*12,870.8*	*1,570.0*	*12.4%*	*1,345.8*	*10.5%*
Others	*22,992.5*	*22,040.5*	*24,190.3*	*952.0*	*4.3%*	*(1,197.8)*	*-5.0%*
Total funding	**93,784.0**	**92,420.7**	**99,846.6**	**1,363.3**	**1.5%**	**-6,062.6**	**-6.1%**

Loans to customers

As at 31 March 2023, Group **Loans to Customers** stood at around **EUR 77.8 bn** as, an increase compared to 31 December 2022 (EUR +1.5 bn), due to the increase in Repurchase Agreements (EUR +0.8 bn), Current accounts (EUR +0.5 bn) and Other loans (EUR +0.6 bn); Mortgages (EUR -0.3 bn) and Non-performing Loans (EUR -0.1 bn) decreased.

In comparison with 31 March 2022, the aggregate was down by EUR 1.5 bn, referring to mortgages (EUR -2.2 bn) and non-performing loans (EUR -0.3 bn). On the other hand, Other loans (EUR +0.5 bn), Current accounts (EUR +0.3 bn) and Repurchase Agreements (EUR +0.2 bn) were up.

The Group's market share[20] stood at 4.35% (last available figure from February 2023), up compared to December 2022 (equal to 4.25%).

Background

Business lending was affected by the phase of economic weakness in a context of high inflation, slowing down its dynamics. Although, in the first two months of 2023, loans to the private sector (net of repurchase agreements with central counterparties and adjusted for transferred and cancelled exposures) in any case recorded an expansion, the growth rate in February was modest (approximately +1% YoY). This trend was impacted by loans to non-financial companies, which, after the almost zero change in January, began to contract in February on YoY basis (-0.5%); the contraction reflects a widespread weakening in all sectors and in particular a contraction in services.
Household credit also slowed down, although it remained positive in the first two months of 2023 (+2.5% YoY in February).
The Italian banks interviewed last January in the Bank Lending Survey reported a further tightening of the offer criteria on business loans in the fourth quarter of 2022. In the banks assessments, the demand for business loans was negatively affected by the increase in the general level of interest rates and the lower need for financing for investment purposes. The supply criteria applied to households, according to the interviewees, were slightly tightened for home purchase loans and remained unchanged for consumer credit; demand decreased in both segments. Intermediaries have stated that they expect a further tightening in credit granting policies to businesses and households for the purchase of homes in the first quarter of 2023.

The official rate increases implemented by the monetary authority continued to transfer to the cost of credit to businesses and households: interest rates on loan amounts to non-financial companies rose to 3.7% in February (over 60 bps more than at the end of 2022); those to households reached 3.58% in February (around 30 bps more than at the end of 2022).
The rate on new business transactions was repositioned in February to the same levels as at the end of 2022 (at 3.55%), after rising above 3.7% in January. On new transactions with households, the rate on home purchases loans continued to increase to 3.76% in February (approximately +75 bps compared to the end of 2022); the rate on consumer credit rose by 59 bps compared to the end of 2022, standing at 8.14% in February; that on loans for other purposes grew to 5.07% in February, an increase of more than 1% compared to the end of 2022.
In February, banking loans stocks to residents in Italy increased by approximately EUR 490 mln compared to the levels at the end of 2022. Including bad loans sold and derecognised in the same way as the loan correction method under the European System of Central Banks (ESCB), the increase on an annual basis was more than 10% on average in the first two months of 2023

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

Loans to customers							
Type of transaction	31/03/23	31/12/22	31/03/22	Chg.. Q/Q		Chg. Y/Y	
				Abs.	%	Abs.	%
Current accounts	3,358.5	2,882.8	3,085.3	475.7	16.5%	273.2	8.9%
Mortgages	54,265.6	54,540.7	56,418.1	(275.1)	-0.5%	(2,152.5)	-3.8%
Other forms of lending	14,247.5	13,647.6	13,763.2	599.9	4.4%	484.3	3.5%
Repurchase agreements	4,236.2	3,482.9	4,008.9	753.3	21.6%	227.3	5.7%
Non-performing loans	1,647.8	1,711.3	1,984.2	(63.5)	-3.7%	(336.4)	-17.0%
Total	**77,755.6**	**76,265.3**	**79,259.7**	**1,490.3**	**2.0%**	**(1,504.1)**	**-1.9%**
Stage 1	*65,101.8*	*63,295.9*	*64,471.3*	*1,805.9*	*2.9%*	*630.5*	*1.0%*
Stage 2	*10,817.1*	*11,115.7*	*12,635.1*	*(298.6)*	*-2.7%*	*(1,818.0)*	*-14.4%*
Stage 3	*1,644.1*	*1,709.0*	*1,978.3*	*(64.9)*	*-3.8%*	*(334.2)*	*-16.9%*
Purchased or originated credit impaired financial assets	*3.1*	*2.2*	*10.5*	*0.9*	*40.9%*	*(7.4)*	*-70.5%*
Performing loans measured at fair value	*187.6*	*140.8*	*160.5*	*46.8*	*33.2%*	*27.1*	*16.9%*
Non-performing loans measured at fair value	*1.9*	*1.7*	*4.0*	*0.2*	*11.8%*	*(2.1)*	*-52.5%*

Loans to customers measured at amortised cost	31 03 2023			31 12 2022			31 03 2022			Chg. Q/Q		Chg. Y/Y	
	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	**Total**	Stage 1	Stage 2	Stage 1	Stage 2
Gross exposure	65,198.1	11,170.4	**79,667.8**	63,382.7	11,469.0	**78,142.1**	64,548.8	12,993.5	**81,560.7**				
Adjustments	96.3	353.3	**2,101.7**	86.8	353.3	**2,019.3**	77.5	358.4	**2,465.5**				
Net exposure	65,101.8	10,817.1	**77,566.1**	63,295.9	11,115.7	**76,122.8**	64,471.3	12,635.1	**79,095.2**				
Coverage ratio	*0.1%*	*3.2%*	***2.6%***	*0.1%*	*3.1%*	***2.6%***	*0.1%*	*2.8%*	***3.0%***	*0.0%*	*0.1%*	*0.0%*	*0.4%*
% on Loans to customers measured at amortised cost	*83.9%*	*13.9%*	***100.0%***	*83.1%*	*14.6%*	***100.0%***	*81.5%*	*16.0%*	***100.0%***	*0.8%*	*-0.7%*	*2.4%*	*-2.0%*

The gross exposure of loans classified in stage 1, equal to EUR 65.2 bn as at 31 March 2023, recorded an increase both compared to 31 December 2022 (EUR 63.4 bn) and compared to 31 March 2022 (EUR 64.5 bn).

Positions classified in stage 2, whose gross exposure amounted to EUR 11.2 bn as at 31 March 2023, down from EUR 11.5 bn as at 31 December 2022 and EUR 13.0 bn as at 31 March 2022.

The trend observed on stage 1, whose gross exposure is up by EUR 1.8 bn compared to the end of the previous year, as well as the growth in repurchase and demand exposures to counterparties with excellent credit standing, is attributable to the updating of the rating models used to calculate the lifetime PDs and the quantitative criteria used to classify stage 2 relationships. The models were re-estimated in line with the recent AIRB model change authorised by the ECB during the first quarter of 2023. The re-estimation allowed greater accuracy in the detection of risk deterioration with an improved impact on stage 1 loans classification. The decrease in stage 2 compared to 31 December 2022 is, therefore, due to the aforementioned re-estimate, together with the absence of impairment signs in the quality of the loans subject to the COVID-19 moratorium, which have now regularly resumed payments for over 12 months.

Compared to 31 December 2022, the coverage of stage 1 was substantially stable and that of stage 2 was up slightly due to the introduction of overlays on LGD parameters and on variable 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 31 March 2023 amounted to **EUR 3.3 bn** in terms of gross exposure, basically stable compared to 31 December 2022 but down compared to as 31 March 2022. In particular:

- the gross exposure of bad loans, equal to EUR 1.3 bn, was substantially stable compared to 31 December 2022 (equal to EUR 1.3 bn) but down compared to 31 March 2022 (equal to EUR 1.8 bn); the decline on an annual basis was mainly affected by the "Fantino" loan sale transaction, which led, in the fourth quarter of 2022, to the deconsolidation of secured and unsecured bad loans for a gross exposure of EUR 0.5 bn;
- The gross Unlikely to pay exposure, equal to EUR 1.9 bn, was down slightly compared to 31 December 2022 (equal to EUR 2.0 bn) and down compared to 31 March 2022 (equal to EUR 2.2 bn); also in this case, the annual trend was impacted by the "Fantino" sale transaction, which led, in the fourth quarter of 2022, to the deconsolidation of a gross unlikely to pay exposure of EUR 0.3 bn;
- the gross non-performing past-due loan exposure, equal to EUR 49.9 mln, was up compared to EUR 45.8 mln as at 31 December 2022 and EUR 45.6 mln as at 31 March 2022.

As at 31 March 2023, the Group's **net exposure in terms of non-performing loans to Customers** was equal to **EUR 1.6 bn**, down compared to both 31 December 2022 (EUR 1.7 bn) and 31 March 2022 (EUR 2.0 bn).

Loans to customers		Bad loans	Unlikely to pay	Non-performing Past due Loans	**Total Non-performing loans to customers**	Performing loans	**Total**
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%***
31 03 2022	Gross exposure	1,762.7	2,220.9	45.6	**4,029.2**	77,711.7	**81,740.9**
	Adjustments	1,156.6	877.7	10.7	**2,045.0**	436.2	**2,481.2**
	Net exposure	606.1	1,343.2	34.9	**1,984.2**	77,275.5	**79,259.7**
	Coverage ratio	*65.6%*	*39.5%*	*23.5%*	***50.8%***	*0.6%*	***3.0%***
	% on Loans to customers	*0.8%*	*1.7%*	*0.0%*	***2.5%***	*97.5%*	***100.0%***

As at 31 March 2023, the **coverage ratio for non-performing loans** stood at **50.2%**, up compared to 31 December 2022, when it was 48.1%, thanks to the increase in the coverage ratio of Bad loans (from 65.1% to 66.7%) and Unlikely to pay exposures (from 37.5% to 39.4%); the coverage ratio of Non-performing past-due loans decreased (from 22.7% to 20.8%).

The coverage ratio of non-performing loans was down slightly compared to 31 March 2022 (equal to 50.8%), also in relation to the lower incidence, on the stock as at 31 March 2023, of bad loans (also following the "Fantino" sale), characterised by a higher average coverage ratio. At individual administrative status level, there was an increase in the coverage ratio of bad loans (from 65.6% to 66.7%) and a substantial stability in the coverage ratio of unlikely to pay exposures (from 39.5% to 39.4%); on the other hand, the coverage ratio of non-performing past due loans decreased (from 23.5% to 20.8%).

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.	52.4	(47.1)	4.1	**9.4**	1,563.4	**1,572.8**
	%	4.1%	-2.4%	9.0%	**0.3%**	2.1%	**2.0%**
Y/Y	abs.	(417.9)	(307.0)	4.3	**(720.6)**	(1,154.3)	**(1,874.9)**
	%	-23.7%	-13.8%	9.4%	**-17.9%**	-1.5%	**-2.3%**

Changes in coverage ratios

	Bad loans	Ulikely to pay	Non-performing past due exposures	**Total Non-performing loans to customers**	Performing loans	**Total**
Q/Q	1.6%	1.8%	-1.9%	**2.1%**	0.0%	**0.1%**
Y/Y	1.1%	-0.2%	-2.6%	**-0.6%**	0.0%	**-0.4%**

Trend of non-performing loans to customers	1°Q 2023		31 12 2022		4°Q 2022		31 03 2022		Chg. 1°Q 2023/ 4°Q 2022 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***	**4,104.7**	***1,740.6***	**4,100.5**	***1,877.3***	***4,104.7***	***1,740.6***	**(801.3)**	**-19.5%**	**(805.5)**	**-19.6%**
Increases from performing loans	191.6	*5.0*	807.1	*45.1*	241.0	*18.4*	107.0	*4.0*	(49.4)	-20.5%	84.6	79.1%
Transfers to performing loans	(82.3)	-	(204.7)	*(0.4)*	(39.6)	*(0.3)*	(67.3)	-	(42.7)	n.m.	(15.0)	22.3%
Collections (including gains on disposals))	(149.0)	*(17.8)*	(770.1)	*(208.2)*	(353.3)	*(120.6)*	(142.6)	*(33.9)*	204.3	-57.8%	(6.4)	4.5%
Write-offs (including loss on disposal)	(22.0)	*(19.4)*	(173.8)	*(104.8)*	(106.3)	*(63.0)*	(34.2)	*(22.5)*	84.3	-79.3%	12.2	-35.7%
+/- Other changes	71.1	*84.6*	(464.0)	*(179.9)*	(543.1)	*(419.4)*	61.6	*74.5*	614.2	n.m.	9.5	15.4%
Gross exposure, closing balance	**3,308.6**	***1,344.8***	**3,299.2**	***1,292.4***	**3,299.2**	***1,292.4***	**4,029.2**	***1,762.7***	**9.4**	**0.3%**	**(720.6)**	**-17.9%**
Opening balance of overall adjustments	**(1,587.9)**	**(841.2)**	**(1,967.2)**	**(1,108.6)**	**(2,195.8)**	***(1,318.0)***	**(1,967.2)**	***(1,108.6)***	**607.9**	**-27.7%**	**379.3**	**-19.3%**
Adjustments / write-backs	(94.6)	(36.2)	(454.4)	*(143.3)*	(125.1)	3.5	(120.3)	*(28.8)*	30.5	-24.4%	25.7	-21.4%
+/- Other changes	21.7	*(19.7)*	833.7	*410.7*	733.0	*473.3*	42.5	*(19.2)*	(711.3)	-97.0%	(20.8)	-48.9%
Closing balance of overall adjustments	**(1,660.8)**	***(897.1)***	**(1,587.9)**	***(841.2)***	**(1,587.9)**	***(841.2)***	**(2,045.0)**	***(1,156.6)***	**(72.9)**	**4.6%**	**384.2**	**-18.8%**
Net exposure, closing balance	**1,647.8**	***447.7***	**1,711.3**	***451.2***	**1,711.3**	***451.2***	**1,984.2**	***606.1***	**(63.5)**	**-3.7%**	**(336.4)**	**-17.0%**

Other financial assets/liabilities

As at 31 March 2023, the Group's **securities assets** amounted to **EUR 18.7 bn**, up compared to 31 December 2022 (EUR +0.3 bn) mainly due to the increase in financial assets held for trading; the amortised cost component also increased, following purchases of government securities that partly offset the maturities recorded in financial assets measured at fair value through other comprehensive income; the other components were substantially 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 8,716.1 mln and EUR 609.3 mln (with implicit capital losses of around EUR 716.8 mln and EUR 58.8 mln respectively).

The aggregate was down compared to 31 March 2022 (EUR -4.7 bn) in relation to the decrease recorded both in the trading component and in the fair value component through other comprehensive income; on the other hand, the amortised cost component increased.

On-balance-sheet financial liabilities held for trading were equal to **EUR 3.3 bn** as at 31 March 2023 and were up compared to 31 December 2022 (EUR 2.6 bn) and in line with the value recorded as at 31 March 2022 (EUR 3.2 bn).

As at 31 March 2023, the **Net position in derivatives, a positive EUR 1.6 bn**, was substantially in line compared to 31 December 2022 (positive for EUR 1.7 bn) and up compared to 31 March 2022 (positive for EUR 271 mln).

Items	31 03 2023	31 12 2022	31 03 2022	Chg. Q/Q		Chg. Y/Y	
				abs.	%	abs.	%
Securities assets	18,652.3	18,393.6	23,382.2	258.7	1.4%	(4,729.9)	-20.2%
Financial assets held for trading	*4,524.2*	*3,962.9*	*7,838.5*	*561.3*	*14.2%*	*(3,314.3)*	*-42.3%*
Financial assets mandatorily measured at fair value	*305.7*	*314.8*	*316.0*	*(9.1)*	*-2.9%*	*(10.3)*	*-3.3%*
Financial assets measured at fair value through other comprehensive income	*3,721.4*	*4,352.3*	*5,734.7*	*(630.9)*	*-14.5%*	*(2,013.3)*	*-35.1%*
Financial assets held for sale	*0.0*	*0.0*	*(0.1)*	*0.0*	*n.m.*	*0.1*	*-100.0%*
Loans to customers measured at amortised cost	*9,432.9*	*9,086.2*	*8,786.0*	*346.7*	*3.8%*	*646.9*	*7.4%*
Loans to banks measured at amortised cost	*668.1*	*677.4*	*707.1*	*(9.3)*	*-1.4%*	*(39.0)*	*-5.5%*
On-balance-sheet financial liabilities held for trading	(3,276.3)	(2,567.2)	(3,174.4)	(709.1)	27.6%	(101.9)	3.2%
Net positions in Derivatives	1,607.2	1,690.7	270.7	(83.5)	-4.9%	1,336.5	n.m.
Other financial assets and liabilities	**16,983.2**	**17,517.1**	**20,478.5**	**(533.9)**	**-3.0%**	**(3,495.3)**	**-17.1%**

Items	31 03 2023		31 12 2022		31 03 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
Debt securities	18,047.8	-	17,800.5	-	22,795.4	-
Equity instruments and Units of UCITS	604.5	-	593.1	-	586.8	-
Loans	-	3,276.3	-	2,567.2	-	3,174.4
Total	**18,652.3**	**3,276.3**	**18,393.6**	**2,567.2**	**23,382.2**	**3,174.4**

Interbank position

As at 31 March 2023, the Group **net interbank position** stood at **EUR 4.5 bn** of net funding, against EUR 7.0 bn of net funding as at 31 December 2022 and EUR 11.8 bn as at 31 March 2022. The change compared to the end of the previous financial year is mainly due to the increase in liquidity deposited in current accounts and demand deposits with central banks. On the other hand, compared to the previous year, the trend is due to the maturity on 21 December 2022 of the *tranche* of TLTRO obtained in the December 2019 auction, equal to EUR 4 bn, and the simultaneous early repayment of a further EUR 6 bn from the *tranche* obtained in the auction of June 2020; these repayments led to a net overall decrease in loans with central banks, represented in the items Loans to central banks and Current accounts and sight deposits with central banks.

Interbank balances				Chg. Q/Q		Chg. Y/Y	
	31/03/23	31/12/22	31/03/22	Abs.	%	Abs.	%
Loans to banks	2,125.8	1,950.1	2,424.9	175.7	9.0%	(299.1)	-12.3%
Deposits from banks	1,884.6	2,205.9	1,763.6	(321.3)	-14.6%	121.0	6.9%
Current accounts and demand deposits with banks (cash)	1,198.8	1,367.0	1,241.9	(168.2)	-12.3%	(43.1)	-3.5%
Net position with banks	**1,440.0**	**1,111.2**	**1,903.2**	**328.8**	**29.6%**	**(463.2)**	**-24.3%**
Loans to banks	656.4	628.1	15,392.8	28.3	4.5%	(14,736.4)	-95.7%
Deposits from banks	19,317.2	19,176.9	29,081.1	140.3	0.7%	(9,763.9)	-33.6%
Current accounts and demand deposits with banks (cash)	12,728.2	10,475.7	1.3	2,252.5	21.5%	12,726.9	n.m.
Net position with Central banks	**(5,932.6)**	**(8,073.1)**	**(13,687.0)**	**2,140.5**	**-26.5%**	**7,754.4**	**-56.7%**
Net interbank position	**(4,492.6)**	**(6,961.9)**	**(11,783.8)**	**2,469.3**	**-35.5%**	**7,291.2**	**-61.9%**

As at 31 March 2023, the operational liquidity position showed an **unencumbered** Counterbalancing Capacity **equal to approx. EUR 25.1 bn**, basically unchanged compared with 31 December 2022 (equal to EUR 25.5 bn) and with 31 March 2022 (equal to EUR 25.0 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 31 March 2023, the nominal value of the total tax credits acquired amounted to EUR 1,187.9 mln. Taking into account receivables offset to date, totalling EUR 311.8 mln, the residual nominal amount as at 31 March 2023 came to EUR 876.1 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 31 March 2023, was EUR 792.3 mln.

It should also be noted that, as at 31 March 2023, the Parent Company had received requests for the sale of these receivables for a total amount of approximately EUR 2.8 bn, currently being assessed/processed.

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

Shareholders' equity

As at 31 March 2023, the **Shareholders' equity of the Group and non-controlling interests** was roughly **EUR 8.1 bn,** up by EUR 269 mln compared to 31 December 2022, mainly due to the positive result recorded in the quarter; the improvement in valuation reserves also contributed to this.

Compared to 31 March 2022, the Group's equity and non-controlling interests increased by EUR 2.1 bn, in particular attributable to: i) the capital strengthening transaction successfully completed in November 2022; ii) the reduction in valuation reserves; iii) the economic results achieved in the last 12 months.

Reclassified Consolidated Balance Sheet							
Equity	31/03/23	31/12/22*	31/03/22**	Chg. Q/Q		Chg. Y/Y	
				abs.	%	abs.	%
Group Net Equity	8,128.9	7,860.1	6,006.1	268.8	3.4%	2,122.8	35.3%
a) Valuation reserves	7.2	(30.6)	131.6	37.8	n.m.	(124.4)	-94.5%
d) Reserves	432.5	615.5	(3,330.2)	(183.0)	-29.7%	3,762.7	n.m.
f) Share capital	7,453.5	7,453.5	9,195.0	-	0.0%	(1.741.5)	-18.9%
g) Treasury shares (-)	-	-	-	-	-	-	-
h) Net profit (loss) for the period	235.7	(178.4)	9.7	414.1	n.m.	226.0	n.m.
Non-controlling interests	0.9	0.9	1.3	-	0.0%	(0.4)	(0.3)
Shareholders' equity of the Group and Non-controlling interests	**8,129.8**	**7,861.0**	**6,007.4**	**268.8**	**3.4%**	**2,122.4**	**35.3%**

* *The balance sheet values as at 31 December 2022 were restated, compared to those published at the reference date, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the associated insurance companies AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni Vita S.p.A., consolidated in the financial statements of the MPS Group using the equity method.*

*** The balance sheet values as at 31 March 2022 were not restated as it was not possible, at the date of this Interim Report on Operations, to retroactively determine the specific effects in the period deriving from the change in the aforementioned accounting standards. The compared figures are not, therefore, equivalent.*

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 31 March 2023:

- CET1 Ratio of 8.80%;
- Tier 1 Ratio of 10.82%;
- 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 0.008% for the Countercyclical Capital Buffer[21].

As at **31 March 2023**, the Group's level of capital on a transitional basis was as shown in the following table:

Categories/Values	31 03 2023	31 12 2022	Chg. 31 12 2022	
			Abs.	%
OWN FUNDS				
Common Equity Tier 1 (CET1)	7,117.5	7,601.2	(483.7)	-6.36%
Tier 1 (T1)	7,117.5	7,601.2	(483.7)	-6.36%
Tier 2 (T2)	1,791.4	1,772.2	19.2	1.08%
Total capital (TC)	**8,908.9**	**9,373.4**	**(464.5)**	**-4.96%**
RISK-WEIGHTED ASSETS				
Credit and Counterparty Risk	36,863.8	33,013.9	3,849.9	11.66%
Credit valuation adjustment risk	464.8	497.1	(32.3)	-6.50%
Market risks	1,922.9	2,026.8	(103.9)	-5.13%
Operational risk	10,130.5	10,148.4	(17.9)	-0.18%
Total risk-weighted assets	**49,382.0**	**45,686.2**	**3,695.8**	**8.09%**
CAPITAL RATIOS				
CET1 capital ratio	**14.41%**	**16.64%**	**-2.22%**	
Tier1 capital ratio	**14.41%**	**16.64%**	**-2.22%**	
Total capital ratio	**18.04%**	**20.52%**	**-2.48%**	

Compared to 31 December 2022, the CET1 recorded a decrease of EUR -484 mln.

This decrease is essentially due to the reduction in the impact 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 central administrations.

[21] Calculated considering the exposure as at 31 March 2023 in the various countries in which MPS Group operates and the requirements established by the competent national authorities.

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 rose by EUR +19 mln compared to the end of December 2022, due for EUR +49 mln to the increase in the contribution to Tier 2 of the excess value adjustments over expected losses and for approx. EUR -30 mln to the amortisation of Tier 2 subordinate instruments.

Hence, the *Total Capital Ratio* reflects an overall decrease in own funds of EUR -464 mln.

RWAs increased by EUR 3.7 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 a reduction in market risks (EUR -0.1 bn), while operational risks and CVA risk remained substantially stable.

As at 31 March 2023, the Parent Company, on a consolidated basis, meets all capital requirements, including those related to the P2G.

As at 31 March 2023 the Group, on a transitional basis, has a 5.4% leverage ratio, 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 31 March 2023, the Group had values higher than the intermediate requirements set for 2023:

- an MREL capacity of 24.67% in terms of TREA and 9.25% in terms of LRE ("Leverage ratio exposure measure"); and
- an MREL subordination capacity of 18.10% in terms of TREA and 6.79% 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 risks

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. It should be noted that the MPS Group is included on the sample Europeans banks subject to EBA stress test, therefore it is exposed to uncertainties deriving from the testing outcome, consisting of the possibility of a potential exacerbation of the capital requirements to be met, if the results highlighted particular Group vulnerability to the stress scenarios employed by the Supervisory Authorities.

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 31 March 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
Argentina	0,3	-	-	-	-	-	-
Belgium	-	-	8,0	3,4	-	-	-
France	-	-	15,0	11,7	10,7	-	-
Germany	0,7	0,6	-	-	-	-	-
Italy	1.008,7	744,8	2.980,5	2.789,1	6.738,0	1.681,7	3.283,1
Mexico	0,1	-	15,0	11,0	-	-	-
Perù	-	-	2,0	1,5	-	-	-
Portugal	0,3	0,2	29,5	21,0	3,0	-	-
Romania	-	-	30,0	22,8	-	-	-
Spain	10,0	11,4	10,0	9,9	1.178,7	-	-
United States	-	-	46,0	40,6	-	-	-
South Africa	-	-	5,0	4,9	-	-	-
Other Countries	3,6	2,4	-	-	-	-	-
Total 31 03 2023	**1.023,7**	**759,4**	**3.141,0**	**2.915,9**	**7.930,4**	**1.681,7**	**3.283,1**
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 31 March 2023, the residual duration of the exposure to the most significant component of sovereign debt (Italian debt securities) was 7.6 years.

Main types of legal, employment and tax risks

As at 31 March 2023, legal proceedings and out-of-court claims were pending, with a total relief sought, where quantified, of EUR 7,209.8 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. Only disputes with probable risk show a relief sought of EUR 4,232.6 mln and provisions of EUR 1,155.4 mln. This aggregate includes:

1. Legal disputes and out-of-court claims

As at 31 March 2023, the following were pending:

- legal disputes with a total a relief sought, where quantified, of EUR 4,091.3 mln. In particular:
  - approx. EUR 2,216.9 mln as relief sought regarding disputes for which there is a “likely” risk of losing the case, for which provisions of EUR 868.2 mln have been allocated;
  - approximately EUR 1,874.4 mln as relief sought attributable to disputes for which there is a “possibile” risk of losing the case;
- out-of-court claims for a total relief sought, where quantified, of approximately EUR 2,281.6 mln, of which EUR 1,818.6 mln classified with a “likely” risk of losing the case and EUR 463.0 mln with a “possible” risk of losing the case.

2. Employment law disputes

As at 31 March 2023, labour law risks amounted to EUR 68.7 mln, of which EUR 48.9 mln at “likely” risk of losing the case.

3. Tax disputes

As at 31 March 2023, the risks for tax disputes amounted to EUR *40.8* mln, of which EUR 12.9 mln at "likely" risk of losing the case.

The main information of the cases that have the greatest relevance by macro-category and the significant developments that occurred in the quarter of the individually significant disputes is illustrated below, with reference made to the Explanatory Notes to the 2022 Financial Statements of the Group for previous periods and the precise indication of the individual relevant cases.

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

As at 31 March 2023, the total relief sought for this type of dispute amounted to approx. EUR 4,122 mln, broken down as follows (data in EUR mln):

Type of dispute	31/03/23	31/12/22
Civil dispute	1,593	1,591
Filed civil action claims cp 29634/14	111	111
Filed civil action claims cp 955/16	158	158
Out-of-court claims *	2,260	1,533
Total relief sought	**4,122**	**3,393**

(*) The increase is attributable to a claim for a total relief sought for a capital 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 of the same year.

The main developments in the first quarter of 2023 are shown below.

Criminal proceedings 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 preliminary hearing, 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 noted at this regard that, on 6 May 2022, the Court of Appeal of Milan acquitted all the defendants in criminal proceeding no. 29634/14 with a broad formula, highlighting that the "fact does not exist".

As part of criminal proceedings no. 13756/20, CONSOB filed a civil action 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 process. At the hearing of 4 May 2023, the Parent Company appeared as defendant in the civil action, requesting the deferment of the arguments to a subsequent hearing. The judge adjourned the proceedings to the hearing of 14 September 2023.

Disputes regarding compound interest, interest rates and conditions

The provisions for risks recognised for this type of dispute amounted to EUR 109.9 mln (total relief sought of EUR 244.3 mln), compared to EUR 112.6 mln as at 31 December 2022 (against a relief sought of EUR 246.9 mln).

Dispute regarding bankruptcy rescindments

The provisions for risks recognised for this type of dispute as at 31 March 2023 amounted to EUR 15.4 mln (*total relief sought of* EUR *60.9 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, provisions for risks of EUR 4.0 mln were allocated (against a total relief sought of EUR 9.3 mln), compared to EUR 2.4 mln recognised as at 31 December 2022 (against a relief sought of EUR 6.5 mln).

Dispute with purchasers of subordinated bonds issued by Group companies

The total relief sought in these disputes as at 31 March 2023 was EUR 35.6 mln (EUR 37.2 mln as at 31 December 2022), whilst allocated provisions totalled EUR 15.5 mln (a decrease of EUR 0.6 mln compared to 31 December 2022).

Other disputes

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

Etika Esco and MPS Capital Services reached a settlement agreement in November 2022 by virtue of which Etika waived the appeal against the ruling of the Court of Florence against a waiver, by the Bank, of a substantial part of the legal costs paid to the Court. The settlement agreement was executed through payment of the agreed amount for legal expenses and therefore the case can be considered definitively closed.

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Compensation for transactions in diamonds

As at 31 March 2023, more than 12 thousand claims had been received for a total value of around EUR 317 mln; while the cases concluded were equal to a total of roughly EUR 316.3 mln (of which around EUR 0.26 mln in the first three months of 2023, covered for the total value net of the market value of the stones by the provision for risks and charges allocated in previous financial years) and represent 99.7% of the total volume of diamond offers reported by the Parent Company. Residual provisions for risks and charges recognised against the compensation initiative amounted to EUR 4.2 mln at the end of March 2023.

As at 31 March 2023 the stones returned were recognised for a total value of EUR 68.6 mln.

Market risks

Market risk remains a significant risk to which the Group is exposed, given the potential volatility of the underlying market variables, in a 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 trend in recent years, confirmed on the trading book component starting from the second half of 2022, has shown a contraction of overall exposures on this segment. It should be noted in particular that the exposure and concentration in Italian government bonds in terms of issuer risk, for positions mainly classified in AC (Amortising 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 portfolio, for the entry into force in the next few years of the new method for calculating capital requirements on market risks (Fundamental Review of the Trading Book).

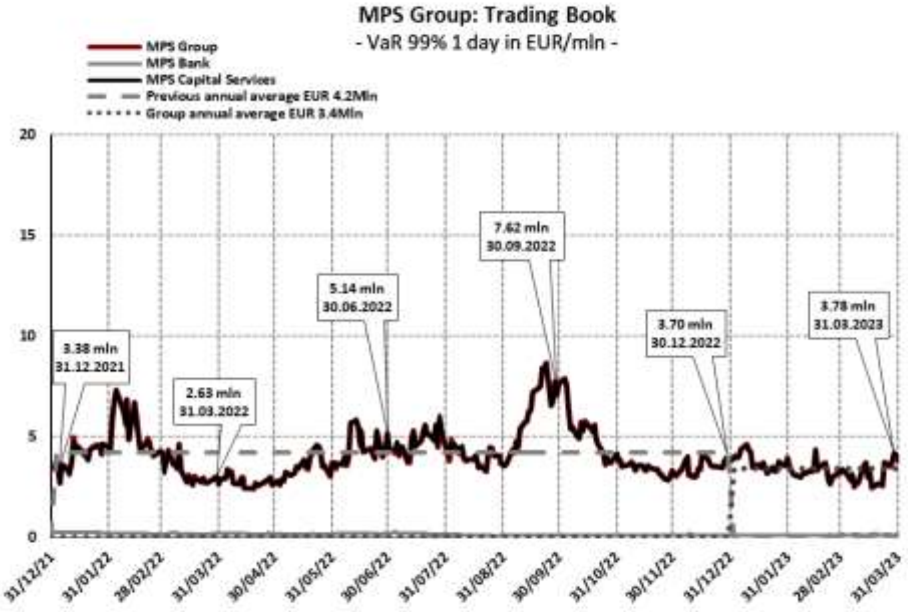
During the first quarter of the year, the general market context characterised by high volatility in rates continued, with a partial subsiding of tensions as concerns credit spreads on Italian government bonds. In this context, note the removal of the temporary prudential filter for the period 2020-2022 to the positions in FVOCI[22].

As at 31 March 2023, the market risks of the Group's Regulatory Trading Book, measured as VaR, equal to EUR 3.78 mln, were stable compared to the end of 2022 (EUR 3.70 mln) and lower than the average for the previous year (EUR 4.20 mln).

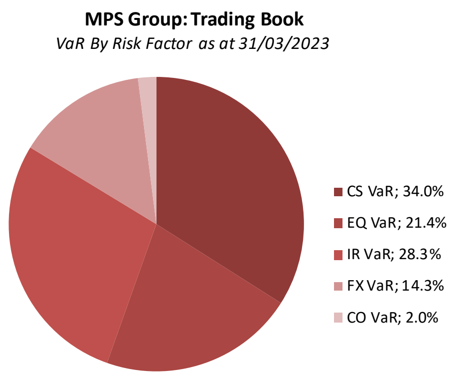
During the first quarter of the year, VaR trends were influenced by the subsidiary MPS Capital Services, mainly for own trading activities in the Credit Spread – Interest Rate segment (transactions in Italian government bonds and hedges based on swaps and long futures) and, to a lesser extent, Client-Driven activities in the Equity segment (options and equity futures on the main market indices). The Parent Company's portfolio contribution to total VaR was negligible.

During the quarter, the VaR remained at low levels, in line with what was observed in the last few months of 2022, confirming a general risk containment strategy.

VaR volatility resulted from auctions on Italian government securities by the subsidiary MPS Capital Services for primary dealeractivities, with temporary changes in the overall Italy risk exposure, primarily short term, and the corresponding hedges in derivatives (swaps and long futures). During the first quarter, the average of Italian sovereign bonds held in the Group's trading books amounted to EUR 0.62 bn in nominal terms, down (EUR -0.83 bn) with respect to the previous quarter average and well under the 2022 average (EUR 3.71 bn).



[22] 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 34.0% of the Regulatory Trading Book Gross VaR of the Group, while IR factor accounts for 28.3%, EQ for 21.4%, FX for 14.3% and CO for 2.0%.

MPS Group

VaR PNV 99% 1 day in EUR/mln

	VaR	Date
End of Ppriod	3.78	31/03/2023
Minimum	2.46	17/03/2023
Maximum	4.59	09/01/2023
Average	3.40	

In the first three 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 4.59 mln on 9 January 2023, with an average value registered of EUR 3.40 mln. The Regulatory Trading Book VaR as at 31 March 2023 amounted to EUR 3.78 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 three months of 2023:

No exceptions were noted in the first quarter of 2023.

Four exceptions were recorded in 2022: three in the second quarter, referring almost entirely to the risk exposure of the subsidiary MPSCS. These exceptions were recorded on 6 May and on 10 and 13 June due to the sudden increase in interest rates, with further pressure in terms of P&L on positions in Italian government bonds in the two sessions of June (temporary widening of the credit spread to short term, returned in subsequent sessions). The remaining exception refers to the 1 September session, as a result of similar dynamics.

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 quarter 2022) were restated following the changes in the representation of the 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 subsidiary MPS Capital Services (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.

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 subsidiary MPS Leasing & Factoring and the foreign bank MP Banque;
- ***Large Corporate and Investment Banking***, which includes the economic/financial results of Large Group customers and the subsidiary MPS Capital Services;
- ***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.

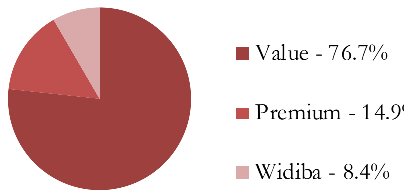
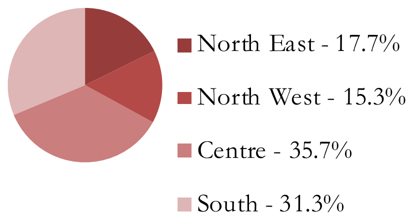
Results in brief

The following table reports the main income statement and balance sheet aggregates that characterised the Group's operating segments as at 31 March 2023:

SEGMENT REPORTING	Operating Segment								Corporate Center		Total Montepaschi Group	
Primary segment	Retail banking		Wealth Management		Corporate Banking		Large Corp. & Investment Banking					
(Eur mln)	31/03/23	Chg. % Y/Y	31/03/23	Chg. % Y/Y	31/03/23	Chg. % Y/Y	31/03/23	Chg. % Y/Y	31/03/23	Chg. % Y/Y	31/03/23	Chg. % Y/Y
PROFIT AND LOSS AGGREGATES												
Total revenue	388.9	24.1%	40.4	18.3%	324.3	38.9%	67.2	-6.4%	58.1	-56.5%	878.9	11.8%
Operating expense	(260.7)	-12.6%	(27.5)	-13.4%	(128.0)	-13.9%	(22.8)	-10.9%	(25.6)	-26.1%	(464.6)	-13.8%
Pre-provision Operating profit	128.2	n.m.	12.9	n.m.	196.3	n.m.	44.4	-3.9%	32.5	-67.1%	414.3	67.6%
Cost of customers loans/Net impairment (losses)-reversals on securities and loans to banks	(0.6)	-61.4%	(4.5)	n.m.	(55.7)	41.0%	(7.8)	-65.2%	(37.1)	-21.8%	(105.7)	-5.3%
Net Operating Income	127.6	n.m.	8.4	n.m.	140.6	n.m.	36.6	54.2%	(4.6)	n.m.	308.6	n.m.
	31/03/23	Chg. % 31/12	31/03/23	Chg. % 31/12	31/03/23	Chg. % 31/12	31/03/23	Chg. % 31/12	31/03/23	Chg. % 31/12	31/03/23	Chg. % 31/12
BALANCE SHEET AGGREGATES												
Gross Interest-bearing loans to customers (*)	30,804	-0.5%	568	-0.4%	33,757	2.2%	5,943	6.5%	7,450	-24.1%	78,521	-1.8%
Direct funding	40,959	-3.5%	2,702	-0.3%	22,255	-4.2%	1,929	19.4%	16,222	35.3%	84,067	2.5%
Indirect funding	52,536	4.7%	15,053	5.5%	5,764	3.0%	8,233	4.5%	12,197	-15.9%	93,784	1.5%
Assets under management	*42,909*	*1.9%*	*10,812*	*0.3%*	*2,395*	*-3.3%*	*37*	*-1.3%*	*423*	*-82.0%*	*56,575*	*-2.0%*
Assets under custody	*9,627*	*19.1%*	*4,241*	*21.5%*	*3,370*	*8.0%*	*8,196*	*4.5%*	*11,775*	*-3.1%*	*37,209*	*7.3%*

(*) 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

<table>
<tr><th>Business areas</th><th>Customers</th></tr>
<tr><td rowspan="3">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 555 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.</td><td>Retail Banking customers amount to approximately 3.3 million and include approximately 252,000 exclusive Widiba customers. The total number of Widiba customers, including those shared with the Parent Company, is approximately 276,800, of which approximately 123,000 on the Financial Advisor Network channel, approximately 101,300 on the Self channel, and approximately 52,500 customers migrated from the MPS branch network.</td></tr>
<tr><td>Breakdown by type

</td></tr>
<tr><td>Breakdown by geography

</td></tr>
</table>

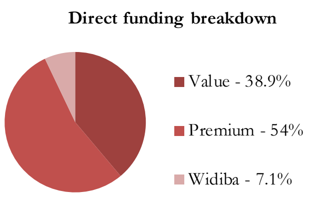
As part of the review of the organisational structures of the Network, in the last quarter of 2022, the access threshold to the Premium service model was revised, with the consequent transition of customers from the Value service model to the Premium service model.

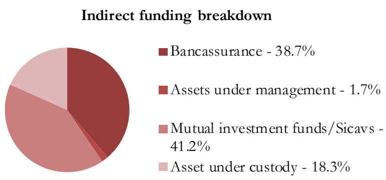
Income statement and balance sheet results

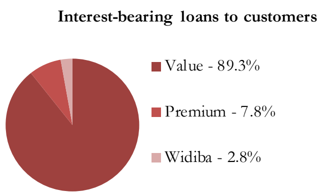
As at 31 March 2023, **Total Funding** in Retail Banking amounted to **EUR 93.5 bn**, up by EUR 0.9 bn compared to the end of the year 2022 but down by EUR 2.6 bn compared to March 2022. More specifically:

- **Direct Funding**, amounting to **EUR 41.0 bn**, was down by EUR 1.5 bn compared to 31 December 2022, mainly due to the decrease recorded on the demand component (EUR -1.1 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 equally down when compared to 31 March 2022 (EUR -1.8 bn), with a decrease in medium/long-term funding (EUR -1.6 bn) and short-term funding (EUR -0.3 bn), while deposits on-demand increased slightly (EUR +0.2 bn);
- **Indirect Funding**, amounting to **EUR 52.5 bn**, increased by EUR 2.4 bn compared to December 2022 levels, thanks to the growth in assets under custody (EUR 1.5 bn) and assets under management (EUR +0.8 bn). The aggregate also decreased compared to 31 March 2022 (EUR -0.8 bn), due to the increase in both assets under management (EUR -2.6 bn), impacted by the negative market effect, partially offset by the growth in assets under custody (EUR +1.8 bn);
- **Gross interest-bearing loans to Retail Banking customers** were **EUR 30.8 bn**, slightly down compared with December 2022 (EUR -0.2 bn) and essentially in line with March 2022.

RETAIL BANKING - BALANCE SHEET AGGREGATES							
(Eur mln)	31/03/23	31/12/22	31/03/22	Chg Abs. Q/Q	Chg. % Q/Q	Chg Abs. Y/Y	Chg. % Y/Y
Direct funding	**40,959**	**42,453**	**42,724**	**-1,494**	**-3.5%**	**-1,765**	**-4.1%**
Assets under management	*42,909*	*42,095*	*45,544*	*814*	*1.9%*	*-2,635*	*-5.8%*
Assets under custody	*9,627*	*8,081*	*7,810*	*1,546*	*19.1%*	*1,818*	*23.3%*
Indirect Funding	**52,536**	**50,176**	**53,354**	**2,360**	**4.7%**	**-818**	**-1.5%**
Total Funding	**93,495**	**92,629**	**96,078**	**866**	**0.9%**	**-2,583**	**-2.7%**
Gross Interest-bearing loans to customers	**30,804**	**30,974**	**30,819**	**-170**	**-0.5%**	**-15**	**0.0%**







With regard to profit and loss, as at 31 March 2023, Retail Banking achieved total **Revenues** of approx. **EUR 389 mln**, up by 24.1% compared to the first quarter of 2022. A breakdown of the aggregate shows:

- Net Interest Income was approximately EUR 185 mln, up by EUR 107 mln YoY, mainly due to the higher contribution of commercial assets;
- Net fees and commissions were equal to approx. EUR 189 mln, with a 15.6% decrease on the corresponding period of the previous year, primarily due to lower income from asset management, particularly on product placement;
- Other income from baniking and insurance business amounted to approximately EUR 14 mln, up by EUR 3 mln compared to the corresponding period of the previous year.

Considering the impact of Operating Expenses, which decreased by 12.6% YoY, Retail Banking generated a **Gross Operating Loss** of about **EUR 128 mln** (income of approx. EUR 15 mln as at 31 March 2022). Cost of credit stood at roughly **EUR -1 mln** (EUR -2 mln as at 31 March 2022).

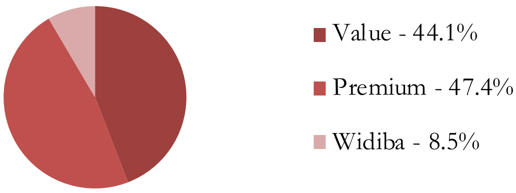
The **Net Operating Result** as at 31 March 2023 was **positive, amounting to around EUR 128 bn**.

The non-operating components amounted to approximately EUR -1 mln compared to the previous year.

The **Result before tax from continuing operations** was **EUR 127 mln** (EUR 13 mln as at 31 March 2022).

The ***cost-income ratio*** of the Operating Segment is **67.0%** (95.3% as at 31 March 2022).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(Eur mln)	31/03/23	31/03/22	Abs.	%
Net interest income	*185.3*	*78.8*	*106.5*	*n.m.*
Net fee and commission income	*189.4*	*224.4*	*-35.0*	*-15.6%*
Other Revenues from Banking and Insurance Business	*14.3*	*10.9*	*3.4*	*31.6%*
Other operating expenses/income	*(0.2)*	*(0.9)*	*0.7*	*-82.0%*
Total Revenues	**388.9**	**313.2**	**75.6**	**24.1%**
Operating expenses	*(260.7)*	*(298.4)*	*37.7*	*-12.6%*
Pre Provision Operating Profit	**128.2**	**14.8**	**113.3**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(0.6)	(1.5)	0.9	-61.4%
Net Operating Income	**127.6**	**13.3**	**114.3**	**n.m.**
Non-operating components	**(0.9)**	**(0.5)**	**-0.3**	**61.8%**
Profit (loss) before tax from continuing operations	**126.7**	**12.8**	**113.9**	**n.m.**



Results for the subsidiary

Banca Widiba SpA: as at 31 March 2023 **, Total Funding** of Banca Widiba amounted to approximately **EUR 9.1 bn**, up by EUR +0.3 bn compared to 31 December 2022 (concentrated on Indirect Funding), but down (EUR -0.4 bn, of which EUR -0.6 bn on Direct Funding) compared to the levels as at 31 March 2022.

With regard to economic results, as at 31 March 2023 Banca Widiba achieved **total Revenues** of **EUR 32.9 mln**, up by EUR 14.7 mln (+81%) compared to the same period of the previous year, due to the effect the growth in Net Interest Income (EUR +15.4 mln, increase attributable to the rise in system interest rates) while Net fee and commission income fell by EUR -1.1 mln (decrease mainly referring to Assets under Management, reflecting the decrease in the previous year due to the negative market effect on *stocks* and lower placements in the first quarter).

The **Gross Operating Income** stood at **EUR 15.4 mln** (up by EUR +12.2 mln), absorbing Operating Expenses (EUR 17.5 mln in the quarter, with an increase of EUR +2.5 mln compared to the previous year for the initiatives in Communication) and the above-mentioned trend in the Net Interest Income. In relation to the lower incidence of the Cost of credit by EUR 0.8 mln compared to the previous year, **Net Operating Income** amounted to **EUR 14.6 mln**, with an increase of EUR +12.2 mln compared to March 2022.

Lastly, as a result of non-operating components that absorb allocations of EUR 0.9 mln on some items of provisions for risks and charges, the **Result before tax from continuing operations** was **EUR 13.7 mln**, with an increase of EUR 10.7 mln compared to the first quarter of the previous year.

Wealth Management

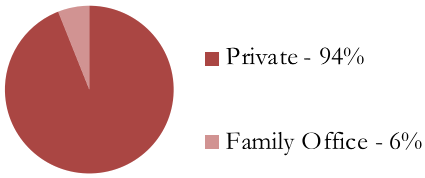
Business areas

- 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).

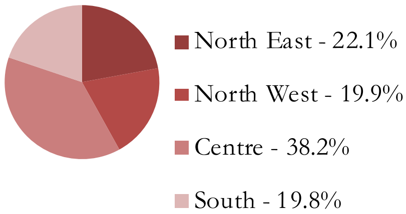
Customers

There are around 35,700 private customers.

Breakdown by type



Breakdown by geography



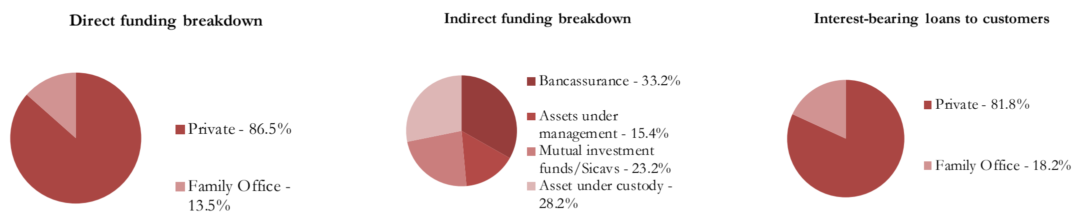
Income statement and balance sheet results

As at 31 March 2023, **Total Funding** from Wealth Management amounted to **EUR 17.8 bn**, up by EUR 0.8 bn compared to 31 December 2022 but down by EUR 0.8 bn compared to the same period of the previous year. More specifically:

- **Direct Funding** was equal to **EUR 2.7 bn**, essentially in line with the levels at December 2022 and down compared to 31 March 2022 (EUR -0.3 bn);
- **Indirect Funding**, amounting to **EUR 15.1 bn**, was up compared to 31 December 2022 (EUR +0.8 bn) but down compared to the first quarter of 2022 (EUR -0.4 bn);
- **Gross interest-bearing loans to customers** were essentially in line with both 31 December 2022 and March 2022, standing at around **EUR 0.6 bn**.

WEALTH MANAGEMENT - BALANCE SHEET AGGREGATES

(Eur mln)	31/03/23	31/12/22	31/03/22	Chg Abs. Q/Q	Chg. % Q/Q	Chg Abs. Y/Y	Chg. % Y/Y
Direct funding	**2,702**	**2,711**	**3,019**	**-9**	**-0.3%**	**-317**	**-10.5%**
Assets under management	*10,812*	*10,774*	*11,851*	*37*	*0.3%*	*-1,040*	*-8.8%*
Assets under custody	*4,241*	*3,489*	*3,644*	*752*	*21.5%*	*596*	*16.4%*
Indirect Funding	**15,053**	**14,263**	**15,496**	**789**	**5.5%**	**-443**	**-2.9%**
Total Funding	**17,755**	**16,974**	**18,515**	**780**	**4.6%**	**-760**	**-4.1%**
Gross Interest-bearing loans to customers	**568**	**570**	**585**	**-2**	**-0.4%**	**-18**	**-3.0%**



With regard to profit and loss, Wealth Management achieved total **Revenues** of approx. **EUR 40 mln** as at 31 March 2023, up 18.3% compared to the same period of last year. A breakdown of the aggregate shows:

- Net Interest Income amounted to approx. EUR 9 mln, up EUR 8 mln compared to the corresponding period in 2022, due mainly to the higher contribution from direct funding;
- Net fee and commission income amounted to approximately EUR 28 mln, down by 8.1% compared to 31 March 2022;
- Other Income from Banking and Insurance Business amounted to EUR 3.7 mln, an improvement of 22.9% on an annual basis.

Considering the impact of Operating Expenses, which were down by 13.4% compared to the previous year, Wealth Management generated a **Gross Operating Income** of about **EUR 13 mln** (about EUR 2 mln at 31 March 2022). Including Cost of credit equal to EUR -5 mln, the **Net Operating Income** totalled roughly **EUR 8 mln**.

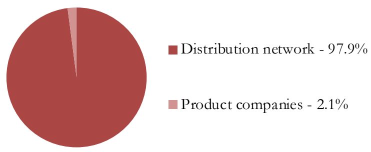
The non-operating components were equal to approx. EUR 0.1 mln, substantially stable compared to the corresponding period of 2022.

The **Result before tax from continuing operations** was **EUR 8 mln** (EUR 2 mln as at 31 March 2022).

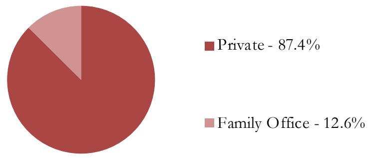
The ***cost-income ratio*** of the Operating Segment is **68.0%** (92.9% in the first quarter of 2022).

WEALTH MANAGEMENT - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(Eur mln)	31/03/23	31/03/22	Abs.	%
Net interest income	*8.7*	*0.8*	*7.9*	*n.m.*
Net fee and commission income	*28.0*	*30.5*	*-2.5*	*-8.1%*
Other Revenues from Banking and Insurance Business	*3.7*	*3.0*	*0.7*	*22.9%*
Other operating expenses/income	*(0.0)*	*(0.1)*	*0.1*	*-88.5%*
Total Revenues	**40.4**	**34.1**	**6.3**	**18.3%**
Operating expenses	*(27.5)*	*(31.7)*	*4.2*	*-13.4%*
Pre Provision Operating Profit	**12.9**	**2.4**	**10.5**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(4.5)	(0.7)	-3.8	n.m.
Net Operating Income	**8.4**	**1.7**	**6.7**	**n.m.**
Non-operating components	**0.1**	**(0.0)**	**0.1**	**n.m.**
Profit (loss) before tax from continuing operations	**8.5**	**1.7**	**6.8**	**n.m.**

Breakdown of revenues



Breakdown of revenues

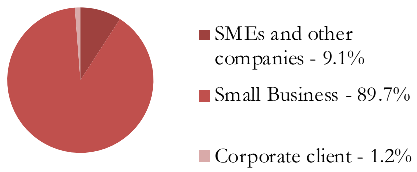
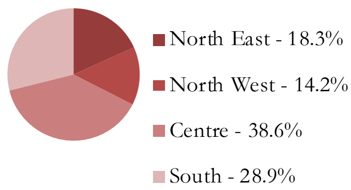


Result of the subsidiary MPS Fiduciaria: in the first quarter of 2023 the subsidiary reported a profit for the period equal to EUR 0.2 mln.

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 and the foreign bank MP Banque, while the financial results of Large Group customers and the subsidiary MPS Capital Services are reported within the Large Corporate & Investment Banking operating segment.

It should also be noted that the customers that in the interim report on operations as at 31 March 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.

Business areas	Customers
• 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). • 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).	About 317,100 Corporate customers of the Parent Company, directly followed by Corporate Banking. **Breakdown by type**  **Breakdown by geography** 

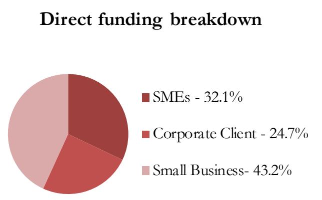
Income statement and balance sheet results

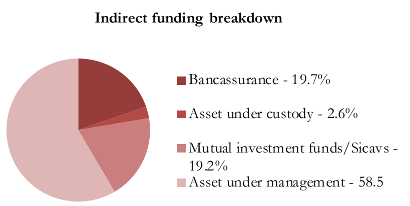
As at 31 March 2023, the **Total Funding** from Corporate Banking amounted to **EUR 28.0 bn**, down compared to 31 December 2022 (EUR -0.8 bn), due to the decrease in Direct Funding (EUR -1.0 bn), partly offset by the increase in Indirect Funding (EUR +0.2 bn). The aggregate was also down compared to the end of March 2022 (EUR -0.5 bn), also in this case due to a reduction in Direct Funding (EUR -0.8 bn) partially offset by a recovery in Indirect Funding (EUR +0.3 bn). The decrease in Direct Funding was influenced by the actions taken by the Parent Company to optimise the cost of funding.

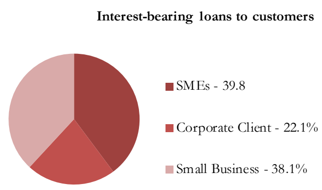
With regard to lending, as at 31 March 2023, **Gross interest-bearing loans to Corporate Banking customers** stood at approximately **EUR 33.8 bn**, up compared to 31 December 2022 (EUR +0.7 bn) but down compared to 31 March 2022 (EUR -1.4 bn).

CORPORATE BANKING - BALANCE SHEET AGGREGATES

(Eur mln)	31/03/23	31/12/22	31/03/22	Chg Abs Q/Q	Chg. % Q/Q	Chg Abs Y/Y	Chg.% Y/Y
Direct funding	**22,255**	**23,228**	**23,042**	**-973**	**-4.2%**	**-787**	**-3.4%**
Assets under management	*2,395*	*2,477*	*2,571*	*-82*	*-3.3%*	*-176*	*-6.8%*
Assets under custody	*3,370*	*3,119*	*2,861*	*251*	*8.0%*	*509*	*17.8%*
Indirect Funding	**5,764**	**5,595**	**5,431**	**169**	**3.0%**	**333**	**6.1%**
Total Funding	**28,019**	**28,823**	**28,473**	**-804**	**-2.8%**	**-454**	**-1.6%**
Gross Interest-bearing loans to customers	**33,757**	**33,044**	**35,202**	**713**	**2.2%**	**-1.445**	**-4.1%**







For profit and loss aggregates, as at 31 March 2023 Corporate Banking **Revenues** came to approx. **EUR 324 mln** (+38.9% compared to the first quarter of the previous year). A breakdown of the aggregate shows:

- Net Interest Income was approximately EUR 199 mln, up 83.6% annually mainly due to the higher contribution of commercial assets;
- Net Fee and Commission income was equal to EUR 121 mln as at 31 March 2023, essentially stable compared to the same period of the previous year;
- Other Income from Banking and Insurance Business were equal to EUR 6 mln, up by 10.3% compared to the levels recorded in the first quarter of 2022.

Considering the impact of Operating Expenses, down by 13.9% compared to the same period of the previous year, **Gross Operating Income** amounted to about **EUR 196 mln** (about EUR 85 mln at 31 March 2022).

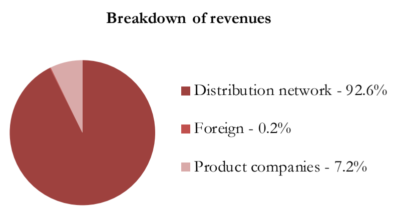
The **Net Operating Income** stood at approximately **EUR 141 mln** (approximately EUR 45 mln in the first quarter of 2022), against a Cost of credit of approximately EUR -56 mln (compared to approximately EUR -39 mln as at 31 March 2022).

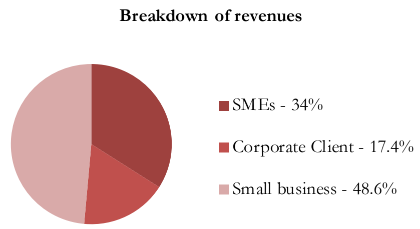
The non-operating components amounted to approximately EUR -4 mln, an improvement compared to EUR -6 mln in the first quarter of the previous year.

The **Result before tax from continuing operations** was **EUR 137 mln** (result of approximately EUR 40 mln as at 31 March 2022).

The Corporate Banking ***cost-income ratio*** stood at **39.5%** (63.7% as at 31 March 2022).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(Eur mln)	31/03/23	31/03/22	Abs.	%
Net interest income	*199.3*	*108.6*	*90.8*	*83.6%*
Net fee and commission income	*120.7*	*120.5*	*0.1*	*0.1%*
Other Revenues from Banking and Insurance Business	*5.7*	*5.2*	*0.5*	*10.3%*
Other operating expenses/income	*(1.3)*	*(0.7)*	*-0.6*	*82.8%*
Total Revenues	**324.3**	**233.5**	**90.8**	**38.9%**
Operating expenses	*(128.0)*	*(148.7)*	*20.7*	*-13.9%*
Pre Provision Operating Profit	**196.3**	**84.8**	**111.5**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(55.7)	(39.5)	-16.2	41.0%
Net Operating Income	**140.6**	**45.4**	**95.3**	**n.m.**
Non-operating components	**(3.7)**	**(5.8)**	**2.1**	**-35.8%**
Profit (loss) before tax from continuing operations	**136.9**	**39.6**	**97.3**	**n.m.**





Results of the main subsidiaries

- **MPS Leasing & Factoring:** result before tax of about EUR 12 mln as at 31 March 2023, up by about EUR 9 mln compared to the corresponding period of 2022. The profit for the first quarter of 2023 amounted to approximately EUR 11 mln compared to a profit of approximately EUR 4 mln posted as at 31 March 2022.
- **MP Banque[23]:** profit of approximately EUR 3.6 mln as at 31 March 2023 compared to a loss of approximately EUR 1.6 mln posted in the first quarter of 2022.

[23] The performance indicated above is that calculated on an operational basis. It should be recalled 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 the support of the Product Companies (Leasing Factoring and MPS Capital 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 - medium and long-term credit facilities, corporate finance and structured finance (also through MPS Capital Services).	Approximately 850 Large Group customers of the Parent Company are directly supported by Large Corporate & Investment Banking.

Income statement and balance sheet results

Total Funding from Corporate Banking as at 31 March 2023 amounted to **EUR 10.2 bn**, up compared to EUR 0.7 bn as at 31 December 2022, both on Direct Funding (EUR +0.3 bn) and on Indirect Funding (EUR +0.4 bn). The aggregate was also down slightly compared to the end of March 2022 (EUR -0.3 bn), due to the decrease in both Direct Funding (EUR -0.2 bn) and Indirect Funding (EUR -0.1 bn).

With regard to lending, as at 31 March 2023, **Gross interest-bearing loans to Large Corporate & Investment Banking customers** stood at approximately **EUR 5.9 bn** (up by EUR 0.4 bn compared to 31 December 2022 but down by EUR 0.1 bn compared to 31 March 2022).

LARGE CORPORATE & INVESTMENT BANKING BALANCE SHEET AGGREGATE							
(Eur mln)	31/03/23	31/12/22	31/03/22	Chg. Abs. Q/Q	Chg. % Q/Q	Chg. Abs. Y/Y	Chg. % Y/Y
Direct funding	**1,929**	**1,616**	**2,096**	**313**	**19.4%**	**-167**	**-7.9%**
Assets under management	*37*	*37*	*73*	*0*	*-1.3%*	*-36*	*-49.4%*
Assets under custody	*8,196*	*7,843*	*8,258*	*354*	*4.5%*	*-61*	*-0.7%*
Indirect Funding	**8,233**	**7,880**	**8,331**	**353**	**4.5%**	**-98**	**-1.2%**
Total Funding	**10,162**	**9,496**	**10,426**	**666**	**7.0%**	**-264**	**-2.5%**
Gross Interest-bearing loans to customers	**5,943**	**5,580**	**6,074**	**363**	**6.5%**	**-131**	**-2.2%**

For profit and loss aggregates, as at 31 March 2023, Large Corporate and Investment Banking **Revenues** came to approx. **EUR 67 mln** (-6.4% compared to the corresponding period of 2022). A breakdown of the aggregate shows:

- Net Interest Income amounted to approximately EUR 29 mln, down by EUR 11 mln on an annual basis, due to the decrease recorded in the subsidiary MPS Capital Services;
- Net Fee and Commission income were down 7.3% compared to the first quarter of 2022 standing at around EUR 13 mln;
- Other income from banking and insurance business amounted to approximately EUR 24 mln, up by 42.8% compared to the same period of the previous year, whose results were penalised by the volatility of the financial markets, in particular with regard to the subsidiary MPS Capital Services.

Considering the impact of Operating Expenses, down by 10.9% compared to 31 March 2022, **Gross Operating Income** amounted to about **EUR 44 mln** (about EUR 46 mln as at 31 March 2022).

The **Net Operating Income** stood at approximately **EUR 37 mln** (approximately EUR 24 mln in the first quarter of 2022), against a Cost of credit of approximately EUR -8 mln (compared to approximately EUR -22 mln as at 31 March 2022).

The non-operating components were equal to approx. EUR -11 mln, improved compared to EUR -19 mln in the corresponding year of 2022.

The **Result before tax from continuing operations** was approximately **EUR 25 mln** (result of approximately EUR 5 mln as at 31 March 2022).

The Large Corporate Banking & Investment ***cost-income ratio*** stood at **33.9%** (35.6% as at 31 March 2022).

LARGE CORPORATE & INVESTMENT BANKING – PROFIT AND LOSS AGGREGATES

			Chg. Y/Y	
(Eur mln)	31/03/23	31/03/22	Abs.	%
Net interest income	*29.2*	*39.9*	*-10.8*	*-26.9%*
Net fee and commission income	*13.4*	*14.4*	*-1.1*	*-7.3%*
Other Revenues from Banking and Insurance Business	*24.3*	*17.0*	*7.3*	*42.8%*
Other operating expenses/income	*0.4*	*0.4*	*0.0*	*-11.0%*
Total Revenues	**67.2**	**71.8**	**-4.6**	**-6.4%**
Operating expenses	*(22.8)*	*(25.6)*	*2.8*	*-10.9%*
Pre Provision Operating Profit	**44.4**	**46.2**	**-1.8**	**-3.9%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(7.8)	(22.5)	14.7	-65.2%
Net Operating Income	**36.6**	**23.7**	**12.9**	**54.2%**
Non-operating components	**(11.2)**	**(18.6)**	**7.4**	**-39.9%**
Profit (loss) before tax from continuing operations	**25.4**	**5.2**	**20.3**	**n.m.**

Results for the subsidiary

- **MPS Capital Services**: pre-tax result of EUR 21 mln as at 31 March 2023, up compared to the pre-tax profit for the first quarter of 2022 (equal to EUR 15 mln), thanks to the increase in other income from banking and insurance business, the decrease in the cost of credit and the lower negative impact of non-operating components, which more than offset the decline in net interest income. The net result for the first quarter of 2023 was positive and equal to EUR 22 mln, up compared to the profit of EUR 13 mln achieved in the corresponding period of 2022 due to the aforementioned trends.

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 31 March 2023, gross performing loans to customers amounted to EUR 1.0 bn; the contribution to the economic results of the Corporate Centre was approximately EUR 2 mln in Revenues, approximately EUR -11 mln in Operating Expenses and approximately EUR -48 mln in the Cost of Credit.

With regard to Finance activities, sales of securities in the first quarter of 2023 were marginal; on the other hand, during the quarter, securities for around EUR 660 mln matured, almost entirely classified in the portfolio of financial assets measured at fair value through other comprehensive income. In partial offsetting, securities were repurchased for approximately EUR 430 mln, classified at amortised cost.

Prospects and outlook on operations

For the Italian banking system, in the coming months, more modest credit growth is expected than in the recent past, also as a result of the marked increase in interest rates. Mortgages for home purchases, supported in the last two years by tax incentives, are expected to slow down but will continue to grow also thanks to the green mortgages drive. Companies are expected to make use of the liquidity accumulated in the last two years to meet working capital needs, investments are expected to continue to grow but with more modest dynamics, while the disbursement criteria will increasingly incorporate ESG assessments, in line with regulatory requirements. The larger companies will return to issue securities on the market.

In terms of funding, after years of shrinking, bond issues are expected once again to increase, while there an overall decrease in volumes and a recomposition of demand forms towards forms with a fixed duration is expected, with a consequent increase in the cost of funding. Direct funding is also expected to be driven towards other more profitable forms of indirect funding and in particular to funding under custody (government securities). The banking spread is expected to continue to grow over the next few months, with consequent benefits on interest margins, to then return to narrow next year. Commissions on indirect funding are expected to continue to be affected by the weakness of assets under management and the increase in the portion of assets under custody, with lower returns, in portfolios. On the other hand, the growth in commissions linked to liquidity management continues, despite the competitive forces of non-banking operators, both due to a higher volume of transactions in value due to inflation and a recovery of tariffs.

Credit risk, which remained at very low levels in 2022, is expected to worsen in the coming months, with a moderate increase in default rates, especially in non-manufacturing sectors. Higher credit rates and the reduction in purchasing power will also lead to an increase in household risk levels, which are in any case expected to remain low. Consequently, the cost of risk is expected to increase moderately. Operating costs in the coming months are expected to continue to be affected by high inflation and personnel costs will have to take into account the upcoming renewal of the national contract. Finally, in 2023, investments in digitalisation and IT investments in general are expected to continue to grow.

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.

In line with the 2022-2026 Business Plan implementation path, on 20 April 2023 and 5 May 2023, the Parent Company signed the deed of incorporation of MPS Leasing & Factoring S.p.A. and MPS Capital Services S.p.A. into Banca MPS. Mergers 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.

DECLARATION OF THE FINANCIAL REPORTING OFFICER

Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Nicola Massimo Clarelli, declares that the accounting information contained in this Interim Report on Operations as at 31 March 2023 corresponds to the underlying documentary evidence and accounting records.

Siena, 8 May 2023

Signed by

the Financial Reporting Officer

Nicola Massimo Clarelli