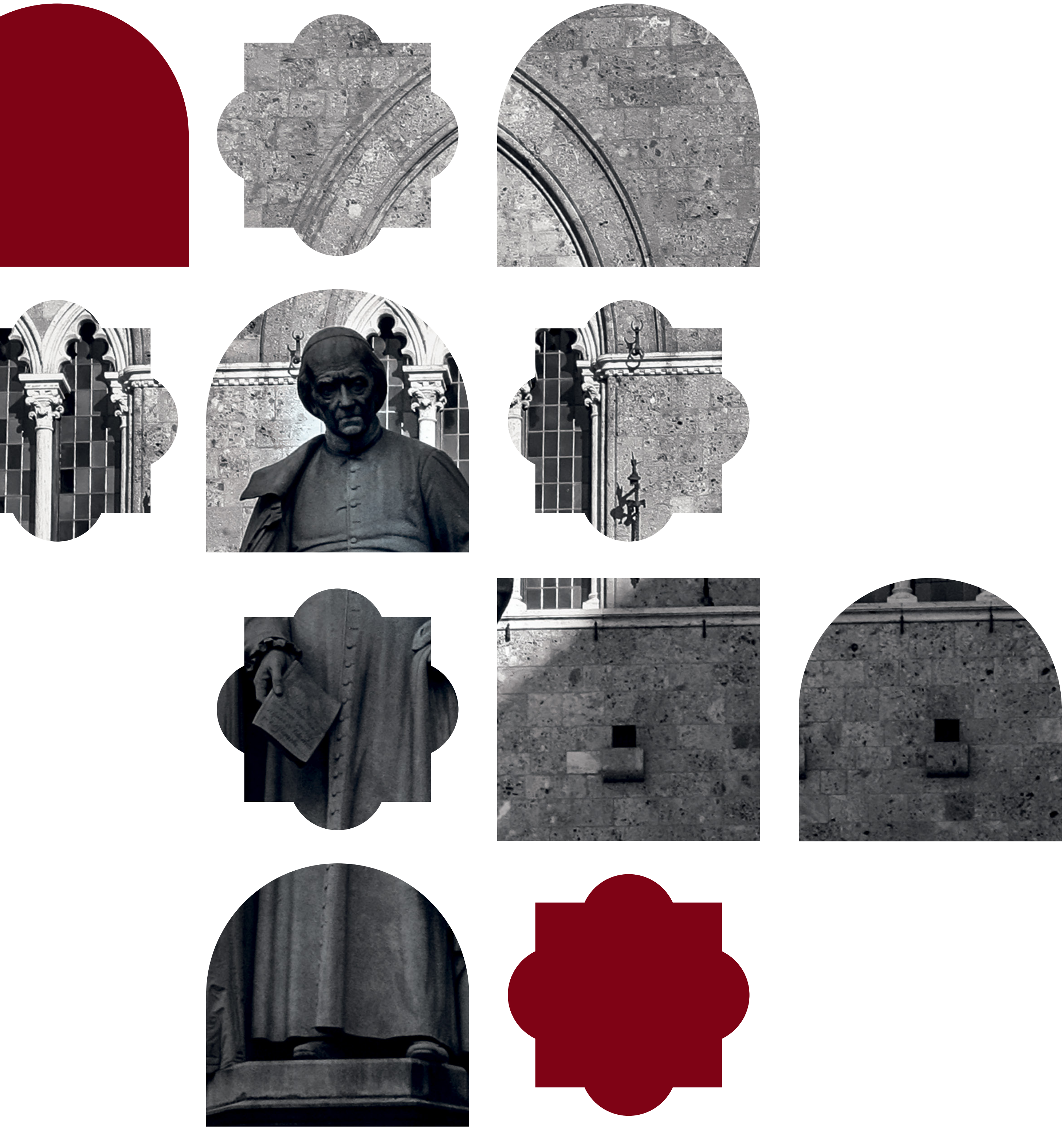
MONTE DEI PASCHI DI SIENA
BANK SINCE 1472



Monte dei Paschi di Siena Group
Consolidated interim report as at 30 september 2022

Interim Report on Operations
Monte dei Paschi di Siena Group
30 September 2022

Banca Monte dei Paschi di Siena S.p.A.
Registered office in Piazza Salimbeni 3, Siena, Italy
Share Capital: € 4,954,119,492.44 fully paid in
Registered with the Arezzo-Siena Company Register – registration no. and tax code 00884060526
MPS VAT Group - VAT number 01483500524
Member of the Italian Interbank Deposit Protection Fund. Registered with the Register of Banks under no. 5274
Monte dei Paschi di Siena Banking Group, registered with the Register of Banking Groups.

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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obligation for listed companies to publish interim reports on operations (as at 31 March and as at 30 September) was repealed, allowing issuers to decide on a voluntary basis whether to disclose periodic financial information in addition to the annual and half-yearly reports.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, which is not subject to limited audit requirements, provides a description of the most significant activities and results that have determined the operating performance of the Montepaschi Group as at 30 September 2022, both in regard to the Group as a whole and to the different business segments through which consolidated operations are carried out.

Results in brief

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

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

INCOME STATEMENT AND BALANCE SHEET FIGURES			
MONTEPASCHI GROUP			
INCOME STATEMENT FIGURES (EUR mln)	30 09 2022	30 09 2021	Chg.
Net interest income	1,039.7	898.5	15.7%
Net fee and commission income	1,055.3	1,112.8	-5.2%
Other income from banking business *	137.7	274.1	-49.8%
Other operating income and expenses	15.7	(25.9)	n.m.
Total Revenues *	2,248.4	2,259.5	-0.5%
Operating expenses	(1,592.3)	(1,586.8)	0.3%
Cost of customer credit *	(320.0)	(27.7)	n.m.
Other value adjustments	1.4	2.9	-51.7%
Net operating income (loss)	337.5	647.9	-47.9%
Non-operating items	(1,111.4)	(292.2)	n.m.
Parent Company's net profit (loss) for the period	(360.5)	388.1	n.m.
EARNINGS (LOSS) PER SHARE (EUR)	30 09 2022	30 09 2021**	Chg.
Basic earnings per share	(35.962)	39.579	n.m.
Diluted earnings per share	(35.962)	39.579	n.m.
CONSOLIDATED BALANCE SHEET FIGURES (EUR mln)	30 09 2022	31 12 2021	Chg.
Total assets	131,791.5	137,868.6	-4.4%
Loans to customers	77,939.1	79,380.3	-1.8%
Direct funding	83,805.1	90,300.3	-7.2%
Indirect funding	91,481.3	104,429.7	-12.4%
of which Assets under management	57,988.4	65,285.5	-11.2%
of which Assets under custody	33,492.8	39,144.2	-14.4%
Group net equity	5,304.1	6,172.7	-14.1%
OPERATING STRUCTURE	30 09 2022	31 12 2021	Chg.
Total headcount - end of period	21,015	21,244	(229)
Number of branches in Italy	1,368	1,368	n.m.

** These aggregates as at 30 September 2021, with respect to what was published at that date, incorporate the reclassification of the economic effects of securities deriving from the sale/securitisation of non-performing loans included in the item "Cost of customer credit"*[2].

*** Following the reverse split of ordinary shares at the ratio of 1 new ordinary share for every 100 existing ordinary shares, the Earnings (loss) per share was expressed pro forma.*

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

[2] Please refer to the section "Income statement and balance sheet reclassification principles" for further information.

ALTERNATIVE PERFORMANCE MEASURES			
MONTEPASCHI GROUP			
CONSOLIDATED PROFITABILITY INDICATORS (%)	30 09 2022	31 12 2021	Chg.
Cost/Income ratio	70.8	70.7	0.1
ROE (on average equity)	(8.4)	5.2	-13.6
ROA	(0.4)	0.2	-0.6
ROTE	(8.6)	5.3	-13.9
CREDIT QUALITY RATIOS (%)	30 09 2022	31 12 2021	Chg.
Net NPE ratio	2.1	2.6	-0.5
Gross NPL ratio	3.1	3.8	-0.7
Rate of change of non-performing loans to customers	(21.1)	2.5	-23.6
Bad loans to customers/Loans to customers	0.7	0.8	-0.1
Loans to customers measured at amortised cost - Stage 2 / Performing loans to customers measured at amortised cost	15.0	16.0	-1.0
Coverage of non-performing loans to customers	53.6	47.9	5.7
Coverage of bad loans to customers	70.2	63.7	6.5
Provisioning	0.55	0.31	0.24
Texas ratio	48.4	51.6	-3.2

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 of the Group (including Profit and Valuation reserves) at the end of period and the shareholders' equity at the end of the previous year.

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

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

Net NPE Ratio: ratio between net impaired exposures to customers and total net exposures to customers, both net of assets held for sale (excluding government securities)[4].

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

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

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

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

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

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

[4] This measure is used, starting from 31 March 2022, in place of the previous ratio between net non-performing loans to customers and total net loans to customers (which as at 30 September 2022 would have been 2.4) in order to provide a representative indicator of the overall exposure and not just the loans with the highest risk of deterioration. The value as at 31 December 2021 (amounting to 2.7 on the 2021 Financial Statements) has been restated in order to allow for a homogeneous comparison.

[5] EBA GL/2018/10.

REGULATORY INDICATORS			
MONTEPASCHI GROUP			
CAPITAL RATIOS (%)	30 09 2022	31 12 2021	Chg.
Common Equity Tier 1 (CET1) ratio - phase in	10.0	12.5	-2.5
Common Equity Tier 1 (CET1) ratio - fully loaded	9.0	11.0	-2.0
Total Capital ratio - phase in	13.9	16.1	-2.2
Total Capital ratio - fully loaded	12.9	14.6	-1.7
FINANCIAL LEVERAGE INDEX (%)	30 09 2022	31 12 2021	Chg.
Leverage ratio - transitional definition	3.3	4.7	-1.4
Leverage ratio - fully phased	3.0	4.2	-1.2
LIQUIDITY RATIO (%)	30 09 2022	31 12 2021	Chg.
LCR	184.7	172.7	12.0
NSFR	138.5	129.6	8.9
Encumbered asset ratio	38.9	40.7	-1.8
Loan to deposit ratio	93.0	87.9	5.1
Spot Counterbalancing capacity (EUR bn)	26.0	25.4	0.6

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

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

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

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

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

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

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

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

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

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

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

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

Executive summary

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

- **Net Interest Income** amounted to **EUR 1,040 mln**, up significantly compared to the same period of 2021 (+15.7%). This growth was driven primarily by (i) the increased contribution of the commercial segment, thanks to the higher interest income on loans generated by rising rates and the lower cost of funding, basically linked to the reduction of volumes and (ii) the lower cost of market funding, which benefitted from the maturity of some securities. The contribution deriving from relations with central banks was down compared to last year: the lower cost incurred for liquidity deposited with central banks was indeed more than offset by the decline in the positive effects linked to accessing the TLTRO III auctions.

- **Net fee and commission income**, totalling EUR 1,055 mln, declined compared to the same period of the previous year (-5.2%) due to high market volatility. The decrease is attributable to lower income from asset management (-11.6%), mainly due to lower commissions on product placement. Income on protection and the securities service also fell, while continuing commissions basically remained stable. Commissions from traditional banking services recovered compared to the same period of the previous year, while Other fee and commission income decreased slightly, also due to the effect of the lower contribution of MPS Capital Services.

- **Other income from banking business**, amounting to EUR 138 mln, recorded a decline of EUR 136 mln compared to 30 September 2021 as a result of the lower profits deriving from the sale of the securities, a lower trading result and a reduced contribution generated by insurance investments in AXA associated companies.

- **Other operating income and expense**, totalling EUR 16 mln, improved compared to the result recorded in the same period of 2021 (equal to EUR -26 mln).

- As a result of the trends described above, **Total revenues** amounted to EUR 2,248 mln, down slightly (-0.5%) compared to the first nine months of 2021.

- **Operating expenses** totalled EUR 1,592 mln, basically stable compared to the same period of the previous year (+0.3%). This aggregate includes **Personnel expenses**, totalling EUR 1,067 mln, which were down 1.0% compared to the first nine months of 2021, benefiting from workforce reduction trends. **Other administrative expenses**, totalling EUR 394 mln, grew compared to the same period of the previous year (+4.3%, which benefitted from contingent assets), also due to extraordinary legal costs and tensions linked to energy costs. **Net value adjustments to property, plant and equipment and intangible assets** amounted to EUR 132 mln, stable compared to the same period of the previous year.

- The **Cost of Customer Credit** is equal to EUR 320 mln, an increase compared to the EUR 28 mln recorded in the same period of the previous year, mainly due to the adjustments related to the sale of non-performing loans and, therefore, the use of sales scenarios in the estimation models. Even excluding these effects, the aggregate was up compared to the first nine months of 2021, mainly due to impairment reversals (about EUR 130 mln) recorded last year on some significant positions, the risk profile of which has improved due to intervening corporate events.

- The **Provisioning Rate**[9] is **55 bps** (57 bps as at 30 June 2022 and 31 bps as at 31 December 2021).

- The **Net Operating Income** was EUR 338 mln, compared to EUR 648 mln in the corresponding period of the previous year.

- In addition to the changes in these economic aggregates, there were non-operating components amounting to EUR -1,111 mln (EUR -292 mln as at 30 September 2021). Notably, **Net provisions for risks and charges** recorded a recovery of EUR 43 mln (against a cost of EUR -66 mln as at 30 September 2021), **Other gains (losses) on investments**, equal to EUR 4 mln (EUR 2 mln as at 30 September 2021), **Restructuring/One-off costs**, equal to EUR -928 mln (EUR -8 mln as at 30 September 2021), costs

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

associated with **SRF (Single Resolution Fund), DGS (Deposit Guarantee Systems) and similar schemes**, equal to EUR -172 mln (EUR -159 mln as at 30 September 2021), the **DTA fee** equal to EUR -47 mln (unchanged compared to 30 September 2021), the **Net gains (losses) on property, plant and equipment and intangible assets measured at fair value** amounting to EUR -11 mln (EUR -28 mln as at 30 September 2021) and **gains (losses) on disposal of investments**, equal to EUR 0.8 mln (EUR +14 mln as at 30 September 2021).

- As a result of these trends, together with the positive impact of **Taxes** of **EUR 415 mln** (EUR +35 mln as at 30 September 2021) and the net economic effects of the **PPA**, equal to EUR -2 mln (EUR -3 mln as at 30 September 2021), the Group posted a **Loss for the period** attributable to the Parent Company of **EUR 360 mln**, compared to a profit of EUR 388 mln posted in the same period of the previous year.

- **Total funding** volumes at 30 September 2022 amounted to approximately **EUR 175.3 bn**, with a decrease in volumes of EUR 2.1 bn compared to 30 June 2022, linked to the decrease in Indirect funding (EUR -1.6 bn) due to the reduction of both components of Assets under management (EUR -0.9 bn) and Assets under custody (EUR -0.7 bn), impacted by a negative market effect. On the other hand, volumes of Direct Funding amounted to **EUR 83.8 bn** and are down slightly compared to the values at the end of June 2022 (EUR -0.5 bn) due to the drop in term deposits (EUR -0.5 bn), in keeping with the strategy to reduce costly components and Bonds (EUR -0.7 bn), offset only in part by the increase in Current Accounts (EUR +0.4 bn) and Other forms of deposits (EUR +0.3 bn).

  Total Funding compared to 31 December 2021 recorded a decline in volumes of EUR 19.4 bn due to the decrease in Direct Funding (EUR -6.5 bn) as well as Indirect Funding (EUR -12.9 bn). In more detail, the decline in Direct Funding was caused by all technical forms, with the exception of Current accounts, which were up by EUR 0.1 bn. In particular, there was a decrease in Repurchase agreements (EUR -3.4 bn), due to the lower operations of MPS Capital Services, and a reduction in the bond sector (EUR -1.8 bn), mainly deriving from the maturity of a covered bond and an institutional bond issued. Other forms of funding also decreased (EUR -0.2 bn), as did term deposits (EUR -1.3 bn) due to the continuation of the actions implemented by the Parent Company to optimise the cost of funding. Indirect Funding decreased compared to 31 December 2021 by EUR 12.9 bn, due to the reduction in both the Assets under Management (EUR -7.3 bn) and Assets under Custody (EUR -5.7 bn) components, impacted by a negative market effect.

- **Customer Loans** stood at around **EUR 77.9 bn** at 30 September 2022, down by EUR 0.7 bn compared to the end of June 2022 due to lower repurchase agreements (EUR -0.3 bn) and the decline in mortgages (EUR -0.1 bn) and other loans (EUR -0.2 bn).

  With respect to 31 December 2021, Loans to Customers declined by EUR 1.4 bn primarily due to the decrease in Repurchase Agreements (EUR -2.0 bn) and the drop in mortgages (EUR -0.6 bn) and non-performing loans (EUR -0.2 bn). On the other hand, current accounts (EUR +0.4 bn) and other loans (EUR +1.0 bn) were up.

- As at 30 September 2022, the **coverage ratio for non-performing loans** stood at 53.6%, up compared to 30 June 2022 (51.8%), thanks to the increase in the coverage ratio of bad loans (from 68.7% to 70.2%), Unlikely to pay exposures (from 38.4% to 39.8%) and Non-performing past-due loans (from 24.6% to 26.4%). The coverage ratio for non-performing loans was up also compared to 31 December 2021 (47.9%) as a result of the increase in the coverage ratio of bad loans (from 63.7% to 70.2%), unlikely-to-pay positions (from 36.7% to 39.8%) and non-performing past-due loans (from 22.7% to 26.4%).

- With regard to capital ratios, as at 30 September 2022 the ***Common Equity Tier 1 Ratio*** was **10.0%** (11.7% as at 30 June and 12.5% at the end of 2021) and the ***Total Capital Ratio*** was **13.9%** (15.4% as at 30 June 2022 and 16.1% at the end of 2021). The same ratios, taking into account the share capital increase carried out last 4 November for roughly EUR 2.5 bn and the relative costs, amounted to 15.6% and 19.5%, respectively, as at 30 September 2022.

Reference context

The international scenario

Within a climate of profound uncertainty, the global economic cycle is slowing as a result of exceptionally high inflation, restrictive monetary policies, deteriorating financial conditions, the evolution of the conflict in Ukraine (and international geopolitical tensions), the weakening of activities in China and, to a lesser extent, procurement difficulties throughout the value chains. Energy prices remain high and the Central Banks of the main advanced economies (with the exception of Japan) are resolutely continuing with their monetary normalisation process in an attempt to cool inflation. Some of these economies (Italy and the United Kingdom) have recently seen a renewal in their political governance. Global economic activity remains marginally exposed to possible resurgences of the pandemic.

After recording a contraction in growth in the first two quarters of the year, the **United States** returned to expansion in the third (+2.6% annualised qoq for GDP, marking an increase that exceeded expectations). Inflation decreased moderately to 8.2% on a yearly basis in September (from 9.1% in June), but "core" inflation, so not including the more volatile components, rose to 6.6% yoy in September. Job market conditions remain tight, with double the number of job openings compared to the number of unemployed people; and the real estate market experienced a correction after the expansion recorded during the pandemic. In August, the Inflation Reduction Act entered into force, a package of measures to reduce inflation by cutting the federal deficit, and to promote the green transition.

In the **Eurozone**, after the expansion in the first half of the year, growth decelerated in the summer months, impacted especially by significant increases in energy costs and intensified uncertainty. The preliminary GDP figure for the third quarter of the year in any event recorded quarterly growth (+0.2%) and Germany marked an expansion (+0.3% on a quarterly basis), defying expectations of a decline. Inflation reached new highs, rising to 10.7% on a quarterly basis in October (provisional figure), driven especially by the more volatile components; however, in recent months, oil prices backtracked due to the widespread deterioration in the international economic scenario and the European natural gas price recently shifted downward from all-time highs thanks to the achievement of storage targets, particularly high temperatures in Europe compared to the average and the EU-wide agreement entered into on gas.

In October, the European Council authorised the EU Commission to adopt concrete measures intended to introduce a temporary dynamic price cap on the Amsterdam TTF[10] and create a new common financial instrument to support households and businesses against rising energy prices. The various national governments also took large-scale, individual actions to support households and businesses (Germany and France in particular). Also in the EU, last July the "Save Gas for a Safe Winter" package was defined, proposing a voluntary reduction in gas demand by the Member States until March 2023, which was followed up by similar proposals for reducing electricity consumption. The participating countries also moved forward according to plan with the implementation of their National Recovery and Resilience Plans: all plans were presented and approved (with the exception of Hungary's) and the resources disbursed by the EU to date amount to roughly EUR 133 bn.

In the **UK**, at the end of September the announcement of a considerable fiscal stimulus package by the government triggered a decisive negative reaction from the markets, forcing the Bank of England to directly intervene. After a few days, the government therefore decided to eliminate the fiscal plan and Prime Minister Truss resigned from office.

The **emerging economies** recorded varying trends. In China, the Zero-COVID policy, which is expected to continue, unfavourable real estate sector trends and electricity rationing in certain provinces due to the drought, influenced growth and, despite the recovery in GDP recorded in the third quarter of the year (+3.9% yoy), the official growth target set by the government for 2022 appears to be difficult to achieve. On the political front, the 20th Congress of the Chinese Communist Party closed with the confirmation of President Xi Jinping, the formalisation of opposition to Taiwanese independence and no new measures to support growth. In Russia, GDP contracted significantly due to the war and sanctions but the decline was reduced by sustained energy exports. With the strengthening of the US currency against its counterparties, many central banks (Brazil, South Africa, South Korea) increased their policy rates further in order to limit the depreciation of their respective exchange rates and combat strong inflationary pressures.

[10] Title Transfer Facility, represents the main reference on gas prices for Europe and Italy, as one of the largest and most liquid wholesale natural gas markets in continental Europe, headquartered in the Netherlands

Italy: economic context

In **Italy**, stronger growth in the first part of the year in conjunction with the improvement in the pandemic scenario slowed as a result of the difficult international context and further increases in the cost of energy, which drove inflation to the all-time high of 11.9% yoy in October (preliminary figure). However, the GDP expansion recorded in the third quarter (preliminary figure of +0.5% qoq) made it possible to revise acquired growth[11] for 2022 upward (equal to 3.9%). Expectations concerning orders and production in any event deteriorated especially in sectors in which energy represents a significant portion of company production input. Pessimism concerning Italian business investment conditions accentuated and signs of weakening emerged for construction. The sustained recovery of household consumption marked in the second quarter was followed by weakening in the third, with higher energy prices impacting household budgets despite government intervention. In the summer months, signs of a slowdown in the job market emerged. On the political front, the new government team was sworn in on 22 October.

Again in the third quarter of the year, the executive branch continued to take action with a view to supporting the economic recovery and, especially, limiting the impacts of the conflict and making up for the effects of the exceptional increase in the cost of energy. On 4 August, the Council of Ministers approved Law Decree no. 115 of 9 August 2022 containing "Urgent measures on energy, the water emergency and social and industrial policies" "Aid-bis"). This Decree, converted into law and published in the Official Gazette on 22 September, inter alia:

- in order to fight against higher energy prices, proposes tax credits for companies for the third quarter of 2022 as well;
- with respect to the water emergency, sets aside resources in favour of farms impacted by the drought;
- orders a reduction in the tax wedge in favour of employees for pay periods from 1 July to 31 December 2022, including the holiday bonus;
- with respect to investments, introduces rules in favour of companies operating in strategic sectors or sectors of public interest and refinances the Fund for the initiation, by 31 December 2022, of non-deferrable works

Also on the topic of aid, the Council of Ministers approved Law Decree no. 144 of 23 September 2022 "Additional urgent measures on the national energy policy, business productivity, social policies and policies for the implementation of the National Recovery and Resilience Plan (NRRP)" ("Aid-ter"), pending conversion into law in the Chamber. The decree contains, inter alia, the following provisions:

- tax credits in favour of companies extended and strengthened for the purchase of electricity and natural gas;
- in order to further support company liquidity within the context of the energy emergency, ensuring the best conditions for the bank lending market, free guarantees will be granted by SACE and the SME Fund for loans granted by banks to companies to meet requirements relating to the payment of bills issued in October, November and December, if an interest rate which uses BTPs as a reference is applied to the loan. For the same purposes, the guarantee percentage is increased from 60% to 80% of the financed amount for the payment of bills;
- the maximum amount of the loans that may be guaranteed by the Italian Institute of Services for the Agricultural and Food market (ISMEA) is increased (from EUR 35 thousand to EUR 62 thousand) in relation to loans in favour of farms, fishing and aquaculture companies that have seen higher energy costs;
- with respect to the additional measures adopted, the allocation of resources is planned as part of the initiatives taken by the European Union within the framework of the new exceptional Macro-Financial Assistance (MFA) in favour of Ukraine.

The Council of Ministers also approved the Update to the Economy and Finance Document (NADEF) on 28 September.

After all goals and objectives established by the NRRP for the first half of 2022 were met, in late September the European Commission provided its favourable opinion regarding the disbursement of the second tranche of funds to Italy. The assessment was transmitted to the EU Council for approval. The second instalment of 21 bn will be disbursed by the end of November. Indeed, despite the dissolution of the Chambers at the end of July, the Parliament completed the approval process regarding several measures needed for the implementation of the National Recovery and Resilience Plan: such as the Competition Bill (Bill no. 2469-B), the Tax Simplification Law Decree (Bill no. 2681) and the Bill on tax justice and proceedings. On 28 September, the Council of

[11] Annual growth (change) that would be obtained in the presence of no quarterly change in GDP in the remaining quarters of 2022

Ministers approved, on final review, three legislative decrees implementing the civil and criminal justice reform and official procedural reforms, also for the purpose of implementing the NRRP.

The European Commission approved a guarantee mechanism on loans of EUR 10 bn, prepared by Italy, to support businesses in a number of sectors within the context of Russia's invasion of Ukraine. The system aims to guarantee that the impacted companies that need it will have sufficient liquidity available by granting a state guarantee, managed by SACE, on new loans and allowing banks to continue to disburse loans to the real economy. The measure will be open to companies of all sizes and across all sectors active in Italy, with the exception of the financial sector.

Financial markets and monetary policy

War, political instability, energy crisis, price tensions and restrictive monetary policy interventions, alongside fears of a recession, heavily penalised market indexes within a context of strong volatility. From the start of the year to 30 September 2022, the S&P 500 tumbled nearly 25%, the FTSE MIB lost more than 24% and the Euro Stoxx just under 23%; Japan's Nikkei recorded a drop of close to 10% and the Chinese Shenzhen backtracked around 23%. Market expectations concerning the exacerbation of monetary policies contributed to a sharp rally in long-term yields at global level. After a first part of the year with constant growth and a partial retreat in the middle months of the year, the US ten-year started to rise again last August until reaching 3.83% as at 30 September 2022 (up by roughly 232 basis points compared to the end of 2021); the same trend was seen for the German ten-year which, since August, resumed its growth trend and reached 2.11% at the end of September (around +229 bps compared to last December). Even more decisive was the growth of the Italian ten-year bond, which closed the third quarter of the year at approximately 4.52%, from 1.17% at the end of 2021 (+335 basis points). Tensions on Italian debt securities are reflected in an expansion of the BTP-Bund spread which, after passing 240 basis points in June to then partially backtrack, recently returned to yearly highs at 241 bps as at 30 September 2022 (106 bps higher than December), also due to the political uncertainty linked to the early elections.

Against inflation that has not yet started any kind of meaningful reduction trend (especially in the core component), the Fed continued to raise rates at a fast clip, increasing the Fed Funds rate by 75 basis points in both September and November, driving it to the 3.75-4% range. In order to restrain inflation, also to the detriment of supporting growth, the members of the FOMC[12] revised their projections upwards concerning the expected Fed funds level required to reduce inflation, while macroeconomic projections on US growth were lowered significantly (to 0.2% in 2022), evoking the risk of a recession. The Fed continues to reduce its budget ("quantitative tightening") by not renewing maturing securities.

Starting from this summer, the **ECB** also took a significantly restrictive turn in its monetary policy. After an initial increase in the policy rate in July (+50 basis points) and a second one in September (+75 basis points), at its October meeting the Authority approved a further 75 bp increase, bringing the interest rate on the main refinancing transactions, marginal refinancing transactions and central bank deposits to 2%, 2.25% and 1.50%, respectively. The Authority has forecast additional future hikes, the extent of which will be evaluated on a meeting-by-meeting basis depending on available data; it also modified TLTRO conditions and established the remuneration of minimum reserves at the deposit rate. In particular, long-term refinancing transactions will be subject to a rate pegged to the average of the ECB rates for the period equal to the duration of the loan, and new repayment opportunities will be offered. A reduction in the asset portfolio will be discussed at the December meeting.

With the establishment of the Transmission Protection Instrument (TPI) last July, the ECB instituted an additional tool capable of protecting the Eurozone from fragmentation risk and guaranteeing the full transmission of monetary policy. The extent of the secondary market purchases that may be activated through the TPI is not subject to ex-ante restrictions, but decisions on the activation, continuation and suspension of the TPI by the ECB's governing council will be based on an overall assessment of market indicators and four specific criteria aimed at establishing that the countries concerned are pursuing solid and sustainable fiscal and macroeconomic policies (compliance with EU budget rules, absence of severe macroeconomic imbalances, fiscal sustainability, adoption of prudent and sound policies in compliance with the commitments presented in the NRRP and specific EU Commission fiscal recommendations under the European Semester). This instrument

[12] The Fed's Federal Open Market Committee

joins the flexible reinvestment of the capital repaid on maturing securities from the PEPP[13], which will continue to be the main tool for combatting fragmentation risk[14].

Russia - Ukraine Conflict

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

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

Please note that, taking into account their extent, no significant impacts are expected from the direct exposures held by the Group with respect to Russia, Ukraine and Belarus. In detail, as at 30 September 2022, the exposure is represented by unsecured loans and receivables of around EUR 12 mln, of which EUR 9 mln guaranteed by SACE, which were prudently classified in Stage 2.

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

As regards the potential impacts deriving from rising inflation as well as the higher cost of raw materials, an analysis was conducted on the Group's main exposures exposed to such risks. This portfolio, subject to specific management overlays as at 30 September 2022 (see the section on "Estimates and assumptions when preparing the Interim report on operations"), remains subject to careful monitoring and at the date on which this Interim report on operations was drafted, there were no signs of impairment.

As concerns the macroeconomic scenario, the macroeconomic forecasts updated to October 2022 show an increase in provisioning levels of around EUR 25 mln. Likewise, no signs of any deterioration were identified in IFRS 9 risk parameters (PD/LGD/EAD); at the moment, data for the first nine months of 2022 show a very limited default flow (0.9% annualised linearly). Year-end expectations point to a slight increase, but with an overall forecast for 2022 of a default rate of around 1%.

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

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

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

[13] Pandemic Emergency Purchase Programme

[14] In the period between June and September, these reinvestments were concentrated especially in Southern European jurisdictions: net purchases of Italian, Spanish and Greek government bonds amounted to a total of EUR 14 bn (source: Bank of Italy, Economic Bulletin, October 2022)

February 2022, the Office's activities, in line with those of the Parent Company, are compliant with the financial restrictions adopted by the EU and OFAC as a result of the invasion of Ukraine.

COVID-19

Summary of measures to support households and businesses

Type of loans	Gross exposures		Total impairment (losses)		New Loans	
	EBA GL – Non-compliant moratoria	**Total Gross exposures**	EBA GL – Non-compliant moratoria	**Total impairment (losses)**	Gross exposures	Total impairment (losses)
Performing exposures	81.7	81.7	3.0	3.0	10,107.7	38.7
Non-performing exposures	28.1	28.1	10.4	10.4	241.0	57.0
Total 30 09 2022	**109.8**	**109.8**	**13.4**	**13.4**	**10,348.7**	**95.7**
Loans measured at fair value	16.7	16.7	-	-	-	-
Stage 1	5.2	5.2	-	-	7,613.6	5.9
Stage 2	59.8	59.8	3.0	3.0	2,494.1	32.8
Stage 3	28.1	28.1	10.4	10.4	241.0	57.0
Purchased or originated credit impaired financial assets	-	-	-	-	-	-

The Group has identified 30 June 2022 as the final deadline for granting additional moratorium measures falling within the scope of those provided to support households and businesses within the context of the COVID-19 emergency. This being said, performing exposures affected by moratorium measures in place were equal to about EUR 82 mln as at 30 September 2022 (EUR 206 mln as at 30 June 2022), of which 73.2% classified in stage 2 and 6.4% in stage 1. The above-mentioned total amounts to roughly 0.1% of the portfolio of gross performing loans to Group customers, and consists exclusively of moratoria not compliant with the EBA Guidelines after the 9-month trigger on the total duration of the suspension period was met. The latter were classified as forborne to the extent of 92% following the assessment of the financial difficulty carried out as part of the credit review plans.

Gross non-performing exposures with current moratoria amounted to EUR 28.1 mln as at 30 September 2022.

The remaining exposure of the total moratoria granted since the pandemic began amounted to EUR 11.3 bn as at 30 September 2022, of which EUR 0.1 bn still active at the date of this Interim report on operations and shown in the table above, and EUR 11.2 bn with a suspension period that has come to an end ("expired"), EUR 10.4 bn of which classified as performing and EUR 0.9 bn of which as non-performing. With respect to performing past-due exposures, amounting to EUR 10.3 bn, nearly all of them have instalments that have fallen due and been paid, with some limited past due amounts.

With regard to the actions taken in application of the "Liquidity Decree", the Group continued with the disbursement of loans guaranteed by the State. In detail, in the first nine months of 2022, additional loans of roughly EUR 1.3 bn were disbursed, so that the total amount of loans guaranteed by the Central Guarantee Fund, Ismea or SACE net of repayments is equal to around EUR 10.3 bn, of which EUR 10.1 bn classified under performing loans.

Around 65% of exposures originating from guaranteed loans have finished their pre-amortisation period, recording payment delays to the extent of 2%; for the remaining 35% of exposures, approximately 12% require payment of the first principal instalment by the end of 2022, while 23% will complete pre-amortisation starting from the first quarter of 2023.

Of the performing guaranteed amounts disbursed, about 24% represents exposures classified as stage 2, with roughly 29% representing disbursements made pursuant to letter E of the Liquidity Decree, the latter with exposure totalling EUR 3.0 bn as at 30 September 2022. The guarantee coverage rate compared to the total disbursed is roughly 87%, basically unchanged compared to the end of 2021.

The NPE ratio on total guaranteed loans was equal to around 2.5%, also resulting from preventive UTP assessment actions; limited to the lines with overdue amounts beyond the thresholds established for the reporting of risk events, the obligations began being met for the management of the state guarantee.

Security management in the context of the COVID-19 pandemic

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

In particular, the measures adopted experienced a significant reduction in their impact due to the gradual decline in the pandemic risk level.

As part of the initiatives aimed at ensuring the safe performance of work, the main changes at 30 September 2022 regard:

- **reassessment of cases of vulnerability pursuant to Ministerial Decree of 4 February 2022** by the Company Doctors to be able to access flexible working arrangements on a continuous basis;
- **adaptation of the quarantine measure for those who have contracted the virus to the procedures laid out in Ministry of Health Circular of 31 August 2022:** anyone who was always asymptomatic or was symptomatic at first but has been asymptomatic for at least 2 days may end their quarantine after 5 days, after obtaining a negative result on an antigen or molecular test, at the end of the quarantine period;
- **extension until 31 December 2022 of flexible work on a continuous basis for "vulnerable" workers and for workers with serious disabilities confirmed pursuant to paragraph 3 of art. 3 of Law 104/1992 and typically up to 4 days per month for employees at the Branches and the Specialised Centres,** to manage nuclear family care requirements, without prejudice to further legislative updates.

Shareholders

As at 30 September 2022, the Parent Company Banca Monte dei Paschi di Siena's share capital amounted to EUR 4,954,119,492.44, broken down into 10,024,058 ordinary shares. In the third quarter of 2022, on the basis of the resolution of the Extraordinary Shareholders' Meeting of 15 September 2022, there were changes in both the share capital, to cover prior losses, and the number of shares, following the reverse split effective as of 26 September 2022.

According to the communications received pursuant to the applicable legislation and based on other information available, as well as on information provided by the CONSOB website, the entities that, as at 30 September 2022, directly and/or indirectly held ordinary shares representing holdings in excess of 3% of the share capital of the Issuer and not falling among the cases of exemption set forth in art. 119-bis of the Issuers' Regulations were as follows:

Major BMPS shareholders as at 30 September 2022

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

With the finalisation of the share capital increase transaction, AXA S.A. will have a stake of approximately 8%.

Information on the BMPS share

Share price and trends

In the third quarter, the continuation of critical elements for the global economy confirmed the negative market trend, which in large part replicated the declines of the first half of the year. Once again, the uncertainty linked to the conflict in Ukraine, gas availability and cost trends, and the ensuing uptick in inflation and the economic slowdown were some of the factors driving the poor performance of the main global stock exchange indexes.

In the United States, the difficulty in controlling inflationary pressures continued to drive investor fears and the actions of the Federal Reserve, which again in September raised rates by 75 bps, for the third consecutive time, confirming its dedication to its policy. Thus, during the quarter the performance of the S&P 500 was -5.3%, losing roughly one quarter of its capitalisation since the start of the year.

Strong COVID-19 containment policies once again slowed the growth of China which, according to the World Bank, will not be the economic driver of East Asia in 2022; Shanghai's SHCOMP index closed the third quarter down -11.0%. The Nikkei index in Tokyo instead managed to limit its quarterly loss to -2.0% thanks to an economy that is capable of containing the increase in inflation.

Also in Europe, the Central Bank was required to decisively intervene to combat the strong increase in inflation, launching a double rate hike (+0.50% in July and +0.75% in September) which brought rates back to positive values after roughly 7 years, and developing a new tool for controlling spreads linked to national government bonds, the Transmission Protection Instrument (TIP). Amongst the main European economies, Spain closed the third quarter with the worst performance, with Madrid's IBEX35 losing -9.0%, followed by Frankfurt's DAX (-5.2%) and the Paris CAC40 (-2.7%). London's FTSE100 also fell (-3.8%) in a quarter which closed with Liz Truss leaving her post as Prime Minister.

In Italy, the third quarter opened with a crisis in the government led by Mario Draghi, and ended with elections on 25 September, events which made the domestic stock market even more volatile, contributing to an expansion of the spread and a downward revision of the outlook by the rating agency Moody's. The FTSE MIB recorded -3.0% in the third quarter as well, following the significant losses recorded in the first two quarters of the year. On the other hand, the IT8300 "All Italian Banks" index recovered (+3.4%), outperforming the general Milan stock index also thanks to the benefits of positive profitability outlooks linked to rising rates.

The BMPS share closed the period ending on 30 September 2022 at a value of EUR 23.9, with a decline of -55.7% in the quarter. Also on a quarterly basis, the average volume of trades on a daily basis was 79,570. The data for the period are reconciled with the change that took place on 26 September, when there was a reverse split of MPS shares at the ratio of 1:100.

SHARE PRICE SUMMARY STATISTICS (from 30/06/2022 to 30/09/2022)	
Average	38.8
Minimum	23.9
Maximum	53.7

Rating

The ratings assigned by the rating agencies are provided below:

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook	Last rating action (as at 30/09/22)
Moody's	(P)NP	-	Caa1	Stable	17/03/22
Fitch	B		B	Evolving	01/12/21
DBRS	R-4	Stable	B (High)	Stable	15/06/22

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

Significant events in the first nine months of 2022

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

On **30 March 2022**, the Parent Company, in compliance with the requirements of the Final SREP Decision received last 2 February, sent the European Central Bank the Capital Plan approved by the Board of Directors on the same date. The Capital Plan was developed according to assumptions consistent with those of the 22-26 Business Plan approved by the Parent Company on 17 December 2021, also as concerns the amount of the underlying capital increase.

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

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

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

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

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

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

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

On **2 August**, DG Comp issued a measure, which was made public on 3 October 2022, relating to the revision of the "Commitments" assumed by the Italian Republic in order to allow for the Bank's precautionary recapitalisation in 2017 pursuant to EU and Italian regulations. This measure does not constitute an authorisation for the share capital increase, but rather a restructuring of the commitments made by the Italian State as concerns the State aid granted to BMPS in 2017, in order to identify compensatory measures with respect to the commitments from the previous 2017-2022 Business Plan that were not met, including the Ministry's divestment of its stake in the Bank by 31 December 2021.

On **4 August 2022**, the trade union agreement was entered into between the Group and the Trade Unions for the management of 3,500 voluntary resignations as at 1 December 2022 as set forth in the 2022-2026 Business Plan, thanks to an early retirement programme based on the various pension options already accrued and the activation of the sector Solidarity Fund. The effectiveness of the agreement in its full application is subject to the availability of the relative financial resources as set forth in the 2022-2026 Business Plan.

Also on **4 August 2022**, the Group entered into agreements concerning the disposal without recourse of a portfolio of non-performing loans for a total gross exposure of EUR 917.5 mln, with the following counterparties:

- Illimity Bank S.p.A.: unlikely to pay portfolio for a total of EUR 343.6 mln;
- Intrum Holding S.r.l.: unsecured bad loan portfolio for a total of EUR 365.9 mln;
- AMCO: secured bad loan portfolio for a total of EUR 208 mln.

The portfolio will be deconsolidated in the fourth quarter of 2022, allowing the MPS Group to attain an initial important objective of the 2022-2026 Business Plan, achieving a gross NPE Ratio post-disposal of 3.9% and a net ratio of 2.2%.

On **2 September 2022**, the European Central Bank informed the Parent Company of the positive completion of the authorisation process regarding the execution of the share capital increase.

On **15 September 2022** the Extraordinary Shareholders' Meeting of the Parent Company approved:

- the Bank's Half-Yearly Financial Report as at 30 June 2022, which showed a profit for the period of roughly EUR 97 mln, which the Shareholders' Meeting decided to allocate to cover the overall loss at the same date;
- the share capital reduction due to losses pursuant to article 2446 of the Italian Civil Code, to cover the overall loss mentioned above, reduced as a result of the profit for the period and the use of available reserves, following which the share capital amounted to EUR 4.954 bn;
- the reverse split of ordinary shares at the ratio of 1 new ordinary share for every 100 existing ordinary shares;
- the share capital increase for a total of up to EUR 2.5 bn, to be carried out in tranches, through the issuance of ordinary shares with regular dividend rights, offered as an option to the Shareholders of the Company, in accordance with article 2441 of the Italian Civil Code;
- the ensuing amendments to the Articles of Association and additional amendments to certain provisions of the Articles of Association.

On **26 September 2022**, the Parent Company, in execution of the above-mentioned shareholders' resolution, proceeded with the reverse split of 1,002,405,887 existing ordinary shares, with no indication of par value and with regular dividend entitlement, into 10,024,058 new ordinary shares with the same characteristics, after cancelling 87 ordinary shares to allow for the overall reconciliation of the transaction without altering the share capital. In order to facilitate the reverse split transactions and monetise any resulting fractions, BMPS engaged Equita SIM S.p.A. to become a counterparty from 26 September 2022 to 30 September 2022, at the request of the custodian intermediary, for the purchase or sale of the fractions of new shares involved in the reverse split either missing or exceeding the minimum extent necessary to allow the shareholders to hold a whole number of shares. These fractions were settled, without any additional expenses, stamp duty or fees, on the basis of the official BMPS ordinary share price on 23 September 2022 of EUR 0.3038.

Significant events after 30 September 2022

On **11 October 2022**, the Board of Directors of BMPS approved the final terms and conditions of the rights offering and the admission to trading on the regulated market of the BMPS shares deriving from the share capital increase with rights issue, for a maximum of EUR 2.5 bn, in tranches, approved by the Extraordinary Shareholders' Meeting on 15 September 2022.

Also on **11 October**, the Ministry of Economy and Finance ("MEF") undertook to subscribe all of its new shares in proportion with its stake held in BMPS, equal to a total of 64.23% of the maximum value of the share capital increase. This commitment is characterised by a constraint, i.e., the fact that, in order to comply with EU regulations on state aid, as a result of the share capital increase the MEF cannot in any case exceed the above-mentioned stake. Therefore, the MEF subscription commitment will become effective only pari passu with the other shareholders and, as a result, to an extent such so as to keep MEF's stake of 64.23% in the share capital of BMPS unchanged after the share capital increase.

On **11 and 12 October 2022**, several additional investors (the "Direct Subscribers") made irrevocable commitments to the Parent Company to subscribe any new shares for which the option was not exercised at the end of the offer on the stock exchange up to the total maximum amount of EUR 37 mln. The Direct Subscribers will not receive any fee based on the commitments respectively assumed.

On **13 October 2022**, BMPS signed the guarantee contract relating to the share capital increase. In particular, the Joint Bookrunners and Joint Global Coordinators (jointly, the "Guarantors") undertook to subscribe, severally and with no solidarity constraint, according to the terms and conditions set forth in the guarantee contract, the new shares not subscribed at the end of the auction for the shares for which options were not exercised, up to a total maximum amount of EUR 807 mln. Due to the commitments made pursuant to the guarantee contract, the Guarantors will receive fees. On the same date, Algebris (UK) Limited entered into an investment agreement with the Parent Company pursuant to which Algebris committed to BMPS to subscribe, through several parties it has identified, the new shares up to the amount of EUR 50 mln, of which EUR 20 mln as sub-underwriter. Due to the commitments made pursuant to the above-mentioned agreement, Algebris will receive fees.

On **13 October 2022**, CONSOB approved the Registration Document, Information Note and Summary Note relating to the share capital increase transaction.

On **13 October 2022**, the Parent Company announced that it had received the preliminary decision of the European Central Bank regarding the capital requirements that must be observed effective 1 January 2023, which confirmed those currently in force. For more details, please refer to the “Capital Adequacy” section.

On **25 October 2022**, the Parent Company obtained the authorisation of the European Central Bank for the merger by incorporation of Consorzio Operativo Gruppo Montepaschi S.C.p.A. (“COG”), the Group’s IT service company, into BMPS. The transaction is expected to be finalised in early December of this year.

On **4 November 2022**, the share capital increase concerning 1,249,665,648 newly issued shares was fully subscribed for the total equivalent value of EUR 2,499,331,296. The new share capital of the Parent Company is therefore equal to EUR 7,453,450,788.44, broken down into 1,259,689,706 ordinary shares with no indication of par value.

2022-2026 Group Business Plan

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

- **Business model with sustainable profitability**: optimization of the organisational structure in order to make the Bank’s operations agile and efficient, accompanied by the relaunch of the commercial platform. The goal is to strengthen the role of BMPS as a point of reference in the territories to which it belongs, through a product offer focused on families and companies and the support of important interventions for digitization, thus guaranteeing a solid generation of revenues.
- **Solid and resilient balance sheet**: significant strengthening of the Bank’s capital position following the completion of the capital increase of EUR 2.5 bn 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.

- 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. As concerns the evaluations of DG Comp, on 2 August the MEF announced that the Authority had approved a revision of the “Commitments” that had been assumed 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.

Main pillars of the 2022-2026 Business Plan

1. **Business Model with Sustainable Profitability**
   For the Bank, important initiatives are envisaged in the Business Plan aimed at achieving a *business* model characterised by sustainable profitability, thanks to an optimisation of the organisational structure in order to make the Bank’s operations agile and efficient, accompanied by the relaunch of the commercial platform, aimed at strengthening the role of BMPS as a point of reference in the territory to which it belongs, through a business model and a product offer focused on families and companies. The push towards digitisation is enabled by a plan focused on key projects to support the engines of revenue rebalancing, with the aim of guaranteeing their effective and timely completion, in order to obtain tangible results over the course of the Plan.
   In particular, the following actions are envisaged:
   - simplification of the Group structure through mergers by incorporation into BMPS of subsidiaries (MPS Capital Services, MPS Leasing & Factoring and Consorzio Operativo Gruppo MPS) to trigger and enable the rationalisation of the company’s business and operating model. These transactions make it possible to achieve significant benefits in terms of revenue synergies and expense optimisation. Specifically, the mergers help to speed up decision-making processes, save

on governance costs and enable significant resource efficiencies, which will be achieved through recourse to the solidarity fund;

- revision of the organisational structure with view to simplification, in which the most significant organisational impacts primarily regard the head office level: the Chief Operating Officer in which a new "Information Technology" unit will be created following the merger of the Group's Consorzio Operativo, the reconfiguration of the Chief Commercial Officer across three departments with targeted responsibility for the governance of the three main business areas (Retail, Businesses and Private, Large Corporate and Investment Banking). Locally, the commercial and credit structures will also be adapted to guarantee consistency with the new organisational design of the Group's commercial area, favouring a simplification of the lines of command and a clearer assignment of commercial oversight responsibilities to the individual markets (customer segments);
- headcount and geographical presence optimisation: to favour the achievement of a business model characterised by sustainable profitability, organisational structure optimisation and business model "streamlining" initiatives have been planned. These initiatives specifically regard: (i) headcount reduction, for which a voluntary redundancy plan has been developed which relies on the use of the Solidarity Fund. Resources will also be reallocated to commercial activities and customer services; (ii) the optimisation of the distribution network, which will entail a reduction of 150 branches over the Plan horizon;
- relaunch of the commercial platform and targeted development for specific high-potential business areas. The objective of sustainable profitability will also be pursued by relaunching the Group's commercial platform, strengthening BMPS's role as a point of reference in its geographical area. In this area, several additional investments are planned to support growth and execute Plan initiatives, such as: the multi-channel digital offer, the customer development plan through CRM and data analytics tools, the wealth management and consumer finance area, and the industrialisation of the performing and non-performing credit platform. Specific actions are also planned for commercial development in specific high-potential business areas, including:
  - "Consumer Finance", where the Bank still has space to reach its full potential, which is closely linked to the recent launch of the new internal product factory;
  - "Protection", which represents a central element in the business plans of the main domestic banking players, with significant growth, towards which the 2022-2026 Business Plan is also oriented. These results will be achieved especially thanks to joint efforts made with the reference partner;
  - "Wealth Management", in which the market benchmark has underscored opportunities for value generation;
  - With a view to enhancing the role of BMPS as an advisor, the Plan aims to reach full commercial potential through existing, well-established partnerships and the support of the new "MPS Athena" advisory platform;
  - "Small and Medium-Sized Enterprises": the commercial proposition will be strengthened with initiatives to guide coverage and capture the specialisation opportunities of each territory with a view to integrated financing for the entire supply chain;
  - "Households and SMEs": expansion of the customer base, through targeted initiatives and strengthening of organisational oversight dedicated to customer acquisition.
- rigorous control of administrative costs through the strong centralisation of cost governance responsibilities and authorisation processes from a "zero-based" perspective, supported by a process review and ad hoc tools;
- strengthening of the digital strategy: to support the relaunch of the commercial platform, investments are planned to develop Plan initiatives with reference to the IT and real estate sectors, with a specific focus on digitalisation;
- leveraging of Widiba as "challenger bank/best in class": the Plan calls for investments for the effective leveraging of Widiba, the Group's challenger bank, and the Bank's business model will be more oriented towards financial advisory services for customers, thus adopting a model already implemented by other players in Italy in order to leverage Widiba and its platform, recognised as one of the most innovative in Europe, as much as possible.

BMPS has always been engaged in ESG matters, as demonstrated by the numerous actions pursued over recent years, such as signing on to the "Principles for Responsible Banking" in 2019 and joining the "Net-Zero Banking Alliance" in 2022. This means that the Group's objectives also include the goal of strengthening its pathway towards a sustainable development model so as to reach a distinctive market positioning with respect to ESG aspects; an objective that BMPS intends to pursue by supporting its customers in green transition processes and contributing to the creation of a more sustainable, fair and inclusive society. In this sense, the Plan outlines several lines of development in the ESG realm to ensure a proactive contribution to sustainable development by integrating sustainability principles within its corporate strategy. This additional objective will enable the Group to evolve towards a business model focusing on core activities with greater efficiency - also in terms of digitalisation - and with sustainability approaches, for the benefit of all stakeholders. In this sense, the Plan includes the following objectives:

- contributing to the environment by gradually reducing direct emissions (-60% vs 2017);
- continuing in the Diversity & Inclusion program with the objective of 40% of women in positions of responsibility and the adoption of rules on inclusion and gender equality certifications;
- adopting rules to pursue inclusion and certified gender equality;
- enhancing human capital by: (i) adopting a flexible work model to ensure work-life balance, (ii) implementing an attractive welfare system that meets emerging needs and (iii) spreading the "ESG culture" by promoting company awareness-raising and training programmes;
- continuing to play a proactive role in the areas in which the Bank operates, promoting initiatives in support of communities and the enhancement of artistic and cultural heritage as well as financial education and professional guidance;
- actively supporting: (i) the ecological and sustainable transition of companies and households with the goal of reaching at least 20% of new disbursements for ESG purposes, (ii) the issuance of green and social bonds for EUR 2.5 bn, (iii) the achievement of 50% of new purchases of corporate bonds and (iv) the expansion of the commercial offer of ESG investment products with the objective of 40% of ESG AuM out of the total AuM placed;
- adopt ESG credit rating systems for the evaluation of counterparties as well as credit policies to support the achievement of the objectives of reducing emissions financed by 2030 for the NZBA priority sectors.

- To complete the strategy integration process, ESG criteria and objectives will be included in all Bank processes and, in particular, in the performance management and reporting system as well as risk management processes and investment policies. The initiatives planned over the plan horizon, including projects already initiated by the Group, take into account the expectations of the Supervisory Authorities on climate and environmental risk management[15] and the results emerging during the Thematic Review on climate and environmental risks launched by the ECB in the first quarter of 2022 and continued in the second quarter of 2022, with respect to which the Group received (29 September 2022) the relative feedback letter, which highlighted several gaps and requested a series of remedial actions, expected to be carried out between March 2023 and December 2023 and which, moreover, are in large part "covered" by the Bank Plan deliverables, although an acceleration is required in their implementation in order to respect the deadlines set by the Supervisory Authorities. The same considerations are valid with respect to the content of the Draft SREP Decision 2022, which incorporates the results emerging during the Thematic Review and already disclosed to the Bank in the feedback letter mentioned above.
- Lastly, over the plan horizon the Group plans to progressively implement sustainability initiatives defined on the basis of a gap analysis, which aim to strengthen its current positioning in terms of ESG ratings and, furthermore, expand the measure of judgement, also by obtaining a general ESG rating.

2. Solid and Resilient Balance Sheet

The Plan provides for a significant strengthening of the Bank's capital position following the conclusion of the EUR 2.5 bn capital increase carried out in November 2022; Fully loaded CET1 of 14.2% by 2024 and 15.4% by 2026 is expected, with significant buffers compared to regulatory requirements, despite the expected regulatory headwinds and on the assumption of dividend distribution from 2025 (pay-out ratio of 30% on 2025-2026 results).

The capital initiatives are accompanied by the implementation of a sustainable *funding* strategy and the creation of a "virtuous circle" in improving the Bank's risk profile by virtue of the adopted credit policies.

As concerns funding, the achievement of a stabler structure is expected, with a refocusing on customer deposits and institutional funding and a reduction in recourse to funding from central banks. As a result of the funding strategy, the liquidity indicators are higher than regulatory requirements (NSFR ~130%, LCR ~160%) and the MREL position is also solid in the course of the Plan, with a buffer with respect to the targets, even inclusive of the CBR. Respect for the minimum liquidity indicator thresholds is also

[15] Guide on climate-related and environmental risks – Supervisory expectations of November 2020

supported by the share capital increase which, however, is not necessary in order to reach the minimum LCR and NSFR thresholds.
As concerns lending, resilience with respect to the external context is pursued by improving the risk profile, with a specific focus on the credit portfolio, through the improvement of "early warning" systems and asset quality oversight during the disbursement and monitoring phases. A reduction of EUR 1.3 bn in the stock of non-performing loans is expected over the course of the Plan (from the current EUR 4.1 bn to EUR 2.8 bn in 2026), of which disposals for roughly EUR 0.9 bn were agreed upon in August 2022. As a result, as regards the Net NPE ratio, a reduction is expected from 2.6% in 2021 to 1.9% in 2024 to 1.4% in 2026, with a strengthened level of coverage (53% in 2024 and 59% in 2026). Furthermore, thanks to the high level of coverage, additional disposal transactions will be activated.

3. **Management of the Bank's *legacy***
   Management, through an approach based on an overall assessment of factual elements, information, available deeds and experience gained, of extraordinary legal risks, as set forth in one of the three pillars of the Plan and in keeping with the policy adopted by the Bank on legal risks.

Plan implementation status at the reporting date

On 4 November 2022, the Parent Company's share capital increase concerning 1,249,665,648 newly issued shares was concluded for the total equivalent value of EUR 2,499.3 mln. This transaction has generated estimated costs of approximately EUR 132 mln, of which around EUR 125 mln in fees to be paid to the guarantee syndicate, which will be recognised as a reduction of shareholders' equity.

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

The Parent Company's Board of Directors, with a view to simplifying the Group's structure, approved on 22 June 2022 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. The merger transactions, subject to obtaining the necessary authorisations from the competent Supervisory Authorities, are expected to be completed by the end of May 2023, with accounting effects backdated to 1 January 2023 for the first two subsidiaries. With reference to the Group Operating Consortium, the Parent Company obtained the ECB's authorisation for the merger by incorporation on 25 October, and the finalisation of the transaction is expected in early December, with accounting effects backdated to 1 January 2022.

In the course of August 2022, in keeping with Plan expectations, agreements were entered into for the non-recourse factoring of a portfolio of non-performing loans broken down into three clusters (secured bad loans, unsecured bad loans and unlikely to pay) for a total gross book value of EUR 917.5 mln. The portfolio of secured bad loans and the majority of unlikely to pay exposures were deconsolidated between the end of October and early November, while the remainder will be transferred by the end of the fourth quarter of 2022. The disposal of the overall portfolio will make it possible to reduce the NPE ratio at the end of the Plan and to structurally mitigate the impact of calendar provisioning, achieving a gross NPE Ratio after the disposal of 3.9% (net 2.2%).

The agreement between the Parent Company and the Trade Unions for the management of 3,500 voluntary departures as at 1 December 2022, was reached on 4 August 2022 and was subsequently supplemented in order to take into account the additional requests (625 including secondments) received by the end of September. Taking into account the positive outcome of the share capital increase on 4 November 2022, in the third quarter of 2022 the Group accounted for a one-off cost of roughly EUR 0.9 bn, higher than the EUR 0.8 bn originally set forth in the Plan, benefitting conversely from increased savings than what had been factored into the Plan on personnel expenses, especially starting from 2023.

Credit strategies

On 30 March 2022 the Parent Company's Board of Directors approved the 2022 performing credit strategies: the underlying framework is based on a macro scenario of economic growth, however also considering the risks of a slowdown due to the economic context. Indeed, while GDP growth is forecast, there are elements of uncertainty linked to the evolution of the pandemic, the Russia-Ukraine conflict and the increase in commodity prices, particularly energy prices. Precisely as a result of the Russia-Ukraine crisis, the food and high energy consumption sectors have been placed under monitoring. In the course of the third quarter, a review of the sector strategy was concluded, which did not bring to light any particularly significant variances caused by the deteriorating macroeconomic scenario.

For **businesses**, in continuity with the approach adopted during the pandemic, the guideline assigned to the individual company factors in both the sector outlook and customer reliability, guaranteeing an improvement of the credit quality mix within each sector. The ultimate goal of company credit strategies is to address credit decisions towards financing aimed at green company growth. The methodology establishes three areas of intervention factoring in the applicable sector, customer quality and the decision-making chain in which the counterparty has been included (low risk/high risk): ordinary growth, growth with mitigation and selective management. The guidelines were accompanied by a stringent indication on loan type. In particular, the interventions will need to be aimed at supporting customers on a virtuous path of new investments accompanied by commercial credit facilities and working capital financing. The strategies were therefore enhanced with the introduction of "ESG approaches" focusing in particular on the risk linked to the environmental transition. Lastly, a system of incentives/disincentives was defined with a view to guiding the development of loans towards investments that mitigate transition risks or which have a low environmental impact. The approach adopted also makes it possible to override the strategy depending on the "purpose" of the loan, favouring development for financing with ESG purposes or adopting a risk mitigation strategy otherwise.

With respect to **consumer** 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. Aside from mortgage and current accounts segment algorithms, since the end of 2021 acceptance grids for the Consumer Finance segment have been in use. Also for the consumer segment, the methodology establishes the same three areas of intervention which, for individuals, factor in customer quality and the applicable area. The counterparties were segmented based on their risk (low risk/high risk and internal bank rating) and external credit bureau information (Delphi score), with the resulting breakdown into three clusters associated with a specific strategic policy. The model is intended to promptly take into account changes in the counterparty's risk profile, even if any critical issues have not yet emerged in the relationship with the Bank, preventing the "cliff effect" or the manifestation of signs of deterioration after the suspension measures expire.
Credit strategy monitoring continued in accordance with the structure prepared in 2021, and no substantial critical issues have yet emerged in terms of the gross lending business or the default rate. Based on the results of the sector review in the course of the last quarter, the decision was made not to change the current monitoring dashboard for the remainder of the year.

Retail & Corporate Banking strategy

Sales strategies as at 30 September 2022 directed the business towards core areas to relaunch the Group's economic performance, confirming customer support to aid the post-pandemic economic recovery and transition towards a more sustainable development model, through projects in the following areas:

- ***Private***

- evolution of the business model through the new "MPS Athena" Wealth Management advisory platform towards financial services and highly innovative non-financial services as well as detailed retirement analysis. In particular, the use of the succession analysis procedure for senior customers is stimulated, including with dedicated training, in order to effectively manage the stability of volumes and the development of new customers in the nuclear family, through specific advisory services on generational transition and inheritance. Advisory innovation turns out to be fundamental within a particularly complex market context to provide increased guidance to customers in selecting asset management financial instruments;
- innovation of the asset management solutions offered by the various partners and focus on the Asset Management Service with a view to making it accessible to an increasingly broad public and increasing its penetration. The "private" strategy aims to boost the portfolio's diversification and for an increasingly efficient allocation, enabling return opportunities in line with the customer risk profile. Also from the same perspective, the customer focus on Accumulation Plans ("PAC") is supported, including with prize competitions with the partner Anima SGR;

- emphasis with customers, through dedicated marketing initiatives, of the ESG solutions offer with UCITSs and savings policies whose ESG funds meet environmental, social and government requirements;
- consolidation of the bancassurance offer, in terms of life/non-life protection as well as pensions, with a view to guaranteeing customers 360° advisory services and diversifying income sources across the various business segments;
- constantly stimulating increasing commercial penetration and reaching new customers by identifying specific targets amongst existing customers and through digital marketing actions at ATMs, on websites and with social media posts. In the first 9 months of 2022, business support activities continued, with the launch of campaigns intended to reduce entry costs for savings products, in both the Retail and Private markets. In June, the available funds were also revised for unit-linked and multi-line products in order to update the investment solutions offered. Lastly, the launch of protected unit-linked products with a quarterly placement window continued (three issues);
- focusing attention on the acquisition of new customers and the recovery of deposits by means 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;
- consolidating relationships with all members of the Private Account Groups, in order to meet the overall requirements of households and businesses, also with a view to recovering volumes ("winback") and subsequent growth.

- ***Businesses***

- offering support 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 NRRP also represent a significant lever for the expansion of the customer base through important development activities, identifying high potential companies to guarantee an increase in both lending and revenues;
- 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. Overall, BMPS has allocated EUR 1.25 bn (corresponding to SACE Guarantees up to EUR 1 bn) to be used by the end of 2022, of which up to EUR 500 mln specifically intended for Agrifood sector supply chains. SACE will intervene with green guarantees for up to 80% of the loans disbursed by Banca MPS to help companies in their sustainable transformation processes, in line with the guidelines of the NRRP;
- assisting the businesses struck by the negative economic effects deriving from Russian military aggression against the Republic of Ukraine, by granting loans to support business liquidity backed by the guarantees given by i) SACE after the Bank signed on to the General Guarantee Conditions, an initiative named "SACE SupportItalia", as well as ii) the Guarantee Fund for SMEs based on the new Operating Provisions defined following the issue of Law Decree no. 50 of 17 May 2022 "Urgent measures in the field of national energy policies, business productivity and attraction of investments, as well as in the field of social policies and the Ukrainian crisis", converted, with amendments, by Law no. 91 of 15 July 2022.
- supporting the investment and expansion projects of companies located in the Regions of Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily, which are the target regions of the European Investment Fund's "SME Initiative", in which the Bank participates, which calls for the disbursement of loans benefitting from a reduction in the economic conditions applied equal to the benefit obtained by the Bank from the synthetic securitisation transaction backed by a guarantee provided by the European Investment Fund;
- offering companies with greater business complexity a structured advisory and proactive commercial approach ("Coverage Team") which, through the reference relationship manager, guarantees personalised customer service, leveraging the Group's range of products and services and the support of specialists and product factories;
- meeting the needs of medium, small and micro enterprises, but also of households and local authorities, through new specialised hubs named MPS AgevolaPiù, each overseeing a specific regional area (at the moment, 10 are active, to which others will gradually be added to cover all regions). The core of the project consists of specialised training and territorial enhancement through an intensification of the partnership with regional financial companies, trade associations and loan guarantee consortia (Confidi).

To support companies, in response to specific situations in disadvantaged geographical areas, a loan under favourable conditions is currently available which may be granted based on an agreement between the Bank and the EIF - European Investment Fund, offering these businesses the possibility to invest in productivity and competitiveness;

- supporting exporting and importing companies in advanced Trade Finance and Transaction Banking transactions, also in light of recent international developments and the changed geopolitical framework, including with respect to countries subject to restrictions. Sales activities are carried out on the web thanks to the peripheral commercial and operational support of specialists.

- ***Process digitalisation and platform development***

- Improving the customer experience and continuing with the digital transformation through: i) the management of periodic customer contact initiatives aimed at raising awareness about the products/services offered; ii) the continuation of customer journeys aimed at improving commercial proposition activities through logical omnichannel contact processes, particularly with reference to new customers and those at risk of discontinuing their relationships with the Bank; iii) availability throughout the BMPS Network and progressive spread to other Group companies of the new branch technological platform (Digital Branch) consisting of a single interface with practical, speedy and efficient features in in-person customer service (aside from a reduction in operational risks); iv) the drive towards the spread of Google Pay for payments in physical stores and in apps in a practical, fast and secure manner with the Bank’s debit and credit cards. Banca MPS continues to be committed to accessibility, also taking advantage of the opportunity offered by the new AgID guidelines;
- enhancing digital and self banking functions and services through the remote, autonomous signing of documents and contracts (remote collaboration) by customers, document exchange and the widespread availability of Cash-In ATMs in self-service areas. The range of contracts that can be signed with Remote Collaboration has been expanded: in particular, basic and advanced Athena advisory offers have been introduced, the possibility of completing the MiFID questionnaire online has also been extended to customers without securities accounts and anti-fraud oversight has been strengthened through targeted messaging;
- boosting the penetration of digital banking by introducing a control on whether this service is used during processes for selling the main transactional products, which suggests to the branch employee to propose digital banking to the customer as well;
- improving the digital branch platform with a progressive migration of all sales processes to the “New Quick Sale” and customer views in new summary dashboards, the rewriting of collection transactions and the certification of platform accessibility for the blind and visually impaired;
- protecting the Bank’s reputation by following the general principles set forth in the MPS internal Code of Ethics, progressively removing Remote Cash-Out ATMs from arcades, bingo parlours and casinos with a view to adopting “logistical prevention” measures against gambling addiction;
- reducing the risk of customer erosion by maintaining 15 Cash-Out ATMs at branches closed in 2021, privileging those that are not overlapping, which are in uncovered areas, so as to offer customers a point of reference and support for routine transactions (withdrawals, payments, checking account balances);
- supporting sales processes from a customer centric perspective through new applications released to branches aimed at improving knowledge of customers (“Map”) and the programming of activities (“Toolbox”);
- the mass installation of electronic devices for consultation by customers of Banking Transparency and Currency Exchange has been completed, thus completely eliminating the paper notices at the branches;
- continuing with the simplification of web processes, started in 2021, aimed at increasing the number of transactions that may be carried out by customers at other banks’ ATMs and streamlining particularly time-consuming branch operating activities (such as bank transfer authorisations, payment slip payments, prepaid card repayment, closing current accounts, documentation for ISEE [equivalent economic situation indicator] purposes, etc.).

- ***Consumer finance***

- Enhancing the Consumer Finance product factory at Banca MPS, in-sourced in the course of 2021; following this decision, in the second quarter of 2022 the plan for extending the MPS Loan Platform, involving all branches, was completed. The new business model aims to favour a gradual transition of the personal loans business from Compass (current Consumer Finance partner) to the internal product factory, thus making it possible to maximise business margins ; furthermore, the new model not only fosters the customer experience by improving decision-making and disbursement timing, but also makes it possible to shorten the "transmission belt" with the distribution network and support commercial policies with a view to cross selling and acquisition. During the third quarter, additional releases were made to favour the digitalised sales process.

Funding strategy

As part of the Group's Liquidity and Funding Strategy, the profile of the maturities for the 2022-2026 five-year period is represented primarily by the TLTRO III auctions, to which the Parent Company had access until June 2021, for a total of EUR 29.5 bn: EUR 4 bn maturing in 2022; EUR 20 bn maturing in 2023 and EUR 5.5 bn in 2024.

These are joined by the institutional bonds also maturing in the 2022-2026 five-year period, for a total of EUR 6.75 bn[16] 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);
- EUR 2 bn in 2026 (EUR 1.1 bn in covered bonds and EUR 0.9 bn in senior unsecured bonds).

In 2023, the call of a subordinated Tier 2 bond issued in 2018 for a nominal amount of EUR 750 mln may also be exercised, while in 2025 the call of two subordinated Tier 2 bonds issued in January and September 2020 for a nominal amount of EUR 400 mln and 300 mln, respectively, may be exercised.

Lastly, also in the 2022-2026 five-year period, bilateral funding transactions are maturing for a total of EUR 1.6 bn (of which EUR 0.6 bn with non-ECB eligible collateral), of which EUR 1 bn already matured in the first half of the year.

Against the planned maturities, the Group's funding strategies aim to maintain liquidity indicators at adequate levels, broadly above regulatory limits, as well as guarantee - as concerns public bond issue plans in particular - the satisfaction of MREL requirements. These strategies are defined in line with the Group's strategic plans and, in that sense, their structuring for operational purposes is fully defined in the 2022-2026 Business Plan.

Commitments connected to the 2022-2026 Business Plan

1. As at 31 December 2021, the formal monitoring of the 2017-2021 Restructuring Plan by the European Commission to verify compliance with the commitments made by the Parent Company was completed. As at 31 December 2021, the date of the most recent monitoring of the overall Commitments made by the Parent Company, some still presented several points for attention/critical issues. Against failure to respect such commitments, discussions were initiated between the MEF and DG COMP after which, on 3 October 2022, the European Commission published a revision of the Commitments, defined on 2 August 2022. On the basis of what is set forth in that document, the Parent Company is required to meet the following commitments:

    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 investment in its share capital to promote the bank's products or its market positioning.

[16] The figure is net of the EUR 1.25 bn repaid in 2022: EUR 0.75 bn in covered bonds in January 2022 and EUR 0.5 bn in senior unsecured bonds in July 2022.

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 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 investment is met and the additional remuneration is variable and aligned with the EBA Guidelines, on the basis of Directive 2013/36/EU;
6. number of branches: the number of Bank branches may not exceed 1350-1370 by the end of 2022, 1300-1350 by the end of 2023 and 1,258 by the end of 2024;
7. number of employees: the number of Bank employees may not exceed 20,000-21,100 by the end of 2022, 18,000-20,000 by the end of 2023 and 17,634 by the end of 2024;
8. Cost/income ratio: the Bank's cost/income ratio may not exceed the higher between the average cost/income ratio reported over time by the EBA for significant Italian credit institutions included in the Risk Dashboard sample and the following objectives: 70-80% in 2022 (with a tolerance margin of 200-250 basis points), 60-70% in 2023 (with a tolerance margin of 150-200 basis points) and 60% in 2024 (with a tolerance margin of 100-150 basis points);
9. Operating costs: operating costs (personnel expenses, other administrative expenses, depreciation and amortisation) may not exceed, with a tolerance margin of 0-5 percentage points, EUR 2,000-2,500 mln in 2022, EUR 1,500-2,000 mln in 2023 and EUR 1,872 mln in 2024;
10. Total asset target: the Bank's total assets should not exceed EUR 140-150 bn;
11. Loan to deposit ratio: the ratio between the bank's net loans and deposits should not exceed 87% by the end of 2024, with a tolerance margin of 200-250 basis points;
12. State divestment: the Italian Republic should transfer its investment in the Bank by a defined date and must make all reasonable efforts to transfer its 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 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 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 ay 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 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 investment in the Bank separately from the management of its investments in any other investee bank; (iii) the exercise of any right whatsoever held by Italy and the management of Italy's 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.

Explanatory Notes

The Interim Report on Operations of Monte dei Paschi di Siena Group as at 30 September 2022, approved by the Board of Directors on 10 November 2022, 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 reporting", 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 principles used for the preparation of the Interim report on operations are unchanged from those applied to the Financial Statements as at 31 December 2021, to which the reader is referred for more detail.

The additional IAS/IFRS accounting standards and related SIC/IFRIC interpretations, whose mandatory application took effect on 1 January 2022, are listed below.

On 2 July 2021, Regulation (EU) 2021/1080, which endorses the following documents published by IASB on 14 May 2020, was published:

- **"*Reference to the Conceptual Framework (Amendments to IFRS3)*"** which updates the reference present in IFRS 3 to the Conceptual Framework in the revised version, without this entailing amendments to the provisions of the standard;
- ***"Property, Plant and Equipment - Proceeds before Intended Use (Amendment to IAS 16)"*** which prohibits deducting from the cost of property, plant and equipment the amount received from the sale of items produced in the asset testing phase. These sales revenues and the relative costs will be recognised in the income statement;
- ***"Onerous Contracts — Cost of Fulfilling a Contract (Amendment to IAS 37)"*** which clarifies which costs must be considered in the assessment of the onerousness of the contract. More specifically, the cost to fulfil a contract includes the costs that refer directly to the contract. They may be incremental costs (for example, costs for the direct material used in processing), but also the costs that the company cannot avoid as it has entered into the contract (e.g., the share of the personnel costs and the depreciation of the machinery used to fulfil the contract);
- **"Annual Improvements to IFRS Standards 2018–2020"**, containing proposed amendments to four standards: IFRS 1 – "Subsidiary as a first-time adopter"; IFRS 9 – "Fees in the '10 per cent' test for derecognition of financial liabilities": the amendment clarifies which fees should be considered in performing the test in application of par. B3.3.6 of IFRS 9, to assess the derecognition of a financial liability; *IFRS 16 – "Lease incentives"*: the amendment regards an illustrative example and lastly *IFRS 41 – "Taxation in fair value measurements"*.

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

In preparing this Interim report on operations as at 30 September 2022, the documents providing interpretations and support to the application of the accounting standards in relation to the impacts of COVID-19, issued by the European regulatory and supervisory bodies and standard setters in 2020 and 2021, and described more extensively in the 2021 Financial Statements, to which reference is made, shall also be considered, in addition to the documents issued by ESMA in 2022, with specific reference to the Russia-Ukraine crisis and the application of IFRS 17, illustrated hereunder.

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

Subsequently, again with specific reference to the implications of the Russian conflict in Ukraine, ESMA published on 13 May a further Public Statement with a series of recommendations aimed at promoting transparency and uniformity of the disclosure to be made specifically in the 2022 Half-Yearly Financial Reports. In particular, ESMA stressed the importance of specifying the current and expected impacts of the Russian invasion on the company's financial position, income and cash flows in addition to providing information on the main risks and uncertainties to which the entity is exposed. Since the war has triggered uncertainty and, consequently, the risk of having to make material adjustments to the carrying amount of assets and liabilities, ESMA underlined the importance of updating the disclosure on the judgment elements applied, on the material uncertainties to which the entity is exposed and on the risks surrounding business continuity. In addition, the bank must verify whether the effects of the war constitute an indicator of impairment for non-financial *assets* in relation, for example, to the decision to dispose of investments in the areas affected by the conflict. By contrast, as regards the impairment of financial instruments, ESMA focused attention on the conflict's effects on the measurement of the significant increase in credit risk (SICR) and on the determination of the forward-looking Expected Credit Loss (ECL), by highlighting the possibility of using a collective assessment to verify the existence of a SICR for the staging of credit exposures[17], if said measurement is difficult at individual level.

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

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

The Interim Report as at 30 September 2022 is supplemented by the certification of the Financial Reporting Officer, pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance.

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, taking account of the elements of extreme uncertainty regarding i) the evolution of the Russia-Ukraine conflict, ii) a new flare-up of the COVID-19 pandemic and iii) the growing trend in inflation fuelled, from 2021, by the increase in the prices of energy commodities and some supply rigidities, and accentuated in 2022 by the outbreak of the aforementioned conflict, and also taking into consideration the associated consequences on the macroeconomic scenarios which are difficult to predict as things stand, we cannot rule out having to revise the estimated carrying amounts during the final quarter of 2022, in light of new information becoming available from time to time.

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 2021, which are referred to in their entirety 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 nine months of 2022, as described below.

Quantification of impairment losses on loans and IFRS 9 staging

For the first nine months of 2022, the regulatory framework comprised of the provisions published in 2020 and 2021 by the various supervisory authorities on the application of IFRS 9 in the pandemic context, remained valid. For a detailed examination of the content of the provisions issued by the various *regulators* and on the methods of application by the Group, please refer to the 2021 Consolidated Financial Statements. During the first nine

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

months of 2022, the economic scenarios published by the ECB and by the Bank of Italy on 8 September 2022 and 13 October 2022, respectively, were updated.

Macroeconomic forecasts for 2022, 2023 and 2024

On 8 September 2022, 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 baseline scenario of the projections rests on the assumption that gas demand will be moderated by the high price level and precautionary energy saving measures, and that broad recourse to gas rationing will not be necessary. In the medium-term, growth should recover, with a rebalancing of the energy market, a decrease in uncertainty, the gradual easing of supply-side bottlenecks and an improvement in real income, despite less favourable lending conditions. In detail, protections point to Eurozone GDP growth in real terms of 3.1% in 2022 (2.8% and 3.7% expected in June and March 2022) to then record a sharp decline to 0.9% in 2023 (2.1% and 2.8% expected in June and March 2022) and rise back up to 1.9% in 2024 (+2.1% and +1.6% forecast in June and March 2022).

Overall inflation measured on the Harmonised Index of Consumer Prices (HICP) would remain extremely high during most of 2022 due to the increase in the prices of energy commodities and foodstuffs, also as a result of the war in Ukraine, sitting at an average of 8.1% (6.8% and 5.1% expected in June and March 2022), to then gradually drop from 2023 to 5.5% (3.5% and 2.1% forecast in June and March 2022) and further in 2024 to 2.3% (2.1% and 1.9% forecast in June and March 2022) on the assumption of a limitation of energy costs, easing of supply-side problems linked to the pandemic and a normalisation of the monetary policy.

In the downside scenario, inflation would be 8.4% on average in 2022, 6.9% in 2023 and 2.7% in 2024. GDP would rise in real terms this year by 2.8% and would contract in 2023 by 0.9%, to then return to growth of 1.9% in 2024.

As regards the Italian GDP trend, the most recent estimates provided by Bank of Italy experts published in the October Economic Bulletin (not inclusive of Eurosystem assessments) expect GDP growth of 3.3% this year, 0.3% in 2023 and 1.4% in 2024 in the baseline scenario. With respect to the projections published in the July Economic Bulletin, GDP growth has been revised slightly upwards in 2022 and downwards in the following two years, by one percentage point in 2023 and three-tenths of a point in 2024. Consumer inflation, measured on the basis of the change in the harmonised consumer price index, would be 8.5% on average in 2022. Subsequently, a progressive stabilisation of energy prices, albeit at high levels, and the easing of supply-side bottlenecks should favour a gradual decline in inflation, which would reach an average of 6.5% in 2023 and 2.3% in 2024. With respect to the July Bulletin, inflation estimates are higher by more than half a point in the current year, by more than two points next year and by roughly two-tenths of a point in 2024.

The outlooks outlined in the baseline scenario are beset by very high uncertainty, deriving primarily from the evolution of the war in Ukraine and its consequences on prices and raw material availability. In an alternative, more adverse scenario, GDP would grow by 3% this year, to then contract by more than 1.5% in 2023 and return to moderate growth only in 2024. Consumer inflation, slightly higher in the current year than in the baseline scenario, would continue to rise in the coming year as well, surpassing 9%, to then fall sharply in 2024.

This being said, information is provided below relating to the main macroeconomic and financial indicators included in the "*baseline*", "*severe but plausible*" and "*extremely severe*" scenarios, referring to the 2022-2024 three-year period, developed internally also taking as a reference the forecasts provided by external providers.

Scenario	Year	GDP	Italian residential Property Price Index	Italian non-residential Property Price Index	Unemployment rate	Investments in building constructions
BASELINE (Data used for 2021 financial statements and Half-yearly report as at 30 June 2022)	2022	3.83%	1.37%	0.81%	10.37%	7.99%
	2023	2.79%	1.77%	1.64%	10.28%	7.14%
	2024	1.97%	1.79%	1.80%	9.44%	3.87%
	AVG	2.86%	1.64%	1.42%	10.03%	6.33%
SEVERE BUT PLAUSIBLE (Data used for 2021 financial statements, Half-yearly report as at 30 June 2022 and Interim report as at 30 September 2022)	2022	2.39%	0.58%	-0.16%	10.88%	4.49%
	2023	1.90%	0.40%	0.01%	11.72%	3.70%
	2024	1.49%	0.61%	0.60%	11.71%	1.25%
	AVG	1.93%	0.53%	0.15%	11.44%	3.15%
EXTREME WORST (Data used for 2021 financial statements, Half-yearly report as at 30 June 2022 and Interim report as at 30 September 2022)	2022	0.58%	-0.74%	-1.81%	11.52%	0.58%
	2023	0.83%	-0.95%	-1.33%	13.07%	0.32%
	2024	0.46%	-1.58%	-0.88%	14.02%	-1.47%
	AVG	0.63%	-1.09%	-1.34%	12.87%	-0.19%
BASELINE update September 2022	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%

During the third quarter, the external provider updated the baseline scenario early - the complete update inclusive of the extreme worst and severe but plausible scenarios will be provided in the coming months - showing a deterioration in the macroeconomic scenario with resulting higher value adjustments compared to the scenarios currently in use. Therefore, for reasons of prudence, the Group included these effects in the cost of credit in its report for the first nine months of the year, estimating the impact of the complete update with respect to the scenarios currently being used. This estimate entailed higher adjustments on the cost of credit for a total of EUR 19.4 mln.

Please also note that at the end of the third quarter, the provider Cerved provided its update to the forward-looking sector scenarios which consider the changed macroeconomic context linked to the consequences of the conflict in Ukraine and which replace the most recent ones from March 2022. The application of these new scenarios, used by the Group to factor in the same forecast score adopted in lending strategies, entailed higher adjustments by EUR 5.7 mln.

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

At the date of this Interim report on operations, no "draft report" containing the ECB's preliminary assessments has been received. In spite of this, the new information acquired as a result of dialogue with the inspection team was evaluated and taken into consideration by the Group for the purposes of drafting this Interim report on operations. We cannot rule out that, following the audit of the Supervisory Body, with the issue of "Decisions" or "Final follow-up letters", additional new information may come to light, not known at the date of drafting of this Interim report on operations, to be considered for the purposes of assessing the credit portfolio.

In particular, the following were analysed and reviewed as part of the estimate of accounting LGD: i) the treatment of large-scale disposals of non-performing loans and ii) the treatment of multiple defaults which overall entailed higher net adjustments on the cost of credit estimated at roughly EUR 11 mln as at 30 June 2022. Fur a detailed illustration, please refer to what is described more extensively in the Half-Yearly Financial Report.

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

Finally, with reference to the perimeter of the positions subject to analytical verification, it should be noted that the observations reported by the inspection team have been analysed and incorporated into the assessments of this Interim report on operations.

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During the third quarter of 2022 in terms of IFRS 9 measurements, the Group has maintained a prudent orientation in the estimate of value adjustments, as it cannot definitively be stated that the COVID-19 emergency has come to an end, and also taking into account the negative effects on the global and Italian economy directly or indirectly associated with the Russia-Ukraine conflict. Therefore, the "management overlays" in place as at 31 December 2021, 31 March 2022 and 30 June 2022 aimed at including ad hoc adjustments have been maintained and appropriately supplemented in order to take into account potential forward-looking deteriorations in credit risk which may not be adequately captured by the modelling in use and to better reflect the specific impacts of COVID-19, the Russian conflict in Ukraine and the potential emerging economic and financial risks in credit assessments. Overall, the management overlays used for valuations as at 30 September 2022 resulted in additional adjustments on the cost of credit for approximately EUR 103.0 mln (approximately EUR 147 mln as at 31 March 2022 and roughly EUR 124.1 mln as at 30 June 2022) and higher exposures classified in stage 2 for approximately EUR 682 mln (EUR 1.3 bn as at 31 March 2022 and EUR 866 mln as at 30 June 2022).

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

1) use of asymmetric macroeconomic scenarios - in view of the uncertainty of the economic context and gradual deterioration in progress, the ECL calculation approach was maintained, in line with what was done in December 2021 and in the first six months of 2022, which involves the use of the most likely scenario (baseline) and two alternatives, both worse (extremely severe and severe but plausible), all three with the same weighting and therefore combined based on a simple average, in place of the traditional approach which calls for the use of a baseline scenario, a better one and a worse one, weighted on the basis of the reference percentiles. The conservatism of this choice can be estimated at just over EUR 58 mln;
2) Back testing analysis on bad loans - in the course of the third quarter, the Group carried out back testing on the statistical expected loss by comparing the rates of loss reported historically on the same bad loan positions with the rates of loss observed on the positions closed in the 2019-2021 period. The comparison between the ECLs thus determined highlighted at overall level the conservative nature of existing provisions. In any event, the analysis of the individual LGD models highlighted models in which the rates observed were slightly higher than those estimated, which would have entailed higher value adjustments by EUR 20.3 mln; with a view to prudence, this amount was included in the cost of credit as an overlay starting from these reports until the next model re-estimation;
3) *floor* on PDs of positions subject to moratoria - For all those positions subject to COVID-19 moratoria and that have still not resumed payments for at least one year (therefore the COVID-19 moratoria for which the expiry date of the moratoria was after 30 September 2021), a *floor* is maintained at the PD value as of 31 December 2020. This choice determines greater adjustments for approximately EUR 10 mln;
4) sectors heavily impacted by the trend in the prices of energy and raw materials - On exposures to companies operating in sectors which may be hit hard by the availability/prices of energy and raw materials, greater value adjustments of around EUR 15 mln were carried out. The sectors identified, for an exposure of approximately EUR 1,7 bn, are the following: refining of petroleum products, hauliers, wholesale of fuels and combustibles, logistics and transport, wool industry, maritime transport, milling industry, cold steel processing, sale of electricity, local public transport, air transport, rail transport, chemical fibres.

The total amount of the overlays as at 30 September 2022 decreases by approximately EUR 21 mln and EUR 31 mln compared with the figures for 30 June 2022 and 30 March 2022, respectively. The decrease may be explained primarily by two main elements described below, partially offset by the introduction of the overlay referring to back testing activities on bad loans.

1) Elimination of the overlay relating to the baseline macroeconomic scenario - Until the 2022 half-yearly report, the Group still used as a reference, for the baseline, the Prometeia scenario distributed in October 2021, neutralising the positive economic impact of roughly EUR 32 mln deriving from the use of the most recent updated scenarios available from April 2022. In determining the cost of credit as at 30 September 2022, the Group estimated the effects deriving from the upcoming issue of scenarios, expected in the coming months, on the basis of the update provided by Prometeia in the course of the third quarter relating only to the baseline scenario. Therefore, at the reference date of this Interim Report on Operations, the level of conservativism deriving from the failure to update scenarios equal to around EUR 32 mln in June 2022 (EUR 13 mln as at 31 March 2022) referring to this element is no longer in place;
2) resumption in payments on COVID moratoria - As stated in the previous section, the floor on PDs is only maintained for those positions with expiry of the moratoria after 30 September 2021. For all positions that, by contrast, have resumed payments before said date, and for which the regular resumption in payments has been observed for more than one year, the *floor* is removed. This change resulted in a reduction in overlays of approximately EUR 7 mln compared to the figure for June 2022 and around EUR 19 mln compared to the figure for March 2022.

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 assessment was performed using the new income projections contained in the 2022-2026 Business Plan, approved by the Parent Company's Board of Directors on 22 June 2022; the scenarios outlined in the above Plan were used starting from this quarterly report, as the ECB authorisation procedure and the connected capital increase transaction has concluded. 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 2021 Consolidated Financial Statements.

Going concern

This Interim Report on Operations as at 30 September 2022 was prepared based on a going concern assumption.

The assessment of the Group's ability to continue as a going concern is based essentially on the prospective evolution of the capital and liquidity position over a time span of at least 12 months. Following the positive outcome of the EUR 2.5 bn capital increase concluded on 4 November, no capital shortfalls are expected to emerge within the going concern assessment time horizon in line with a Plan. As concerns liquidity, the position remains solid.

For the sake of comprehensiveness, please note that as at 30 September 2022, a temporary capital shortfall of EUR 380 mln emerged with respect to overall capital requirements, on the Tier 1 capital aggregate, deriving from the recognition in the third quarter of the year of costs exceeding EUR 900 mln for incentivised personnel departures, activated subject to the capital availability set forth in the Plan and which has therefore already been remedied with the conclusion of the capital increase on 4 November 2022.

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, taking into account the successful completion of the capital strengthening of the Parent Company through a capital increase and the performance of the actions envisaged in the Plan, that the Group will to continue operating as a going concern in the foreseeable future and therefore deemed it appropriate to prepare this report 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.

Income statement data

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

- Item "**Net interest income**" is shown net of the negative contribution of the Purchase Price Allocation (PPA), equal to EUR -2,5 mln, referring to past business combinations, which was reclassified in a special item.
- The item "**Net fees and commissions**" includes the balance of financial statement items 40 "Fee and commission income" and 50 "Fee and commission expense".
- Item "**Dividends, similar income and gains (losses) on investments**" incorporates item 70 "Dividends and similar income" and the relevant portion of profits from investments in the associate AXA, consolidated using the equity method, equivalent to EUR 38.2 mln, included in item 250 "Gains (losses) on investments". The aggregate is shown net of the dividends earned on equity securities other than equity investments (EUR 4.7 mln), reclassified in item "Net profit from trading, the fair value measurement of assets/liabilities and gains from disposals/repurchases".
- Item "**Net profit 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 "Net gains (losses) on disposals/repurchases", net of the contribution of loans to customers (EUR +1.7 mln) recognised in the reclassified item "Cost of customer credit" and 110 "Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss", net of contributions from loans to customers (EUR +4.9 mln) and securities deriving from the sale/securitisation of non-performing loans[18] (EUR +5.6 mln), recognised in the reclassified item "Cost of customer credit". The item also incorporates dividends earned on securities other than equity investments (EUR +4.7 mln) and was cleared of the write-off recognised on exposures to the IDPF Voluntary Scheme for around EUR 0.9 mln, reclassified to "Risks and charges associated with SRF, DGS and similar schemes".
- Item "**Net profit from hedging**" includes financial statement item 90 "Net profit from hedging".
- Item "**Other operating income (expense)**" includes the balance of item 230 "Other operating expenses/income" net of stamp duties and other expenses recovered from customers, which are included in the reclassified item "Other administrative expenses" (EUR 163.3 mln) and net of the component relating to rental income, which is posted to "Net value adjustments to property, plant and equipment and intangible assets" (EUR 8.8 mln).
- Item "**Personnel expenses**" includes the balance of item 190a "Personnel expenses" minus the cost component of EUR 927.0 mln, relating to provisions for the early retirement/solidarity fund initiative pursuant to the agreement with the trade unions of 4 August 2022, reclassified to "Restructuring costs/One-off charges".
- 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 171,3 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 47,1 mln posted to the reclassified item "DTA fee";
  - charges of EUR 1,5 mln, relating to initiatives also aimed at complying with the commitments undertaken with DG Comp, stated under reclassified item "Restructuring costs/One-off charges".

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

This item also includes the portion of stamp duty and other expenses recovered from customers (EUR 163.3 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 items 210 "Net value adjustments to (recoveries on) property, plant and equipment" and 220 "Net value adjustments to (recoveries on) intangible assets" and was cleared of the negative contribution (EUR -0.7 mln) referring to the Purchase Price Allocation (PPA), which was recognised in a specific item, while it incorporates the component of rental income (EUR 8.8 mln) that was recorded in the financial statements under item 230 "Other operating expenses/income".
- Item "**Cost of customer credit**" includes the income statement components relating to loans to customers of items 100a "Gains / losses on disposal or repurchase of financial assets measured at amortised cost" (EUR +1.7 mln), 110b "Net profit (loss) on financial assets and liabilities mandatorily measured at fair value" (EUR +4.9 mln), 130a "Net impairment (losses)/reversals for credit risk on financial assets measured at amortised cost" (EUR -328.1 mln), 140 "Gains/losses from contractual changes without cancellation" (EUR 3.1 mln) and 200a "Net provisions for risks and charges - commitments and guarantees given" (EUR -7.2 mln). The item also includes the income statement components relating to securities deriving from the sale/securitisation of non-performing loans recognised in item 110b "Net result of other financial assets mandatorily measured at fair value" (EUR 5.6 mln).
- The item "**Net impairment (losses)/reversals on securities and bank loans**" includes the portion relating to securities (EUR -0.7 mln) and loans to banks (EUR +2.1 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 "**Net provisions for risks and charges**" includes the balance of financial statement item 200 "Net provisions for risks and charges", reduced by component relative to loans to customers of item 200a "Net provisions for risks and charges - commitments and guarantees given" (EUR -7.2 mln), which was included in the specific item "Cost of customer credit".
- 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 investments in the associate AXA, consolidated with the equity method, equal to EUR 38.2 mln, reclassified under item "Dividends, similar income and gains (losses) on investments".
- Item "**Restructuring/One-off costs**" includes the following amounts:
    - costs of EUR 927 mln relating to departures through the early retirement plan or access to the Solidarity Fund accounted for in the financial statements in item 190a "Personnel expenses";
    - charges of EUR 1.5 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".
- The item "**Risks and charges associated to SRF, DGS and similar schemes**" includes the charges deriving from the EU directives DGSD for the guarantee of deposits and BRRD for the resolution of bank crises, amounting to EUR 171.3 mln, recognised in the financial statements in the item 190b "Other administrative expenses", as well as the write-off recognised on exposures to the IDPF Voluntary Scheme for EUR 0.9 mln, recognised in the financial statements under item 110 "Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss".
- 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 47.1 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 tax for the period**" includes the balance of item 300 "Tax expense (recovery) on income from continuing operations" cleared of the theoretical tax component relating to the Purchase Price Allocation (PPA), which was reclassified to a specific item for an amount of EUR 1.0 mln.

The overall negative effects of the Purchase Price Allocation (PPA) were reclassified to a specific item, excluding them from affected income statement items (in particular "Net interest income" for EUR -2.5 mln and "Net value adjustments to property, plant and equipment and intangible assets" for EUR -0.7 mln, net of a theoretical tax burden of EUR +1.0 mln which was added to the item).

Balance sheet data

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

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

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

Reclassified income statement

Reclassified consolidated income statement				
MONTEPASCHI GROUP	30 09 2022	30 09 2021	Changes	
			Abs.	%
Net interest income	1,039.7	898.5	141.2	15.7%
Net fee and commission income	1,055.3	1,112.8	(57.5)	-5.2%
Income from banking activities	**2,095.0**	**2,011.3**	**83.7**	**4.2%**
Dividends, similar income and gains (losses) on investments	55.3	75.7	(20.4)	-26.9%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	73.8	190.7	(116.9)	-61.3%
Net profit (loss) from hedging	8.6	7.7	0.9	11.7%
Other operating income (expenses)	15.7	(25.9)	41.6	n.m.
Total Revenues	**2,248.4**	**2,259.5**	**(11.1)**	**-0.5%**
Administrative expenses:	(1,460.8)	(1,454.8)	(6.0)	0.4%
a) personnel expenses	(1,066.6)	(1,076.9)	10.3	-1.0%
b) other administrative expenses	(394.2)	(377.9)	(16.3)	4.3%
Net value adjustments to property, plant and equipment and intangible assets	(131.5)	(132.0)	0.5	-0.4%
Operating expenses	**(1,592.3)**	**(1,586.8)**	**(5.5)**	**0.3%**
Pre-Provision Operating Result	**656.1**	**672.7**	**(16.5)**	**-2.5%**
Cost of customer credit	**(320.0)**	**(27.7)**	**(292.3)**	**n.m.**
Net impairment (losses)/reversals on securities and loans to banks	**1.4**	**2.9**	**(1.5)**	**-51.7%**
Net operating income	**337.5**	**647.9**	**(310.4)**	**-47.9%**
Net provisions for risks and charges	42.7	(66.1)	108.8	n.m.
Other gains (losses) on equity investments	3.7	2.2	1.5	68.2%
Restructuring costs/One-off costs	(928.5)	(8.1)	(920.4)	n.m.
Risks and charges associated to SRF, DGS and similar schemes	(172.2)	(159.0)	(13.2)	8.3%
DTA fee	(47.1)	(47.4)	0.3	-0.6%
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(10.8)	(28.2)	17.4	-61.7%
Gains (losses) on disposals of investments	0.8	14.4	(13.6)	-94.4%
Profit (loss) for the period before tax	**(773.9)**	**355.7**	**(1,129.6)**	**n.m.**
Income taxes for the period	415.5	35.0	380.5	n.m.
Profit (loss) after tax	**(358.5)**	**390.7**	**(749.1)**	**n.m.**
Net Profit (loss) for the period	**(358.5)**	**390.7**	**(749.1)**	**n.m.**
Net Profit (loss) for the period attributable to non-controlling interests	(0.1)	(0.1)	-	n.m.
Parent Company's net profit (loss) for the period before PPA	**(358.4)**	**390.8**	**(749.1)**	**n.m.**
PPA "Purchase Price Allocation"	(2.1)	(2.7)	0.5	-19.7%
Parent Company's net profit (loss) for the period	**(360.5)**	**388.1**	**(748.6)**	**n.m.**

Quarterly evolution of consolidated income statement reclassified with management criteria

	2022			2021			
MONTEPASCHI GROUP	3°Q 2022	2°Q 2022	1°Q 2022	4°Q 2021	3°Q 2021	2°Q 2021	1°Q 2021
Net interest income	379.7	336.9	323.1	323.0	313.3	305.6	279.6
Net fee and commission income	327.1	359.3	368.9	371.2	358.3	382.5	372.0
Income from banking activities	**706.8**	**696.2**	**692.0**	**694.2**	**671.6**	**688.1**	**651.6**
Dividends, similar income and gains (losses) on investments	30.0	11.1	14.2	37.7	20.3	34.2	21.2
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	(8.6)	6.9	75.6	(5.9)	14.0	19.7	157.0
Net profit (loss) from hedging	0.8	3.2	4.6	4.9	5.8	0.3	1.6
Other operating income (expenses)	(2.6)	21.6	(3.2)	(10.8)	(13.4)	(1.8)	(10.7)
Total Revenues	**726.4**	**738.9**	**783.2**	**720.2**	**698.3**	**740.5**	**820.7**
Administrative expenses:	(480.3)	(488.8)	(491.7)	(471.3)	(470.0)	(491.9)	(492.9)
a) personnel expenses	(354.0)	(356.8)	(355.9)	(351.1)	(358.1)	(358.7)	(360.1)
b) other administrative expenses	(126.3)	(132.0)	(135.8)	(120.2)	(111.9)	(133.3)	(132.7)
Net value adjustments to property, plant and equipment and intangible assets	(43.7)	(44.2)	(43.6)	(47.8)	(43.6)	(41.0)	(47.5)
Operating expenses	**(523.9)**	**(533.1)**	**(535.3)**	**(519.1)**	**(513.6)**	**(532.9)**	**(540.4)**
Pre-Provision Operating Profit	**202.5**	**205.8**	**247.8**	**201.1**	**184.7**	**207.7**	**280.4**
Cost of customer credit	**(95.1)**	**(113.7)**	**(111.3)**	**(222.3)**	**135.1**	**(88.9)**	**(73.9)**
Net impairment (losses)/reversals on securities and loans to banks	**(0.3)**	**2.1**	**(0.4)**	**2.5**	**1.2**	**5.4**	**(3.7)**
Net operating income	**107.0**	**94.3**	**136.2**	**(18.7)**	**321.0**	**124.1**	**202.7**
Net provisions for risks and charges	120.7	(49.6)	(28.4)	(32.9)	(23.8)	(50.8)	8.5
Other gains (losses) on equity investments	2.5	(0.7)	1.9	(0.0)	2.4	2.6	(2.8)
Restructuring costs/One-off costs	(925.4)	(2.9)	(0.2)	0.8	(3.9)	(4.1)	(0.1)
Risks and charges associated to SRF, DGS and similar schemes	(83.5)	-	(88.7)	(10.3)	(69.4)	(21.8)	(67.8)
DTA fee	(15.7)	(15.7)	(15.8)	(15.8)	(15.8)	(15.9)	(15.7)
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	-	(10.8)	-	(15.3)	-	(0.4)	(27.8)
Gains (losses) on disposals of investments	-	0.9	(0.1)	-	-	(2.6)	17.0
Profit (loss) for the period before tax	**(794.4)**	**15.5**	**5.0**	**(92.3)**	**210.5**	**31.1**	**114.0**
Income taxes for the period	407.3	2.6	5.5	14.5	(23.7)	52.6	6.1
Profit (loss) after tax	**(387.1)**	**18.1**	**10.5**	**(77.8)**	**186.8**	**83.7**	**120.1**
Profit (loss) for the period	**(387.1)**	**18.1**	**10.5**	**(77.8)**	**186.8**	**83.7**	**120.1**
Profit (loss) for the period attributable to non-controlling interests	-	(0.1)	-	(0.1)	-	-	(0.1)
Parent Company's Net Profit (loss) for the period before PPA	**(387.1)**	**18.2**	**10.5**	**(77.7)**	**186.8**	**83.7**	**120.2**
PPA "Purchase Price Allocation"	(0.6)	(0.7)	(0.8)	(0.9)	(0.8)	(0.9)	(0.9)
Parent Company's net profit (loss) for the period	**(387.7)**	**17.5**	**9.7**	**(78.6)**	**186.0**	**82.8**	**119.3**

Revenue trends

As at 30 September 2022, the Group reported total **Revenues** equal to **EUR 2,248 mln**, down slightly (-0.5%) compared to the same period of the previous year.

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

Revenues for the third quarter of 2022 recorded a decrease of 1.7% compared to the previous quarter. In particular, there was (i) an increase in Primary net interest and other banking income compared to the previous quarter (+1.5%) thanks to growth in Net interest income (+12.7%), offset only in part by the reduction in Net fee and commission income (-9.0%) and (ii) an increase in Other income from banking business driven by the higher contribution generated by the insurance investments in AXA associates. These trends were more than offset by the reduction in Other operating income and expenses.

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

SEGMENT REPORTING	Operating Segments						Corporate Center		Total Montepaschi Group	
Primary segment	Retail banking		Wealth Management		Corporate banking					
(EUR mln)	30/09/22	Chg % Y/Y	30/09/22	Chg % Y/Y	30/09/22	Chg % Y/Y	30/09/22	Chg % Y/Y	30/09/22	Chg % Y/Y
PROFIT AND LOSS AGGREGATES										
Net interest income	259.8	1.6%	2.6	n.m.	471.1	8.5%	306.2	47.5%	1,039.7	15.7%
Net fee and commission income, of which	625.7	-8.7%	85.4	-8.1%	406.2	2.1%	(62.0)	-2.5%	1,055.3	-5.2%
Fee and commission income	*682.1*	-8.3%	*86.0*	-8.1%	*455.4*	3.7%	*(1.6)*	86.4%	*1,221.9*	*-3.3%*
Fee and commission expense	*(56.3)*	-2.4%	*(0.7)*	-3.0%	*(49.2)*	19.1%	*(60.4)*	16.9%	*(166.6)*	*10.0%*
Other Revenues from Banking and Insurance Business	30.1	-39.8%	8.3	-44.6%	5.5	84.7%	93.9	45.8%	137.7	-49.8%
Other operating expenses/income	(0.7)	-88.9%	(0.1)	-80.4%	(0.2)	98.3%	16.8	n.m.	15.7	n.m.
Total Revenue	914.8	-7.1%	96.1	-11.1%	882.6	3.4%	354.9	13.2%	2,248.4	-0.5%

Net Interest Income amounted to **EUR 1,040 mln** as at 30 September 2022, up significantly compared to the same period of 2021 (+15.7%). This growth was driven primarily by (i) the increased contribution of the commercial segment, thanks to the higher interest income on loans generated by rising rates and the lower cost of funding, basically linked to the reduction of volumes and (ii) the lower cost of market funding, which benefitted from the maturity of some securities. The contribution deriving from relations with central banks was instead down compared to last year: the lower cost incurred for liquidity deposited with central banks (equal to EUR 46 mln as at 30 September 2022 and EUR 75 mln as at 30 September 2021) was indeed more than offset by the decline in the positive effects linked to accessing the TLTRO III auctions (amounting to EUR 162 mln in the first nine months of 2022 and EUR 203 mln in the same period of the previous year).

In the third quarter of 2022, Net interest income increased over the previous quarter (+12.7%) primarily thanks to the higher contribution of commercial loans, which benefitted from the further rate hike. This increase was offset only in part by the increase in the cost of funding and the reduced contribution deriving from relations with central banks. Indeed, the lower cost of deposits at central banks was more than offset by the reduced benefit deriving from the TLTRO resulting primarily from the expiration of the additional special interest rate period.

Items	30 09 2022	30 09 2021	Chg. Y/Y		3°Q 2022	2°Q 2022	Chg. Q/Q	
			Abs.	%			Abs.	%
Loans to customers measured at amortised cost	1,046.7	928.6	118.1	12.7%	395.1	336.2	58.9	17.5%
Loans to Banks measured at amortised cost	1.6	(13.5)	15.1	n.m.	3.9	0.2	3.7	n.m.
Loans to central Banks	115.6	128.5	(12.9)	-10.0%	18.2	46.3	(28.1)	-60.6%
Government securities and other non-bank issuers at amortised cost	86.3	94.5	(8.2)	-8.7%	30.7	27.9	2.8	10.0%
Securities issued	(234.3)	(256.1)	21.8	-8.5%	(75.3)	(79.6)	4.3	-5.4%
Hedging derivatives	(54.4)	(46.0)	(8.4)	18.3%	(21.9)	(16.6)	(5.3)	31.9%
Trading portfolios	27.9	23.9	4.0	16.7%	9.0	7.9	1.1	13.9%
Portfolios measured at fair value	4.4	3.7	0.7	18.9%	1.4	1.5	(0.1)	-6.7%
Financial assets measured at fair value through other comprehensive income	34.3	29.9	4.4	14.7%	13.1	10.1	3.0	29.7%
Other financial assets and liabilities	11.6	5.0	6.6	n.m.	5.5	3.0	2.5	83.3%
Net interest income	**1,039.7**	**898.5**	**141.2**	**15.7%**	**379.7**	**336.9**	**42.8**	**12.7%**
of which: interest income on impaired financial assets	*44.1*	*40.8*	*3.3*	*8.1%*	*15.3*	*14.3*	*1.0*	*7.0%*

Net fee and commission income, totalling EUR 1,055 mln as at 30 September 2022, declined compared to the same period of the previous year (-5.2%) due to high market volatility. The decrease is attributable to lower income from asset management (-11,6%), mainly due to lower commissions on product placement. Income on protection and the securities service also fell, while continuing commissions basically remained stable. Commissions from traditional banking services recovered compared to the same period of the previous year, while Other net fee and commission income decreased slightly, also due to the effect of the lower contribution of MPS Capital Services.
The contribution of the third quarter of 2022 was down in comparison with the previous quarter (-9.0%) mainly due to the reduction in commissions on asset management (EUR -27 mln). Commissions on product placement as well as continuing commissions were down. In the comparison with the previous quarter, commissions from traditional banking services were down, while Other fee and commission income was up slightly due to lower commissions and fees paid to financial advisors.

Services/value	30 09 2022	30 09 2021	Change Y/Y		3°Q 2022	2°Q 2022	Change Q/Q	
			abs.	%			abs.	%
Assets under management fee	**495.9**	**560.8**	**(65.0)**	**-11.6%**	**143.9**	**170.6**	**(26.8)**	**15.7%**
Product placement	146.5	201.0	(54.5)	27.1%	33.6	53.2	(19.6)	36.9%
Continuing fees	294.8	295.1	(0.3)	-0.1%	95.8	96.9	(1.2)	-1.2%
Placement of securities	24.2	29.4	(5.2)	17.6%	5.9	9.4	(3.5)	37.3%
Sales of Protection	30.3	35.3	(5.0)	14.2%	8.6	11.0	(2.5)	22.4%
Fee and commissions from traditional activities	**633.7**	**625.0**	**8.7**	**1.4%**	**205.7**	**213.9**	**(8.2)**	**-3.8%**
Credit fees	263.9	275.0	(11.1)	-4.0%	81.9	87.7	(5.8)	-6.6%
Fees from foreign service	47.3	37.5	9.8	26.1%	15.8	16.5	(0.6)	-3.9%
Commissions from services	322.6	312.6	10.0	3.2%	108.0	109.8	(1.8)	-1.6%
Other fee and commission income	**(74.3)**	**(73.1)**	**(1.2)**	**1.7%**	**(22.5)**	**(25.3)**	**2.8**	**-11.1%**
Net fees and commission income	**1,055.3**	**1,112.8**	**(57.5)**	**-5.2%**	**327.1**	**359.3**	**(32.2)**	**-9.0%**

SEGMENT REPORTING	Operating Segments			Corporate Center	Total Montepaschi Group
Primary segment	Retail banking	Wealth Management	Corporate banking		
	30/09/22	30/09/22	30/09/22	30/09/22	30/09/22
Assets under management fee	**404.2**	**77.4**	**16.2**	-	**497.8**
Product placement	137.4	5.6	3.6	-	146.6
Continuing fees	220.5	67.9	6.7	-	295.2
Placement of securities	21.0	3.7	1.0	-	25.7
Sales of Protection	25.3	0.1	4.9		30.3
Fee and commisions from traditional activities	**268.5**	**4.6**	**408.5**	**-**	**681.6**
Credit fees	49.9	1.2	236.8		287.9
Fees from foreign service	4.1	0.2	47.2	-	51.6
Commissions from services	214.5	3.2	124.5		342.2
Other fee and commission income	9.4	4.0	30.7	(1.6)	42.5
Net fees and commission income	**682.1**	**86.0**	**455.4**	**(1.6)**	**1,221.9**

Dividends, similar income and gains (losses) on investments totalled **EUR 55 mln** and fell by EUR 20 mln when compared to 30 September 2021, due to lower income generated by the insurance investments in the AXA associates[19]. The contribution of the third quarter of 2022 grew by EUR 19 mln compared to the previous quarter, thanks to the increase in income generated by the insurance investments.

Net profit (loss) from trading, the fair value measurement of assets/liabilities and gains on disposals/repurchase as at 30 September 2022 amounted to **EUR 74 mln**, a decrease of EUR 117 mln compared to the values recorded in the same period of the previous year and with a contribution in the third quarter of 2022 down by EUR 15 mln compared to the previous quarter. The analysis of the main aggregates shows the following:

- The **Net profit (loss) from trading** was a negative EUR 17 mln**,** compared to the value of EUR 37 mln recorded in the same period of the previous year, with a reduction in both the contribution of trading activities and the value of derivatives hedging fair value option bond liabilities. The reduction in value of these derivatives is offset by the benefit generated by the reduction in value of the corresponding hedged bond liabilities and recorded under the item "Net result of other assets / liabilities measured at fair value through profit or loss".
  The result for the third quarter of 2022 was down compared to the previous quarter (EUR -0.6 mln) due to the reduction in the contribution of trading activity, offset only in part by the increase in the value of derivatives hedging fair value option bond liabilities.
- Positive **Net result of other assets / liabilities measured at fair value through profit or loss for EUR 42 mln**, an increase compared to the EUR 14 mln recorded in the same period of the previous year thanks to the higher capital gains recorded in particular on *UCITSs* and the benefit generated by the reduction in the value of the bond liabilities which, as mentioned above, offsets the reduction in value recorded by the corresponding hedging derivatives and recognised under the item "Net profit (loss) from trading". The contribution of the third quarter of 2022 (EUR +8 mln) was down by EUR 15 mln compared to the previous quarter, following the lower capital gains recorded in particular on *UCITSs* and the capital losses recorded on debt securities. The value of fair value option bond liabilities was down slightly compared to the previous quarter.
- Positive results from **disposal / repurchase** (excluding customer loans at amortised cost) **of EUR 49 mln**, with a decrease of EUR 91 mln with respect to what was recorded in the first nine months of 2021 attributable to lower income on the sale of securities. The contribution for the third quarter of 2022 was equal to EUR 0.3 mln (EUR 0.1 mln in the second quarter of 2022).

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

Items	30 09 2022	30 09 2021	Chg. Y/Y		3°Q 2022	2°Q 2022	Chg. Q/Q	
			Abs.	%			Abs.	%
Financial assets held for trading	(453.4)	(45.2)	(408.2)	n.m.	(185.3)	(170.0)	(15.3)	9.0%
Financial liabilities held for trading	358.9	93.8	265.1	n.m.	135.1	113.4	21.7	19.1%
Exchange rate effects	13.5	7.7	5.8	75.3%	4.5	3.0	1.5	50.0%
Derivatives	63.9	(19.1)	83.0	n.m.	28.8	37.3	(8.5)	-22.8%
Trading results	**(17.1)**	**37.2**	**(54.3)**	**n.m.**	**(16.9)**	**(16.3)**	**(0.6)**	**3.7%**
Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss	41.8	13.8	28.0	n.m.	8.0	23.1	(15.1)	-65.4%
Disposal / repurchase (excluding loans to customers measured at amortised cost)	49.1	139.7	(90.6)	-64.9%	0.3	0.1	0.3	n.m.
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	**73.8**	**190.7**	**(116.9)**	**-61.3%**	**(8.6)**	**6.9**	**(15.5)**	**n.m.**

The following items are also included in Revenues:

- **Net profit (loss) from hedging equal to EUR +9 mln,** an increase compared to the first nine months of 2021 (EUR +8 mln) and with a contribution of the third quarter of 2022 down on the previous quarter (EUR -2.4 mln);
- **Other operating income/expenses** for a positive EUR 16 mln improved compared to the result recorded in the first nine months of 2021 (EUR -26 mln). The contribution of the third quarter, equal to EUR -3 mln, was worse than that of the previous quarter (equal to EUR 22 mln).

Operating expenses

As at 30 September 2022, **Operating expenses** were equal to **EUR 1,592 mln**, substantially stable compared to the same period of the previous year (+0.3%) and with a smaller contribution in the third quarter of 2022 (-1.7%) than in the previous quarter. A closer look at the individual aggregates reveals the following:

- **Administrative expenses** were equal to **EUR 1,461 mln**, up slightly by +0.4% compared to the first nine months of 2021, with a smaller contribution (down by 1.8%) in the third quarter of 2022 than that recorded in the previous quarter. A breakdown of the aggregate shows:
    - **Personnel expenses**, totalling **EUR 1,067 mln**, were down 1.0% compared to the first nine months of 2021, benefiting from workforce reduction trends. The contribution of the third quarter of 2022 was also down compared to the previous quarter (-0.8%).
    - **Other administrative expenses**, totalling **EUR 394 mln**, grew compared to the corresponding period of the previous year (+4.3%, which benefitted from contingent assets), also due to extraordinary legal costs and tensions linked to energy costs. On the other hand, the contribution of the third quarter of 2022 was down compared to the previous quarter (-4.3%), which was impacted by the above-mentioned extraordinary legal costs.

- **Net value adjustments to property, plant and equipment and intangible assets** totalled **EUR 132 mln** as at 30 September 2022, stable compared to the same period of the previous year. The aggregate was down compared to the previous quarter (-1.3%).

Type of transaction	30 09 2022	30 09 2021	Chg Y/Y		3°Q 2022	2°Q 2022	Chg Q/Q	
			Abs.	%			Abs.	%
Wages and salaries	(766.6)	(780.1)	13.5	-1.7%	(254.1)	(256.3)	2.2	-0.9%
Social-welfare charges	(209.3)	(213.1)	3.8	-1.8%	(69.3)	(69.8)	0.5	-0.7%
Other personnel expenses	(90.7)	(83.7)	(7.0)	8.4%	(30.6)	(30.7)	0.1	-0.5%
Personnel expenses	**(1,066.6)**	**(1,076.9)**	**10.3**	**-1.0%**	**(354.0)**	**(356.8)**	**2.8**	**-0.8%**
Taxes	(166.9)	(166.7)	(0.2)	0.1%	(55.6)	(56.0)	0.4	-0.7%
Furnishing, real estate and security expenses	(68.2)	(63.7)	(4.5)	7.1%	(25.7)	(19.0)	(6.7)	35.3%
General operating expenses	(136.3)	(130.0)	(6.3)	4.8%	(41.4)	(42.9)	1.5	-3.5%
Information technology expenses	(96.9)	(98.8)	1.9	-1.9%	(31.3)	(34.6)	3.3	-9.5%
Legal and professional expenses	(55.1)	(52.2)	(2.9)	5.6%	(16.8)	(23.6)	6.8	-28.8%
Indirect personnel costs	(3.7)	(3.7)	-	0.0%	(1.2)	(1.6)	0.4	-25.0%
Insurance	(15.1)	(32.7)	17.6	-53.8%	(4.8)	(5.5)	0.7	-12.7%
Advertising, sponsorship and promotions	(2.3)	(2.3)	-	0.0%	(0.8)	(0.8)	-	0.0%
Other	(13.0)	(4.3)	(8.7)	n.m.	(2.8)	(4.8)	2.0	-41.7%
Expenses recovery	163.3	176.5	(13.2)	-7.5%	54.1	56.8	(2.7)	-4.8%
Other administrative expenses	**(394.2)**	**(377.9)**	**(16.3)**	**4.3%**	**(126.3)**	**(132.0)**	**5.7**	**-4.3%**
Property, plant and equipment	(80.9)	(82.8)	1.9	-2.3%	(26.4)	(27.5)	1.1	-3.9%
Intangible assets	(50.6)	(49.2)	(1.4)	2.8%	(17.3)	(16.8)	(0.5)	3.0%
Net value adjustments to property, plant and equipment and intangible assets	**(131.5)**	**(132.0)**	**0.5**	**-0.4%**	**(43.7)**	**(44.2)**	**0.6**	**-1.3%**
Operating expenses	**(1,592.3)**	**(1,586.8)**	**(5.5)**	**0.3%**	**(523.9)**	**(533.1)**	**9.1**	**-1.7%**

As a result of these trends, the Group's **Gross Operating Income** was equal to **EUR 656 mln** (EUR 673 mln as at 30 September 2021), with a contribution of the third quarter of 2022 of EUR 203 mln, down by roughly EUR 3 mln on the previous quarter.

Cost of customer credit

At 30 September 2022, the Group recognised a Cost of customer credit equal to EUR 320 mln, marking growth compared to EUR 28 mln recorded in the same period of the previous year. The figure for the first nine months of 2022 includes adjustments connected to the disposal of non-performing loans resulting from the use of sales scenarios in the estimation models, as well as the cost deriving from the update in the baseline macroeconomic scenario. The figure for the first nine months of 2021 instead included a net negative effect of approximately EUR 28 mln due to the cost deriving from the update in the statistical valuation models and some methodological fine-tuning partially offset by impairment reversals deriving from the update in macroeconomic scenarios. Even excluding these effects, the aggregate was up in any event compared to the first nine months of 2021, mainly due to impairment reversals (about EUR 130 mln) recorded last year on some significant positions, the risk profile of which has improved due to intervening corporate events.

The Cost of customer credit is equal to EUR 95 mln in the third quarter of 2022, down against EUR 114 mln in the previous quarter. Excluding the effects of the recognition of adjustments connected to the non-performing loan disposal transaction and the cost deriving from the update in the baseline macroeconomic scenario, the aggregate was up in the quarter on quarter comparison basically due to higher adjustments on positions in default.

As at 30 September 2022, the ratio between the Cost of Customer Credit and the sum of Customer Loans and the value of securities deriving from the sale/securitisation of non-performing loans results in a Provisioning Rate of 55 bps (57 bps as at 30 June 2022 and 31 bps as at 31 December 2021).

Items	30 09 2022	30 09 2021	Chg. Y/Y		3°Q 2022	2°Q 2022	Chg. Q/Q	
			Abs.	%			Abs.	%
Loans to customers measured at amortised cost	(322.5)	(44.4)	(278.1)	n.m.	(95.9)	(111.5)	15.6	-14.0%
Modification gains/(losses)	3.1	(6.8)	9.9	n.m.	2.0	1.2	0.8	66.7%
Gains/(losses) on disposal/repurchase of loans to customers measured at amortised cost	1.7	(0.4)	2.1	n.m.	0.2	1.3	(1.2)	-86.8%
Net change of Loans to customers mandatorily measured at fair value	4.9	(6.0)	10.9	n.m.	(0.8)	(2.8)	2.0	-71.4%
Net provisions for risks and charges on commitments and guarantees issued	(7.2)	29.9	(37.1)	n.m.	(0.6)	(1.9)	1.3	-68.4%
Cost of customer credit	**(320.0)**	**(27.7)**	**(292.3)**	**n.m.**	**(95.1)**	**(113.7)**	**18.5**	**-16.3%**

The Group's **Net Operating Income** as at 30 September 2022 was **positive and approximately EUR 338 mln**, against a positive value of EUR 648 mln reported in the same period of the previous year. The contribution of the third quarter of 2022, equal to EUR 107 mln, was up compared to the previous quarter, when it had recorded a positive value of EUR 94 mln.

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

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

- **Other net provisions for risks and charges** for EUR 43 mln in impairment reversals, an improvement compared to EUR 66 mln in provisions recorded in the same period of the previous year. The positive economic balance was influenced by releases of provisions due to (i) the improvement recorded in the risk profile of certain types of legal risks and (ii) the increase in the discounting effect, following the interest rate trend recorded during the period. The third quarter of 2022 contributed with a release of EUR 121 mln against provisions of around EUR 50 mln recorded in the previous quarter.

- **Other gains (losses) on equity investments** were equal to **EUR +4 mln**, compared to a gain of EUR 2 mln in the same period of the previous year, with a contribution of the third quarter of 2022 equal to a positive EUR 3 mln compared to a result of EUR -0.7 mln recorded in the previous quarter.

- **Restructuring charges / One-off costs, equal to EUR -928 mln,** a deterioration on the EUR -8 mln recorded in the first nine months of 2021. The contribution for the third quarter of 2022 was equal to EUR -925 mln euro, compared to EUR -3 mln in the previous quarter. The figure for the third quarter of 2022 includes provisions recognised against the planned early retirement/solidarity fund scheme, pursuant to the Trade Union agreement of 4 August 2022;

- **Risks and charges associated to SRF, DGS and similar schemes**, amounting to **EUR -172 mln**, comprised of the contribution due from the Group to the Single Resolution Fund (SRF) accounted for in the first quarter of 2022 amounting to EUR 89 mln and the estimated amount to be recognised to IDPF (DGS) accounted for in 3Q22 (EUR 83 mln). The balance recorded in the same period of the previous year was EUR -159 mln.
- **DTA fee**, amounting to **EUR -47 mln**, basically unchanged compared to what was recorded in the same period of the previous year. This amount, determined according to the criteria set forth in Law Decree 59/2016, converted into Law no. 119 of 30 June 2016, represents the fee as at 30 September 2022 on DTA (Deferred Tax Assets) that can be converted into a tax credit.

- **Net gains (losses) on property, plant and equipment and intangible assets measured at fair value,** equal to **EUR -11 mln** at 30 September 2022, entirely recorded in the second quarter of 2022**.** As at 30 September 2021, the aggregate was negative for EUR 28 mln.

- **Gains (losses) on disposal of investments of EUR +0.8 mln**. At 30 September 2021, the aggregate was positive for EUR 14 mln following the sale of properties last year.

Due to the changes discussed above, the Group's **Loss for the period before tax** stood at **EUR 774 mln**, compared to 30 September 2021, when there was a profit of EUR +356 mln. The result for the third quarter of 2022 is equal to EUR -794 mln compared to EUR 16 mln in the previous quarter.

Income tax for the period recorded a positive contribution of **EUR 415 mln** (equal to EUR 35 mln as at 30 September 2021), attributable nearly entirely to the revaluation of DTAs accounted in the third quarter, following the successful outcome of the capital increase transaction. The revaluation is attributable to the adoption, with adequate prudential factor, of new income projections included in the 2022-2026 Business Plan approved by the Board of Directors on 22 June.

Considering the net effects of the PPA (EUR -2 mln), the **Parent Company's loss for the period amounted to EUR 361 mln**, compared to a profit of EUR 388 mln in the first nine months of 2021. The contribution of the third quarter (equal to EUR -388 mln) was lower than that of the previous quarter (equal to EUR +18 mln).

Reclassified balance sheet

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

Reclassified Consolildated Balance Sheet

Assets	30 09 2022	31 12 2021	Chg abs.	Chg %
Cash and cash equivalents	16,540.4	1,741.8	14,798.6	n.m.
Loans to central banks	4,426.4	20,769.7	(16,343.3)	-78.7%
Loans to banks	2,715.5	3,493.3	(777.8)	-22.3%
Loans to customers	77,939.1	79,380.3	(1,441.2)	-1.8%
Securities assets	19,794.3	22,127.1	(2,332.8)	-10.5%
Derivatives	3,521.3	2,431.6	1,089.7	44.8%
Equity investments	692.2	1,095.4	(403.2)	-36.8%
Property, plant and equipment/Intangible assets	2,639.5	2,743.5	(104.0)	-3.8%
of which: goodwill	*7.9*	*7.9*	-	0.0%
Tax assets	2,205.7	1,774.0	431.7	24.3%
Other assets	1,317.1	2,311.9	(994.8)	-43.0%
Total assets	**131,791.5**	**137,868.6**	**(6,077.1)**	**-4.4%**

Liabilities	30 09 2022	31 12 2021	Chg abs.	Chg %
Direct funding	83,805.1	90,300.3	(6,495.2)	-7.2%
a) Due to customers	75,164.3	79,859.5	(4,695.2)	-5.9%
b) Securities issued	8,640.8	10,440.8	(1,800.0)	-17.2%
Due to central banks	28,931.7	29,154.8	(223.1)	-0.8%
Due to banks	2,589.8	2,125.1	464.7	21.9%
On-balance-sheet financial liabilities held for trading	2,362.2	3,104.1	(741.9)	-23.9%
Derivatives	1,777.2	2,686.1	(908.9)	-33.8%
Provisions for specific use	2,582.4	1,814.0	768.4	42.4%
a) Provision for staff severance indemnities	136.9	159.3	(22.4)	-14.1%
b) Provision related to guarantees and other commitments given	148.5	144.0	4.5	3.1%
c) Pension and other post-retirement benefit obligations	24.2	29.7	(5.5)	-18.5%
d) Other provisions	2,272.8	1,481.0	791.8	53.5%
Tax liabilities	6.9	7.1	(0.2)	-2.8%
Other liabilities	4,430.8	2,503.1	1,927.7	77.0%
Group net equity	5,304.1	6,172.7	(868.6)	-14.1%
a) Valuation reserves	(203.3)	306.8	(510.1)	n.m.
d) Reserves	913.8	(3,638.6)	4,552.4	n.m.
f) Share capital	4,954.1	9,195.0	(4,240.9)	-
h) Net profit (loss) for the period	(360.5)	309.5	(670.0)	n.m.
Non-controlling interests	1.3	1.3	-	0.0%
Total Liabilities and Shareholders' Equity	**131,791.5**	**137,868.6**	**(6,077.1)**	**-4.4%**

Reclassified Consolidated Balance Sheet - Quarterly Trend							
Assets	**30 09 2022**	**30 06 2022**	**31 03 2022**	**31 12 2021**	**30 09 2021**	**30 06 2021**	**31 03 2021**
Cash and cash equivalents	16,540.4	1,518.8	1,791.0	1,741.8	2,121.6	1,745.3	1,853.4
Loans to central banks	4,426.4	17,626.5	15,392.8	20,769.7	20,940.8	25,570.5	26,116.8
Loans to banks	2,715.5	1,432.1	2,424.9	3,493.3	3,344.0	3,133.9	2,975.3
Loans to customers	77,939.1	78,621.7	79,259.7	79,380.3	81,199.8	81,355.8	82,259.0
Securities assets	19,794.3	22,312.7	23,382.2	22,127.1	24,961.0	23,121.9	22,562.0
Derivatives	3,521.3	3,029.2	2,352.6	2,431.6	2,591.8	2,689.5	2,757.5
Equity investments	692.2	756.5	985.2	1,095.4	1,041.8	1,027.7	1,069.2
Property, plant and equipment/Intangible assets	2,639.5	2,666.1	2,718.5	2,743.5	2,757.9	2,760.0	2,784.5
of which: goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Tax assets	2,205.7	1,769.3	1,798.0	1,774.0	1,758.7	1,800.4	1,919.8
Other assets	1,317.1	1,645.0	1,904.2	2,311.9	2,400.5	2,544.7	2,361.3
Total assets	**131,791.5**	**131,377.9**	**132,009.1**	**137,868.6**	**143,117.9**	**145,749.7**	**146,658.8**

Liabilities	**30 09 2022**	**30 06 2022**	**31 03 2022**	**31 12 2021**	**30 09 2021**	**30 06 2021**	**31 03 2021**
Direct funding	83,805.1	84,305.1	84,428.2	90,300.3	92,901.5	94,036.5	99,053.6
a) Due to customers	*75,164.3*	74,940.9	74,992.2	79,859.5	82,389.2	83,315.3	87,124.1
b) Securities issued	8,640.8	9,364.2	9,436.0	10,440.8	10,512.3	10,721.2	11,929.5
Due to central banks	28,931.7	28,947.6	29,081.1	29,154.8	29,230.2	29,305.6	26,373.1
Due to banks	2,589.8	1,694.6	1,763.6	2,125.1	3,019.5	3,854.3	3,816.4
On-balance-sheet financial liabilities held for trading	2,362.2	2,658.7	3,174.4	3,104.1	3,325.0	3,819.3	3,179.5
Derivatives	1,777.2	1,727.5	2,081.9	2,686.1	2,819.1	2,730.1	2,759.0
Provisions for specific use	2,582.4	1,822.2	1,820.6	1,814.0	1,969.0	2,017.1	2,011.3
a) Provision for staff severance indemnities	136.9	142.5	157.8	159.3	162.2	163.3	164.2
b) Provision related to guarantees and other commitments given	148.5	148.8	147.8	144.0	121.5	144.6	147.1
c) Pension and other post-retirement benefit obligations	24.2	24.9	29.0	29.7	30.7	31.4	32.3
d) Other provisions	2,272.8	1,506.0	1,486.0	1,481.0	1,654.6	1,677.8	1,667.7
Tax liabilities	6.9	6.0	6.5	7.1	8.0	8.0	8.1
Other liabilities	4,430.8	4,378.1	3,645.4	2,503.1	3,593.5	3,912.1	3,451.0
Group net equity	5,304.1	5,836.7	6,006.1	6,172.7	6,250.7	6,065.3	6,005.4
a) Valuation reserves	(203.3)	(55.3)	131.6	306.8	302.3	324.7	367.6
d) Reserves	913.8	(3,330.2)	(3,330.2)	(3,638.6)	(3,630.7)	(3,521.0)	(3,415.8)
f) Share capital	4,954.1	9,195.0	9,195.0	9,195.0	9,195.0	9,195.0	9,195.0
g) Treasury shares (-)	-	-	-	-	(4.0)	(135.5)	(260.7)
h) Net profit (loss) for the period	(360.5)	27.2	9.7	309.5	388.1	202.1	119.3
Non-controlling interests	1.3	1.4	1.3	1.3	1.4	1.4	1.4
Total Liabilities and Shareholders' Equity	**131,791.5**	**131,377.9**	**132,009.1**	**137,868.6**	**143,117.9**	**145,749.7**	**146,658.8**

Customer funding

As at 30 September 2022, the Group's **Total Funding** volumes amounted to **EUR 175.3 bn**, with a decrease in volumes of EUR 2.1 bn compared to 30 June 2022, linked to the decrease in Indirect Funding (EUR -1.6 bn) as well as Direct Funding (EUR -0.5 bn).

The aggregate was down also compared to 31 December 2021 (EUR -19.4 bn), due to the decrease in Direct Funding (EUR -6.5 bn) and Indirect Funding (EUR -12.9 bn).

Background

Bank funding is showing signs of a slowdown. After an initial part of the year characterised by a basically stable growth trend (close to 4-5% yoy), since June deposits began to decelerate, recording +2.7% yoy in August. For the production sector (non-financial companies and income-generating households), the acceleration in the months immediately following the outbreak of the conflict was followed by a slowdown in the pace of expansion, with deposits up 4.9% yoy in August (compared to +11% at the end of 2021). For consumer households, deposits amounted to around EUR 1,177 bn in August (roughly 13 bn more than at the end of the year), in any event recording a gradual deceleration in the yearly growth trend during the year. With regard to technical forms, trends were positive, albeit slowing, for current account payables of resident customers and showed a slight recovery in deposits redeemable at notice; time deposits were down, recording a decrease of roughly -17% yoy in August. In the first eight months of the year, bonds continued to contract (-5.2% yoy in August). Italian bank funding slowed further as a result of the contraction in liabilities to the Eurosystem following voluntary repayments of TLTRO3 funds last June.

In August, the interest rate on deposits of non-financial companies and households stood at around 0.32%, up slightly stable compared to the figure at the beginning of the year (+2 bps): the rate on current accounts remained close to a minimum (0.02%) while that on deposits with a fixed term, although recovering from the values recorded in June, stood at around 0.94% from 0.99% at the end of 2021; the rise in the rate on deposits redeemable at notice continues, reaching approximately 1.48% in August (+11 bps since last December). As regards bonds, the rate on balances was up to approx. 1.81% from 1.76% at the end of 2021.

On managed savings, the overall balance of net deposits in the first six months of the year recorded a value of EUR +6.7 bn: after a positive first quarter (EUR +10.9 bn), albeit decelerating compared to the final quarter in 2021, in the second quarter of 2022 net inflows were negative (EUR -4.2 bn), also following the greater uncertainty caused by the outbreak of the conflict in Ukraine. In particular, in the first six months of the year, the funds recorded a positive net balance of approx. EUR 14.7 bn, while in portfolio management there are significant outflows of approx. EUR -8 bn net (concentrated on institutional management, with net inflows of EUR -12.5 bn, while retail management recorded a positive balance of EUR +4.5 bn). At the category level, savers have focused their choices on equity funds (EUR +15.6 bn) and balanced funds (EUR +6.9 bn) in the face of substantial disinvestments on bond funds, with net inflows in this sector of approx. EUR -15.3 bn. Total assets under management at the end of June amounted to EUR 2,257 bn compared to EUR 2,594 bn in December 2021, recording a decline of approx. -13% also due to greater market volatility. For the life insurance market, the first six months of the year saw a -12.6% drop in volumes of new business (equal to EUR 48.4 mln, excluding PIPs) compared to the same period of the previous year: traditional products recorded -13.6%, hybrid solutions -2.2% (with a significant slowdown starting from March) and also the component with the highest financial content (the classic units) was affected by the consequences of the conflict in Ukraine and the uncertainty of the markets, recording a -26.3% decline compared to the same period of 2021. With reference to the channels for the placement of life insurance products, in the first six months of the year the financial advisors channel brokered a turnover that was -24% lower than in the same period of the previous year, while the banking and the agency channels fell by -8.7% and -11% yoy, respectively.

Customer Funding

					Chg Q/Q		Chg 31/12		Chg Y/Y	
	30 09 2022	30 06 2022	31 12 2021	30 09 2021	Abs.	%	Abs.	%	Abs.	%
Direct funding	83,805.1	84,305.1	90,300.3	92,901.5	(500.0)	-0.6%	(6,495.2)	-7.2%	(9,096.4)	-9.8%
Indirect funding	91,481.3	93,069.9	104,429.7	104,758.2	(1,588.7)	-1.7%	(12,948.4)	-12.4%	(13,276.9)	-12.7%
Total funding	**175,286.4**	**177,375.0**	**194,730.0**	**197,659.7**	**(2,088.7)**	**-1.2%**	**(19,443.6)**	**-10.0%**	**(22,373.3)**	**-11.3%**

Volumes of **Direct Funding** amounted to **EUR 83.8 bn** and are down compared to the values at the end of June 2022 by EUR 0.5 bn due to the drop in term deposits (EUR -0.5 bn), in keeping with the strategy to reduce costly components, and Bonds (EUR -0.7 bn), offset only in part by the increase in Current Accounts (EUR +0.4 bn) and Other forms of deposits (EUR +0.3 bn).

With respect to 31 December 2021, the aggregate was down by EUR 6.5 bn, with a decrease across all types, with the exception of Current Accounts, which rose by EUR 0.1 bn. In particular, there was a decrease in Repurchase agreements (EUR -3.4 bn), due to the lower operations of MPS Capital Services, and a reduction in the bond sector (EUR -1.8 bn), mainly deriving from the maturity of a covered bond and an institutional bond. Other forms of funding also decreased (EUR -0.2 bn), as did term deposits (EUR -1.3 bn) due to the continuation of the actions implemented by the Parent Company to optimise the cost of funding.

The Group's market share[20] on Direct Funding was 3.51% (figure updated in July 2022), an improvement compared to December 2021 (3.47%).

Direct funding

Type of transaction	30 09 2022	30 06 2022	31 12 2021	30 09 2021	Change Q/Q		Change 31.12		Change Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Current accounts	66,270.9	65,852.4	66,159.1	65,140.9	418.5	0.6%	111.8	0.2%	1,130.0	1.7%
Time deposits	5,164.8	5,675.0	6,438.3	6,924.3	(510.2)	-9.0%	(1,273.5)	-19.8%	(1,759.5)	-25.4%
Reverse repurchase agreements	927.5	899.6	4,298.7	6,997.5	27.9	3.1%	(3,371.2)	-78.4%	(6,070.0)	-86.7%
Bonds	8,640.7	9,364.2	10,440.9	10,512.3	(723.5)	-7.7%	(1,800.2)	-17.2%	(1,871.6)	-17.8%
Other forms of direct funding	2,801.2	2,513.9	2,963.3	3,326.5	287.3	11.4%	(162.1)	-5.5%	(525.3)	-15.8%
Total	**83,805.1**	**84,305.1**	**90,300.3**	**92,901.5**	**(500.0)**	**-0.6%**	**(6,495.2)**	**-7.2%**	**(9,096.4)**	**-9.8%**

Indirect Funding came to **EUR 91.5 bn**, a decrease of EUR 1.6 bn compared to 30 June 2022, due to the reduction in both the Assets under Management (EUR -0.9 bn) and Assets under Custody (EUR -0.7 bn) components, both impacted by a negative market effect.

Also in the comparison with 31 December 2021, there was a decline of Indirect Funding of EUR 12.9 bn on both components of Assets under management (EUR -7.3 bn) and Assets under custody (EUR -5.7 bn), impacted by the negative market effect.

Indirect Funding

	30 09 2022	30 06 2022	31 12 2021	30 09 2021	Change Q/Q		Change 31/12		Change Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Assets under management	57,988.4	58,880.4	65,285.5	64,426.6	(891.9)	-1.5%	(7,297.0)	-11.2%	(6,438.1)	-10.0%
Funds	*25,767.7*	*26,376.5*	*30,002.2*	*29,371.3*	*(608.7)*	*-2.3%*	*(4,234.4)*	*-14.1%*	*(3,603.6)*	*-12.3%*
Individual Portfolio under Management	*4,837.0*	*4,929.2*	*5,498.4*	*5,383.2*	*(92.3)*	*-1.9%*	*(661.5)*	*-12.0%*	*(546.2)*	*-10.1%*
Bancassurance	*27,383.8*	*27,574.7*	*29,784.9*	*29,672.1*	*(191.0)*	*-0.7%*	*(2,401.1)*	*-8.1%*	*(2,288.4)*	*-7.7%*
Assets under custody	33,492.8	34,189.6	39,144.2	40,331.6	(696.7)	-2.0%	(5,651.4)	-14.4%	(6,838.8)	-17.0%
Government securities	*12,168.1*	*12,171.2*	*13,372.0*	*13,554.3*	*(3.0)*	*0.0%*	*(1,203.9)*	*-9.0%*	*(1,386.1)*	*-10.2%*
Others	*21,324.7*	*22,018.4*	*25,772.2*	*26,777.3*	*(693.7)*	*-3.2%*	*(4,447.5)*	*-17.3%*	*(5,452.6)*	*-20.4%*
Total funding	**91,481.3**	**93,069.9**	**104,429.7**	**104,758.2**	**(1,588.7)**	**-1.7%**	**(12,948.4)**	**-12.4%**	**(13,276.9)**	**-12.7%**

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

Loans to customers

As at 30 September 2022, the Group's **Loans to Customers** were equal to **EUR 77.9 bn**, down EUR 0.7 bn compared to the end of June 2022 as a result of the decrease in repurchase transactions (EUR -0.3 bn) and the drop in mortgages (EUR -0.1 bn) and other loans (EUR -0.2 bn).

The aggregate declined by EUR 1.4 bn in the comparison with 31 December 2021 primarily due to the decline in Repurchase Agreements (EUR -2.0 bn) and the decrease in mortgages (EUR -0.6 bn) and non-performing loans (EUR -0.2 bn). On the other hand, current accounts (EUR +0.4 bn) and other loans (EUR +1.0 bn) were up.

The market share[21] of the Group was 4.42% (last available figure from July 2022), up 9 basis points from the end of 2021.

Background

Within a context of high inflation, the good trend of lending to the economy is confirmed. Loans to the private sector (net of Repurchase Agreements with central counterparties and adjusted for exposures sold and derecognised) recorded growth of more than +4.4% on a yearly basis in August, accelerating from the approx. +2.1% of last December. The increase in loans to non-financial companies, more limited in the first quarter of the year, showed a positive increase until reaching a pace of expansion exceeding that of loans to households, reaching a yearly +4.8% in August. This trend was impacted by the higher working capital requirement on the part of companies due to rising input costs and lower recourse to bond financing; at sector level, lending was reinforced in manufacturing and services, against an attenuation in construction. The expansion of household lending was confirmed as sustained, recording growth rates in excess of 4% yoy since last May; in particular in the segment of home mortgages. The growth in consumer credit gained strength slightly. The Eurozone Bank Lending Survey relating to the second quarter noted that in Italy lending policies became stricter for loans to businesses and households and that they became more rigid in the summer months.

The increase in official rates last July was only in part transmitted to the cost of credit to businesses and households. With regard to interest rates, there has been a recovery, which was more sustained as regards the stock of loans to non-financial companies (1.88% in August; +26 bps since December 2021) than loans to households (2.76% in August, +12 bp since December). On new business transactions, the average rate rose by approx. 26 bps from the values marked at the end of 2021, reaching 1.45% in August. The rate on loans for the purchase of homes is continuing to increase on new household transactions, which stood at 2.07% in August (approximately +68 bps compared to December), reflecting the increase in the cost of fixed-rate mortgages, which has risen sharply. The rate on consumer credit rose by more than one percentage point compared to the end of 2021, reaching 7.15% in August; the rate on loans for other purposes rose to close to 3.5%. In the first eight months of the year, the stock of bad loans in bank financial statements to residents in Italy declined by roughly EUR 3.4 billion compared to the levels recorded last December. In terms of yearly trends, in August the reduction in bad loans to residents exceeded -6%; including bad loans sold and derecognised, analogous to the loan adjustment methodology applied in the European Central Bank System (ECBS), there was instead an upward trend (roughly +5.5%).

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

Loans to customers

Type of transaction	30 09 2022	30 06 2022	31 12 2021	30 09 2021	Change Q/Q		Change 31.12		Change Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Current accounts	3,061.7	3,097.2	2,695.9	2,870.9	(35.5)	-1.1%	365.8	13.6%	190.8	6.6%
Mortgages	55,702.2	55,807.7	56,268.3	57,014.3	(105.5)	-0.2%	(566.1)	-1.0%	(1,312.1)	-2.3%
Other forms of lending	14,104.8	14,267.2	13,152.2	12,935.4	(162.4)	-1.1%	952.6	7.2%	1,169.4	9.0%
Repurchase agreements	3,165.8	3,483.9	5,126.4	6,094.8	(318.1)	-9.1%	(1,960.6)	-38.2%	(2,929.0)	-48.1%
Non-performing loans	1,904.6	1,965.7	2,137.5	2,284.4	(61.1)	-3.1%	(232.9)	-10.9%	(379.8)	-16.6%
Total	**77,939.1**	**78,621.7**	**79,380.3**	**81,199.8**	**(682.6)**	**-0.9%**	**(1,441.2)**	**-1.8%**	**(3,260.7)**	**-4.0%**
Stage 1	*64,506.6*	*65,064.5*	*64,808.0*	*67,139.8*	*(557.9)*	*-0.9%*	*(301.4)*	*-0.5%*	*(2,633.2)*	*-3.9%*
Stage 2	*11,341.1*	*11,404.4*	*12,306.3*	*11,623.7*	*(63.3)*	*-0.6%*	*(965.2)*	*-7.8%*	*(282.6)*	*-2.4%*
Stage 3	*1,902.0*	*1,963.0*	*2,124.0*	*2,269.8*	*(61.0)*	*-3.1%*	*(222.0)*	*-10.5%*	*(367.8)*	*-16.2%*
Purchased or originated credit impaired financial assets	*5.8*	*9.6*	*10.6*	*10.6*	*(3.8)*	*-39.6%*	*(4.8)*	*-45.3%*	*(4.8)*	*-45.2%*
Performing loans measured at fair value	*181.9*	*178.3*	*119.7*	*142.6*	*3.6*	*2.0%*	*62.2*	*52.0%*	*39.3*	*27.6%*
Non-performing loans measured at fair value	*1.7*	*1.9*	*11.7*	*13.3*	*(0.2)*	*-10.5%*	*(10.0)*	*-85.5%*	*(11.6)*	*-87.2%*

	Loans to customers measured at amortised cost	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	**Total**
30 09 2022	Gross exposure	64,583.1	11,713.2	4,087.4	7.4	**80,391.1**
	Adjustments	76.5	372.1	2,185.4	1.6	**2,635.6**
	Net exposure	64,506.6	11,341.1	1,902.0	5.8	**77,755.5**
	Coverage ratio	*0.1%*	*3.2%*	*53.5%*	*21.6%*	***3.3%***
	% on Loans to customers measured at amortised cost	*83.0%*	*14.6%*	*2.4%*	*0.0%*	***100.0%***

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

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

Loans to customers measured at amortised cost		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	**Total**
30 09 2021	Gross exposure	67,221.3	11,987.4	4,199.7	19.4	**83,427.8**
	Adjustments	81.5	363.7	1,929.9	8.8	**2,383.9**
	Net exposure	67,139.8	11,623.7	2,269.8	10.6	**81,043.9**
	Coverage ratio	*0.1%*	*3.0%*	*46.0%*	*45.4%*	***2.9%***
	% on Loans to customers measured at amortised cost	*82.8%*	*14.3%*	*2.8%*	*0.0%*	***100.0%***

The gross exposure of loans classified as Stage 1 was equal to EUR 64.6 bn, a decrease both compared to 30 June 2022 (EUR 65.1 bn) and to 31 December 2021 (EUR 64.9 bn).

Positions classified in stage 2, the gross exposure of which amounted to EUR 11.7 bn, were down compared to EUR 11.8 bn as at 30 June 2022 and to EUR 12.7 bn as at 31 December 2021.

Compared to 31 December 2021, there was a slight decline in stage 1 that corresponds to a simultaneous decrease in stage 2, the latter due for the most part to the improvement in the creditworthiness of some counterparties subject to the moratorium during the pandemic period and the acquisition of new financial data for 2021. Stage 3 was basically stable, with an increase in the coverage level only in part connected to the "Fantino" loan disposal transaction.

Non-performing exposures of loans to customers

Total Non-Performing Loans to Customers of the Group as at 30 September 2022 amounted to **EUR 4.1 bn** in terms of gross exposure, basically stable compared to June 2022 as well as 31 December 2021. In particular:

- the gross bad loan exposure, equal to EUR 1.9 bn, was up compared to 30 June 2022 (EUR 1.8 bn) and 31 December 2021 (EUR 1.7 bn);
- the gross unlikely-to-pay loan exposure, equal to EUR 2.2 bn, was down compared to 30 June 2022 (EUR 2.2 bn) as well as 31 December 2021 (EUR 2.3 bn);
- the gross non-performing past-due loan exposure, equal to EUR 54.5 mln, was up compared to 30 June 2022 (EUR 47.5 mln) and down compared to 31 December 2021 (EUR 60.7 mln).

As at 30 September 2022, the Group's **net exposure in terms of non-performing loans to Customers** was equal to **EUR 1.9 bn**, down compared to both 30 June 2022 (EUR 2.0 bn) and 31 December 2021 (EUR 2.1 bn).

Loans to customers		Bad loans	Unlikely to pay	Non-performing Past due Loans	**Total Non-performing loans to customers**	Perfoming loams	**Total**
30 09 2022	Gross exposure	1,877.3	2,168.7	54.5	**4,100.5**	76,483.2	**80,583.7**
	Adjustments	1,318.1	863.4	14.4	**2,195.9**	448.7	**2,644.6**
	Net exposure	559.2	1,305.3	40.1	**1,904.6**	76,034.5	**77,939.1**
	Coverage ratio	*70.2%*	*39.8%*	*26.4%*	***53.6%***	*0.6%*	***3.3%***
	% on Loans to customers	*0.7%*	*1.7%*	*0.1%*	***2.4%***	*97.6%*	***100.0%***
30 06 2022	Gross exposure	1,827.8	2,205.6	47.5	**4,080.9**	77,098.7	**81,179.6**
	Adjustments	1,256.6	846.9	11.7	**2,115.2**	442.7	**2,557.9**
	Net exposure	571.2	1,358.7	35.8	**1,965.7**	76,656.0	**78,621.7**
	Coverage ratio	*68.7%*	*38.4%*	*24.6%*	***51.8%***	*0.6%*	***3.2%***
	% on Loans to customers	*0.7%*	*1.7%*	*0.0%*	***2.5%***	*97.5%*	***100.0%***
31 12 2021	Gross exposure	1,740.6	2,303.4	60.7	**4,104.7**	77,677.3	**81,782.0**
	Adjustments	1,108.6	844.8	13.8	**1,967.2**	434.5	**2,401.7**
	Net exposure	632.0	1,458.6	46.9	**2,137.5**	77,242.8	**79,380.3**
	Coverage ratio	*63.7%*	*36.7%*	*22.7%*	***47.9%***	*0.6%*	***2.9%***
	% on Loans to customers	*0.8%*	*1.8%*	*0.1%*	***2.7%***	*97.3%*	***100.0%***
30 06 2021	Gross exposure	1,706.8	2,472.8	89.4	**4,269.0**	79,360.7	**83,629.7**
	Adjustments	1,107.9	854.1	22.5	**1,984.5**	445.4	**2,429.9**
	Net exposure	598.9	1,618.7	66.9	**2,284.5**	78,915.3	**81,199.8**
	Coverage ratio	*64.9%*	*34.5%*	*25.2%*	***46.5%***	*0.6%*	***2.9%***
	% on Loans to customers	*0.7%*	*2.0%*	*0.1%*	***2.8%***	*97.2%*	***100.0%***

As at 30 September 2022, the **coverage ratio for non-performing loans** stood at 53.6%, up compared to 30 June 2022 (51.8%), thanks to the increase in the coverage ratio of bad loans (from 68.7% to 70.2%), Unlikely to pay exposures (from 38.4% to 39.8%) and Non-performing past-due loans (from 24.6% to 26.4%).

The coverage ratio for non-performing loans was up also compared to 31 December 2021 (47.9%) as a result of the increase in the coverage ratio of bad loans (from 63.7% to 70.2%), unlikely-to-pay positions (from 36.7% to 39.8%) and non-performing past-due loans (from 22.7% to 26.4%).

Change in gross exposures

abs/%		Bad loans	Unlikely to pay	Non performing past due exposures	**Total Non-performing loans to customers**	Perfoming loams	**Total**
Q/Q	abs.	49.5	(36.9)	7.0	**19.6**	(615.5)	**(595.9)**
	%	2.7%	-1.7%	14.7%	**0.5%**	-0.8%	**-0.7%**
31.12	abs.	136.7	(134.7)	(6.2)	**(4.2)**	(1,194.1)	**(1,198.3)**
	%	7.9%	-5.8%	-10.2%	**-0.1%**	-1.5%	**-1.5%**
Y/Y	abs.	170.5	(304.1)	(34.9)	**(168.5)**	(2,877.5)	**(3,046.0)**
	%	10.0%	-12.3%	-39.0%	**-3.9%**	-3.6%	**-3.6%**

Changes in coverage ratios

	Bad loans	Ulikely to pay	Non-performing past due exposures	**Total Non-performing loans to customers**	Perfoming loams	**Total**
Q/Q	*1.5%*	*1.4%*	*1.8%*	***1.7%***	*0.0%*	***0.1%***
31.12	*6.5%*	*3.1%*	*3.7%*	***5.6%***	*0.0%*	***0.3%***
Y/Y	*5.3%*	*5.3%*	*1.3%*	***7.1%***	*0.0%*	***0.4%***

Trend of non-performing loans to customers	30 09 2022		3°Q 2022		2°Q 2022		30 09 2021		Chg. 3°Q 2022/ 2° Q 2022 Total non-performing loans		Chg. Y/Y Total non-performing loans	
	Non-performing loans	*of which bad loans*	Non-performing loans	*of which bad loans*	Non-performing loans	*of which bad loans*	Non-performing loans	*of which bad loans*	abs.	%	abs.	%
Gross exposure, opening balance	**4,104.7**	***1,740.6***	**4,080.9**	***1,827.8***	**4,029.2**	***1,762.7***	**4,012.3**	***1,498.7***	**51.7**	**1.3%**	**92.4**	**2.3%**
Increases from performing loans	566.1	*26.7*	205.8	*14.5*	253.3	*8.2*	727.2	*25.8*	(47.5)	18.8%	(161.1)	-22.2%
Transfers to performing loans	(165.1)	*(0.1)*	(47.4)	*(0.1)*	(50.4)	-	(131.6)	*(15.2)*	3.0	-6.0%	(33.5)	25.5%
Collections (including gains on disposals)	(416.8)	*(87.6)*	(140.2)	*(20.2)*	(134.0)	*(33.5)*	(356.1)	*(51.1)*	(6.2)	4.6%	(60.7)	17.0%
Derecognitions (including losses on disposals)	(67.5)	*(41.8)*	(16.1)	*(6.8)*	(17.2)	*(12.5)*	(53.9)	*(36.4)*	1.1	-6.4%	(13.6)	25.2%
+/- Other changes	79.1	*239.5*	17.5	*62.1*	(0.0)	*102.9*	71.1	*285.0*	17.5	n.m.	8.0	11.3%
Gross exposure, closing balance	**4,100.5**	***1,877.3***	**4,100.5**	***1,877.3***	**4,080.9**	***1,827.8***	**4,269.0**	***1,706.8***	**19.6**	**0.5%**	**(168.5)**	**-3.9%**
Opening balance of overall adjustments	**(1,967.2)**	**(1,108.6)**	**(2,115.2)**	**(1,256.6)**	**(2,045.0)**	***(1,156.6)***	**(1,852.1)**	***(933.7)***	**(70.2)**	**3.4%**	**(115.1)**	**6.2%**
Adjustments /Write-backs	(328.4)	*(145.6)*	(105.3)	*(42.4)*	(102.8)	*(74.4)*	(189.9)	*(98.1)*	(2.5)	2.4%	(138.5)	72.9%
+/- Other changes	99.7	*(63.9)*	24.6	*(19.1)*	32.6	*(25.6)*	57.5	*(76.1)*	(8.0)	-24.5%	42.2	73.4%
Closing balance of overall adjustments	**(2,195.9)**	***(1,318.1)***	**(2,195.9)**	***(1,318.1)***	**(2,115.2)**	***(1,256.6)***	**(1,984.5)**	***(1,107.9)***	**(80.7)**	**3.8%**	**(211.4)**	**10.7%**
Net exposure, closing balance	**1,904.6**	***559.2***	**1,904.6**	***559.2***	**1,965.7**	***571.2***	**2,284.5**	***598.9***	**(61.1)**	**-3.1%**	**(379.9)**	**-16.6%**

Other financial assets/liabilities

As at 30 September 2022 the Group's **Securities assets** were equal to **EUR 19.8 bn**, a decrease compared to 30 June 2022 (EUR -2.5 bn) primarily in relation to the decline in Financial assets held for trading. The component at fair value through other comprehensive income and that at amortised cost was also down. Note that the market value of the securities in Loans to customers at amortised cost is EUR 7,216.6 mln (with implicit capital losses of around EUR 820.6 mln) and the market value of the securities in Loans to banks at amortised cost is EUR 646.5 mln (with implicit capital losses of roughly EUR 62.6 mln).

The aggregate was also down compared to 31 December 2021 (EUR -2.3 bn) primarily due to the decrease in the component at fair value through other comprehensive income, the component at amortised cost and Financial assets held for trading.

On-balance-sheet financial liabilities held for trading, referring in particular to the subsidiary MPS Capital Services, were equal to *EUR 2.4 bn* as at 30 September 2022 and were down compared to 30 June 2022 (EUR 2.7 bn) and 31 December 2021 (EUR 3.1 bn).

As at 30 September 2022, the **Net position in derivatives, a positive EUR 1,744 mln**, posted an improvement compared to 30 June 2022 (EUR +1,302 mln) as well as 31 December 2021 (EUR -255 mln).

Items	30 09 2022	30 06 2022	31 12 2021	30 09 2021	Chg. Q/Q		Chg. 31.12		Chg. Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Securities assets	19,794.3	22,312.7	22,127.1	24,961.0	(2,518.4)	-11.3%	(2,332.8)	-10.5%	(5,166.7)	-20.7%
Financial assets held for trading	*6,210.0*	*7,928.1*	*6,790.9*	*9,281.1*	*(1,718.1)*	*-21.7%*	*(580.9)*	*-8.6%*	*(3,071.1)*	*-33.1%*
Financial assets mandatorily measured at fair value	*316.8*	*323.8*	*322.6*	*331.4*	*(7.0)*	*-2.2%*	*(5.8)*	*-1.8%*	*(14.6)*	*-4.4%*
Financial assets measured at fair value through other comprehensive income	*4,521.2*	*5,063.8*	*5,460.7*	*5,296.1*	*(542.6)*	*-10.7%*	*(939.5)*	*-17.2%*	*(774.9)*	*-14.6%*
Financial assets held for sale	*0.0*	*0.0*	*0.0*	*(0.0)*	*0.0*	*n.m.*	*0.0*	*n.m.*	*0.0*	*-100.0%*
Loans to customers measured at amortised cost	*8,037.2*	*8,296.7*	*8,811.6*	*9,318.0*	*(259.5)*	*-3.1%*	*(774.4)*	*-8.8%*	*(1,280.8)*	*-13.7%*
Loans to banks measured at amortised cost	*709.1*	*700.3*	*741.3*	*734.4*	*8.8*	*1.3%*	*(32.2)*	*-4.3%*	*(25.3)*	*-3.4%*
On-balance-sheet financial liabilities held for trading	(2,362.2)	(2,658.7)	(3,104.1)	(3,325.0)	296.5	-11.2%	741.9	-23.9%	962.8	-29.0%
Net positions in Derivatives	1,744.1	1,301.7	(254.5)	(227.3)	442.4	34.0%	1,998.6	n.m.	1,971.4	n.m.
Other financial assets and liabilities	**19,176.2**	**20,955.7**	**18,768.5**	**21,408.7**	**(1,779.5)**	**-8.5%**	**(2,640.2)**	**-12.3%**	**(2,232.5)**	**-10.4%**

Items	30 09 2022		30 06 2022		31 12 2021		30 09 2021	
	Securities assets	On-balance-sheet financial liabilities held for trading	Securities assets	On-balance-sheet financial liabilities held for trading	Securities assets	On-balance-sheet financial liabilities held for trading	Securities assets	On-balance-sheet financial liabilities held for trading
Debt securities	19,230.6	-	21,726.6	-	21,508.3	-	24,385.7	-
Equity instruments and Units of UCITS	563.7	-	586.1	-	618.8	-	575.3	-
Loans	-	2,362.2	-	2,658.7	-	3,104.1	-	3,325.0
Total	**19,794.3**	**2,362.2**	**22,312.7**	**2,658.7**	**22,127.1**	**3,104.1**	**24,961.0**	**3,325.0**

Interbank position

Starting from 30 September 2022, the statement of interbank relationships also includes current accounts and sight deposits with banks and with central banks, which in the Balance Sheet are reported in the item “Cash and cash equivalents”, in line with the indications set forth in the 7th update of Bank of Italy Circular 262.

As at 30 September 2022, the **net interbank position** of the Group stood at **EUR 8.4 bn** of net funding, against EUR 10.7 bn of net funding as at 30 June 2022. The change can be attributed to the increase in loans to central banks. As at 31 December 2021, the net interbank position was EUR 6.0 bn in deposits. The change can be primarily linked to the reduction in loans to central banks.

Interbank balances

					Change Q/Q		Change 31.12		Change Y/Y	
	30/09/22	30/06/22	31/12/21	30/09/21*	Abs.	%	Abs.	%	Abs.	%
Loans to banks	2,715.5	1,432.1	3,493.3	3,344.0	1,283.4	89.6%	(777.8)	-22.3%	(628.5)	-18.8%
Deposits from banks	2,589.8	1,694.6	2,125.1	3,019.5	895.2	52.8%	464.7	21.9%	(429.7)	-14.2%
Current accounts and sight deposits with banks (cash)	937.7	916.8	1,006.4	1,511.2	20.9	2.3%	(68.7)	-6.8%	(573.5)	-37.9%
Net position with banks	**1,063.4**	**654.3**	**2,374.6**	**1,835.7**	**409.1**	**62.5%**	**(1,311.2)**	**-55.2%**	**(0.4)**	**-42.1%**
Loans to central banks	4,426.4	17,626.5	20,769.7	20,940.8	(13,200.1)	-74.9%	(16,343.3)	-78.7%	(16,514.4)	-78.9%
Deposits from central banks	28,931.7	28,947.6	29,154.8	29,230.2	(15.9)	-0.1%	(223.1)	-0.8%	(298.5)	-1.0%
Current accounts and sight deposits with central banks (cash)	15,001.7	1.7	11.5	11.1	15,000.0	n.m.	14,990.2	n.m.	14,990.6	n.m.
Net position with central banks	**(9,503.6)**	**(11,319.4)**	**(8,373.6)**	**(8,278.3)**	**1,815.8**	**-16.0%**	**(1,130.0)**	**13.5%**	**(1,225.3)**	**14.8%**
Net interbank position	**(8,440.2)**	**(10,665.1)**	**(5,999.0)**	**(6,442.6)**	**2,224.9**	**-20.9%**	**(2,441.2)**	**40.7%**	**(1,997.6)**	**31.0%**

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

As at 30 September 2022, the operational liquidity position showed an unencumbered Counterbalancing Capacity equal to roughly EUR 26.0 bn, down slightly compared to 30 June 2022 (equal to EUR 26.7 bn) and up compared to 31 December 2021 (equal to EUR 25.4 bn).

Other assets

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

As at 30 September 2022, the nominal value of the total tax credits acquired amounted to EUR 647.1 mln. Taking into account credits offset until this point, totalling EUR 68.5 mln, the residual nominal amount as at 30 September 2022 came to EUR 578.6 mln. The corresponding carrying amount, recognised in the balance sheet item “130. Other assets” at amortised cost, which takes into account the acquisition price and the net amounts accrued as at 30 June 2022, was EUR 523.7 mln.

It should also be noted that the Bank, as at 30 September 2022, received requests for the sale of these receivables for a total amount of approximately EUR 4.0 bn, currently under review/processing.

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

Shareholders' equity

As at 30 September 2022, the **Shareholders' equity of the Group and non-controlling interests** was roughly **EUR 5.3 bn,** down EUR 533 mln compared to 30 June 2022, due to the result for the quarter and the decrease in valuation reserves.

The losses recorded by the Parent Company in the years 2020 and 2019, combined with previous losses, resulted in the threshold pursuant to article 2446 of the Italian Civil Code being surpassed which, in the case of a share capital reduction by more than one-third, requires the Shareholders' Meeting to be called.

During the shareholders' meetings of 6 April 2021 and 12 April 2022 - in compliance with art. 6 of Law Decree no. 23 of 8 April 2020, converted with amendments by Law no. 40 of 5 June 2020, as amended by Law no. 178 of 30 December 2020, the decision was made to refer the decisions concerning the share capital reduction to the Shareholders' Meeting called to resolve on the capital strengthening operation. Therefore, at the shareholders' meeting on 15 September 2022, the Shareholders approved the coverage of the total loss of EUR 4,240.9 mln by reducing the share capital by an equal amount, which therefore amounts to EUR 4,954.1 mln.

Compared to 31 December 2021, the Shareholders' equity of the Group and non-controlling interests was down by EUR 869 mln, due to the decrease in valuation reserves and the result for the period.

Reclassified Balance Sheet

Equity	30 09 2022	30 06 2022	31 12 2021	30 09 2021	Chg. Q/Q		Chg. 31/12		Chg. Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Group Net Equity	5,304.1	5,836.7	6,172.7	6,250.7	(532.6)	-9.1%	(868.6)	-14.1%	(946.6)	-15.1%
a) Valuation reserves	(203.3)	(55.3)	306.8	302.3	(148.0)	n.m.	(510.1)	n.m.	(505.6)	n.m.
d) Reserves	913.8	(3,330.2)	(3,638.6)	(3,630.7)	4,244.0	n.m.	4,552.4	n.m.	4,544.5	n.m.
f) Share capital	4,954.1	9,195.0	9,195.0	9,195.0	(4,240.9)	-46.1%	(4,240.9)	-46.1%	4,240.9)	-46.1%
g) Treasury shares (-)	-	-	-	(4.0)	-	0.0%	-	0.0%	4.0	100.0%
h) Net profit (loss) for the period	(360.5)	27.2	309.5	388.1	(387.7)	n.m.	(670.0)	n.m.	(748.6)	n.m.
Non-controlling interests	1.3	1.4	1.3	1.4	(0.1)	-7.1%	-	0.0%	(0.1)	-7.1%
Total Shareholders' equity of the Group and Non-controlling interests	**5,305.4**	**5,838.1**	**6,174.0**	**6,252.1**	**(532.7)**	**-9.1%**	**(868.6)**	**-14.1%**	**(946.7)**	**-15.1%**

Capital adequacy

Regulatory capital and statutory requirements

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

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

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

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

- CET1 Ratio of 8.80%;
- Tier 1 Ratio of 10.82%;
- Total Capital Ratio of 13.50%.

These ratios include, in addition to the P2R, the Combined Buffer Requirement (CBR) which includes 2.5% for the Capital Conservation Buffer, 0.25% for the O-SII Buffer and 0.003% for the Countercyclical Capital Buffer.[22]

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

Categories / Values	30 09 2022	31 12 2021	Change on 31 12 2021	
			Abs.	%
OWN FUNDS				
Common Equity Tier 1 (CET1)	4,633.5	5,991.8	(1,358.3)	-22.67%
Tier 1 (T1)	4,633.5	5,991.8	(1,358.3)	-22.67%
Tier 2 (T2)	1,805.2	1,713.3	91.8	5.36%
Total capital (TC)	6,438.7	7,705.1	(1,266.5)	-16.44%
RISK-WEIGHTED ASSETS				
Credit and Counterparty Risk	32,873.4	33,556.8	(683.4)	-2.04%
Credit valuation adjustment risk	465.7	556.6	(90.9)	-16.33%
Market risks	2,335.7	2,724.1	(388.4)	-14.26%
Operational risk	10,684.9	10,949.4	(264.5)	-2.42%
Total risk-weighted assets	**46,359.7**	**47,786.9**	**(1,427.2)**	**-2.99%**
CAPITAL RATIOS				
CET1 capital ratio	**9.99%**	**12.54%**	**-2.54%**	
Tier1 capital ratio	**9.99%**	**12.54%**	**-2.54%**	
Total capital ratio	**13.89%**	**16.12%**	**-2.24%**	

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

Compared to 31 December 2021, CET1 decreased by a total of EUR -1,358 mln, essentially due to the following phenomena:

- the loss for the year of EUR -360 mln;
- decrease in the balance of the Other Comprehensive Income reserve, for a total of EUR -510 mln, due in particular to the decline in valuation reserves of debt securities;
- increase in deductions associated with prudential filters and DTAs (EUR -109 mln), decrease in deductions associated with securitisations and intangible assets (EUR +9 mln), as well as the increase in non-exempt deductions relating to significant financial investments and DTAs (EUR -137 mln);
- decline in the neutralisation of the impact of IFRS 9 connected to the first-time adoption of the accounting standard as set forth in Regulation (EU) 2017/2935 (inclusive of the negative effect of the relative DTAs), equal to a total of EUR -344 mln, attributable to the transition of the filter from 50% to 25%;
- increase of EUR +62 mln in the prudential filter relating to the Other Comprehensive Income Reserve on securities issued by governments or central administrations, despite the transition of the filter from 70% to 40% in 2022;
- decrease of the additional deduction on CET1 (pursuant to art. 3 of the CRR Regulation) carried out to implement the minimum coverage requirements for non-performing loans in accordance with the ECB Guidelines (equal to EUR +32 mln).

Tier 2 rose by EUR +92 mln compared to the end of December 2021, due primarily to the increase in the contribution to Tier 2 of the excess value adjustments over expected losses.

Hence, the Total Capital Ratio reflects an overall decrease in own funds of EUR -1,266 mln.

The RWAs decreased by EUR 1.4 bn compared to December 2021. Credit and counterparty risk is down significantly (EUR -683 mln), linked nearly entirely to the standard component (EUR -665 mln), while the AIRB component is aligned with December 2021 (EUR -18 mln). Other risks were also down substantially with respect to December 2021: market risks (EUR -388 mln), operational risk (EUR -265 mln) and CVA risk (EUR -91 mln).

As at 30 September 2022, the Parent Company, on a consolidated basis, respects the TSRC; at the same date, it instead had a shortfall with respect to the CBR and the P2G. The CBR shortfall derives primarily from the recognition in the third quarter of the year of costs exceeding EUR 900 mln for incentivised personnel departures, activated subject to the capital availability set forth in the Plan. The shortfall with respect to the P2G, already recognised starting from the first quarter of the year, is due to the third quarter loss as well as the increase in the value of the guidance set forth in the 2021 SREP Decision (2.50% vs. 1.30%) and the planned share capital reduction connected to the IFRS 9 phase-in (roughly EUR 325 mln). Both shortfalls were remedied following the positive outcome of the EUR 2.5 bn capital increase concluded on 4 November.

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

Please note that for the 2021 SREP, the Parent Company received the 2022 Draft SREP Decision on 7 October 2022, which does not contain significant changes to the quantitative prudential requirements of the 2021 SREP Decision. Specifically, it is indicated that the Parent Company must maintain, effective 1 January 2023, a consolidated TSCR level of 10.75%, unchanged compared to 2022, which includes 8% as a Pillar 1 minimum requirement pursuant to art. 92 of the CRR and 2.75% as Pillar 2 additional requirement, which must be respected at least for 56.25% with CET1 and at least 75% with Tier 1. Moreover, with regard to Pillar II Capital Guidance, the ECB expects BMPS to maintain, on a consolidated basis, a requirement of 2.5%, also unchanged compared to 2022, to be fully met with Common Equity Tier 1 capital, in addition to the overall capital requirement.

As regards the regulatory developments regarding capital requirements, in relation to the revision of internal models, in the course of the fourth quarter of 2022 an overall increase of no more than EUR 5.5 bn is expected in RWAs, linked to the re-estimation of models for full alignment with the EBA Guidelines (EBA-GL-2017-16) carried out in the course of 2021, subject to review by the ECB in 2022.

As a result of the above-mentioned share capital increase, no new shortfalls are expected to emerge within the next 12 months.

As at 30 September 2022 the Group, on a transitional basis, has a 3.3% leverage ratio, higher than the regulatory minimum of 3%.

MREL Capacity

Pursuant to Article 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.

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

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

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

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

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

- an *MREL capacity* of 19.44% in terms of TREA and 6.41% in terms of LRE ("*Leverage ratio exposure measure*"); and
- an *MREL subordination capacity* of 14.01% in terms of TREA.

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

- of the "*MREL subordination capacity*" in terms of LRE, which is equal to 4.62% (compared to an LRE of 6.22% required by the 2021 MREL *Decision*); and
- of the CBR, considered in addition to the intermediate MREL requirement (equal to -2.26%) and the intermediate subordination requirement (equal to -2.24%) expressed in terms of TREA.

The violation of the above-mentioned requirements is linked to the postponement to 2022 of the capital increase and the absence of MREL eligible issues in the course of 2021 and in the first half of 2022, as well as the recognition in the third quarter of the year of costs exceeding EUR 900 mln for incentivised personnel departures, activated subject to the capital availability set forth in the Plan.

As a result of the above-mentioned breach:

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

  beyond the "M-MDA" (or the maximum distributable amount in relation to the MREL) limit.

This breach was remedied following the positive outcome of the EUR 2.5 bn capital increase concluded on 4 November.

In this regard, please note that the Group's funding strategies aim, inter alia, to guarantee - as concerns public bond issue plans in particular - the satisfaction of MREL requirements. These strategies are defined in line with the Group's strategic plans and, in that sense, their structuring for operational purposes is fully defined in the 2022-2026 Business Plan.

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 2021, to which reference is made.

The most significant risks and uncertainties at this moment are described below.

Credit risk

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

In general, the growth in inflation and interest rates observed in the course of 2022, as well as international geopolitical tensions deriving from Russia's invasion of Ukraine, could have a negative impact on the ability of the Group's customers to meet their obligations and hence cause a significant deterioration in the credit quality of the Parent Company and/or the Group, with possible negative effects on activities and the financial situation of the Parent Company and/or the Group.

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

Operational risk

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

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

Business and strategic risk

From a strategic point of view, on 22 June 2022, the Board of Directors of the Parent Company approved the 2022-2026 Business Plan: "*A Clear and Simple Commercial Bank*" (see paragraph "2022-2026 Business Plan" to which reference is made for the details). The Share capital increase completed on 4 November with the full subscription of new shares represents the binding requirement, along with the implementation of the 2022-2026 Business Plan according to the terms and measures set forth therein, for the fulfilment of the going concern assumption by the Bank and the Group. Furthermore, within the context of the 2022 Draft SREP Decision, which it should be noted was sent to the Bank prior to the conclusion of the capital increase transaction and the approval of staff retirements in higher measure than envisaged in the Plan, the ECB highlighted points for attention which could limit the Group's capacity to fully achieve the objectives of the 2022-2026 Business Plan in the medium term. In particular the ECB has reported: the continuation of tensions on the BTP-Bund spread and market volatility, with potential negative impacts on the cost of funding; the expected trend in fees and commissions which, although considered reasonable, depends on the success of planned commercial initiatives and is exposed to competitive pressure; the reduction in personnel expenses based on an early retirement programme exposed to the risk of lower participation than planned; rising interest rates and a less favourable GDP scenario, which could negatively influence borrowers' repayment capacity; the trend in claims and legal cases which is not within the full control of the Bank, as well as the capacity to prevent the emergence of further disputes. In this document, the ECB also highlighted that the additional cost savings caused by the closure of branches, the Group's corporate reorganisation and IT investments in digitalisation could be offset by inflation connected to the new macroeconomic scenario, which could turn out to be higher than expected. The failure to achieve the assumptions of the 2022-2026 Business Plan (additional with respect to that inherent in the Share capital increase, already completed in November 2022, and higher-than-expected staff redundancies already approved) in the absence of prompt corrective measures that have not yet been precisely identified, could have an impact on the profitability of the Bank and the Group.

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

Funding risk and liquidity risk

In general, during the reporting period, the Group's liquidity profile remained at very strong levels.

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

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

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

Other risks

Risks associated with regulatory stress tests

As part of prudential supervisory activities, the ECB, in cooperation with the EBA and the other competent Supervisory Authorities, performs periodic stress tests on supervised banks in order to check bank resilience with respect to baseline and adverse macroeconomic scenarios. The impact of these tests depends on assessment methodologies, stress scenarios and the outcome of the quality assurance activities taken as a reference by the Supervisory Authorities. The EBA has indicated that the next European level stress test will be carried out in 2023 and on 21 July 2022 published its draft on methodologies, models and guidelines for the 2023 stress models at European Union level. The MPS Group is included on the sample to be tested, 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 bring to light particular Group vulnerability to the stress scenarios employed by the Supervisory Authorities.

Risks linked to the breach of the MREL requirements

In light of the deferral to 2022 of the share capital increase, the absence of issues of debt securities in the first 9 months of 2022 and the recognition in the third quarter of the year of costs exceeding EUR 900 mln for early retirement, activated subject to the capital availability set forth in the Plan, as at 30 September 2022 the Parent Company has a temporary breach of the combined buffer requirement (CBR) considered in addition to the MREL requirements in force. This breach was remedied following the positive outcome of the EUR 2.5 bn capital increase concluded on 4 November. For a detailed disclosure, please refer to what is described in the "MREL Capacity" section.

Risks associated with audits by Supervisory Authorities

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

Reputational risk

The reputational profile of the Group continues to highlight certain weaknesses linked to media exposure. The main factors are linked to the outcome of some pending proceedings on past events, on which there are still rulings in favour of the Parent Company, and the closure of some disputes of particular relevance, and the achievement of business plan objectives.

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

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

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

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

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

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

There is also uncertainty with regard to the occurrence of the future and uncertain event referred to in the claim, which may take place when the damage deriving from the representations and warranties emerges or may be quantified only subsequent to the final deadline for sending requests for compensation (i.e., 31 July 2021), as connected to the potential occurrence of a subsequent event (for example, if a ruling is handed down against the Bank in a pending case). When certain assumptions set forth in the disposal agreement are met (in particular the receipt, prior to 31 July 2021, of a request regarding a possible future event, or the inclusion of the pending case in a dedicated contractual annex), Siena NPL may request compensation even beyond that deadline. Therefore, in these cases there is uncertainty with respect to the occurrence of the event mentioned above and, as a result, also concerning the claim for compensation from Siena NPL.

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

With regard to the disposal of unlikely to pay loans, it should be noted that the representations and warranties issued to the various transferees involved in the various transactions carried out by the Group over the last few years, have a final expiry of July 2023.

As part of the demerger transaction known as "Hydra M", which became effective on 1 December 2020, the Parent Company issued some representations and warranties in favour of AMCO (Asset Management Company S.p.A.) , whose violation can be asserted by the beneficiary company no later than 30 November 2022 and envisage a cap of approximately 10% of the total assets of the demerged complex net of the related assets.

Lastly, please note that as part of the project for the non-recourse disposal of a portfolio of non-performing loans named "Fantino", for which the disposal agreements were entered into on 4 August and which is expected to become legally effective by the end of 2022, the Group has provided to the transferee counterparties (i.e., Illimity Bank, Intrum Holding S.r.l. and AMCO) several representations and warranties the violation of which may be claimed by the assignees within 15 months, 12 months and 18 months, respectively, of the effective date. The provision of these warranties exposes the Group to a risk of an outlay quantified to the maximum extent of 10% of the price of the total portfolio transferred.

Risks associated with securitisations

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

Risks related to outsourcing certain services

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

Risks related to the economic-political context

The Group's results are influenced by the general economic context and the financial market trend and, in particular, the economic performance of Italy as the country in which the Group almost exclusively operates.

The context connected to the ongoing conflict in Ukraine, with the related repercussions on the international and domestic economic cycle, inevitably impacted the business dynamics of the Group as well in the course of 2022. A war whose resolution does not appear on the horizon and which contributes to maintaining high tensions on the prices of energy, and as a result the level of consumer prices, fuels the risk of economic and market dynamics still characterised by high degrees of uncertainty; moreover, a resumption of COVID-19 infections as the winter season approaches gives rise to uncertainties as to how people will live with the virus even in the absence of a state of emergency.

Inflation persistently at all-time highs, fuelled by global supply chain disruptions and rising commodity prices, which are also aggravated by the ongoing military conflict (aside from supplying fossil fuels, Russia is one of the top global wheat exporters and one of the main metal manufacturers), pushed the Monetary Authorities to adopt restrictive monetary policies that impact the expansionary cycle, causing it to slow down and fuelling the risk of recession. The risk that the conflict will continue for an extended period of time and that the military escalation will involve other countries is possible in a scenario of high geopolitical tensions and instability in the governance of certain advanced economies, with evident repercussions on the economic cycle. At the same time, geopolitical tensions and the cuts imposed by Russia on energy supplies contribute towards maintaining high price pressures, especially on natural gas, with Europe and Italy still dependant on Russian supplies despite the use of alternative suppliers. An inefficient or incomplete implementation of the growth support policies set forth in the National Recovery and Resilience Plan (NRRP) in the medium term and any political tensions within the new government majority could further depress the Italian economic recovery. Lower expected growth could fuel fears as to the sustainability of public debt, with repercussions on the BTP-Bund spread.

If such risks result in stagnation or a recession in the Italian economy in the medium-long term, this could have a negative impact on the main banking aggregates and there may be significant specific effects on the profit and loss, financial position and cash flows of the Bank and the Group. In particular, for the banking sector, there could be a decline in demand for credit, with a decrease in customer funding primarily with reference to businesses, a slowdown in ordinary banking activity, a deterioration in the loan portfolio with a simultaneous increase in non-performing loans and situations of insolvency, a decrease in asset values as a result of a decline in stock and bond prices, a deterioration in revenues and an increase in adjustments on loans, with negative effects on the operations as well as the profit and loss, cash flows and financial position of the Group. In this respect, particular significance is attributed to the possibility that the economic slowdown will cause a deterioration in the quality of the loan portfolio, with a resulting increase in the incidence of non-performing loans and the need to increase provisions in the income statement; there is also the possibility of a negative impact on the Group's capacity to generate revenues, by virtue of the weaker demand for services and products as well as for loans and investments on the part of customers.

Risks associated with the performance of the real estate sector

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

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

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

Risks relating to the entry into force of the new accounting standard IFRS 17 "Insurance contracts"

Starting from 1 January 2023, companies operating in the insurance sector are required to apply the new accounting standard IFRS 17, to replace IFRS 4, which introduces an integrated approach to accounting for insurance contracts, with a view to guaranteeing relevant disclosure capable of accurately representing the effects of insurance contracts on the entity's financial position, cash flows and profit and loss. The changes in the book value of insurance contracts due to the transition to IFRS 17 will therefore be recognised as a balancing entry in shareholders' equity as of 1 January 2023. The introduction of the new standard assumes significance for the Group since, although it does not carry out insurance activities, it holds associated shareholdings in the capital of the insurance companies AXA MPS Assicurazioni Danni S.p.A. (50%) and AXA MPS Assicurazioni Vita S.p.A. (50%), which are recognised in the Group Financial Statements with the synthetic equity method. The impacts expected from the aforementioned change to the standard will consequently be reflected in a change in the corresponding value of the insurance investments in the financial statements of the Group.

Climate-related and environmental risks

The Group is exposed to risks linked to climate change which include i) physical risk, or the risk that extreme natural events may impact the capacity of households and businesses to meet their financial commitments as well as the value of the collateral provided and ii) transition risk deriving from possible losses that a party may incur, directly or indirectly, due to the process of transitioning towards a "low carbon emission and more sustainable economy".

Furthermore, physical and transition risks may cause losses for the Group deriving directly or indirectly from legal actions, or generate reputational damage if the entity is associated with adverse environmental effects.
It is also noted that in the course of 2022 the ECB carried out a number of initiatives aimed at guaranteeing adequate climate and environmental risk management by banks. These initiatives include the first Climate Stress Test (2022 CST) on banks subject to the SSM, including the Group, and the initiation of the Thematic Review on climate-related and environmental risks, with respect to which the ECB, in the report published on 2 November, found an inadequate level of climate-related/environmental risk management with respect to its expectations and

identified the end of 2024 as the final deadline by which banks will need to adapt to the expected standards, also establishing ongoing monitoring and, if necessary, the adoption of direct actions aimed at meeting the target.
As set forth in the ECB communications regarding the initiation of the Thematic Review and the Climate Stress Tests, both analyses are not intended to directly reflect on capital requirements, however the results of the two ECB initiatives are considered within the SREP process and therefore may have some significance in determining specific qualitative requirements and/or, indirectly, the P2R, and therefore with respect to the capital levels the Group is required to meet.

Exposure to sovereign debt risk

Below is a breakdown of the Group's exposure to sovereign debt risk in government bonds, loans and credit derivatives as at 30 September 2022.

The exposure is broken down by accounting categories.

COUNTRY	DEBT SECURITIES					LOANS	CREDIT DERIVATIVES
	Financial assets measured at fair value through profit or loss		Financial assets measured at fair value through other comprehensive income		Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets held for trading
	Nominal	Fair value = net book value	Nominal	Fair value = book value	Book value	Book value	Nominal
Argentine	0.4	-	-	-	-	-	-
Belgium	-	-	8.0	3.5	-	-	-
France	-	-	15.0	11.7	10.8	-	-
Italy	3,144.0	2,826.1	3,776.0	3,550.1	5,134.4	1,565.4	3,205.9
Mexico	0.1	-	15.0	10.1	-	-	-
Peru	-	-	2.0	1.4	-	-	-
Portugal	0.8	0.5	34.5	26.4	3.0	-	-
Romania	-	-	30.0	20.1	-	-	-
Spain	10.3	11.3	10.0	9.9	1,199.6	-	-
United States	-	-	51.3	43.4	-	-	-
South Africa	-	-	5.0	4.6	-	-	-
Other countries	3.7	2.6	-	-	-	-	-
Total 30 09 2022	3,159.3	2,840.5	3,946.8	3,681.2	6,347.8	1,565.4	3,205.9
Total 31 12 2021	2,764.6	2,586.9	4,566.0	4,607.1	6,889.4	1,655.4	3,147.1

As at 30 September 2022, the residual duration of the exposure to the most significant component of sovereign debt (Italian debt securities) was 7.0 years.

Main types of legal, employment and tax risks

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

The most significant events in the first nine months of 2022 are shown below. For more details on legal, employment and tax disputes, please refer to the Consolidated Financial Statements as at 31 December 2021.

Legal disputes and out-of-court claims

The following were pending as at 30 September 2022:

- legal disputes with a total relief sought, where quantified, of EUR 5,2 bn. In particular:
    - approx. EUR 2.1 bn relief sought regarding disputes for which there is a "probable" risk of losing the case, for which provisions of EUR 0.9 bn have been allocated;
    - approx. EUR 1.5 bn relief sought attributable to disputes for which there is a "possible" risk of losing the case;
    - approx. EUR 1.6 bn relief sought in the remaining disputes, for which the risk of losing the case is deemed "remote";
- out-of-court claims for a total relief sought, where quantified, of approximately EUR 2.3 bn[23], of which EUR 1.5 bn classified with a "likely" risk of losing the case and EUR 0.8 bn with a "possible" risk of losing the case.

Please note that in October, two mediation proceedings on 2008-2015 financial information for a total relief sought of EUR 0.8 bn were officially closed by the mediation institution due to the inactivity of the petitioning parties.

Disputes regarding compound interest, interest rates and conditions

For this type of dispute, provisions for risks have been made equal to EUR 114.6 mln (against total relief sought of EUR 283.3 mln), compared with EUR 122.7 mln recognised as at 31 December 2021 (against relief sought of EUR 293.1 mln).

Dispute regarding bankruptcy rescindments

The provisions for risks recognised for this type of dispute as at 30 September 2022 amounted to EUR 14.8 mln (total relief sought of EUR 112.8 mln), compared to EUR 17.4 mln as at 31 December 2021 (against a relief sought of EUR 116.9 mln).

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

For this type of dispute, provisions for risks were made equal to EUR 4.4 mln (against total relief sought equal to EUR 18.8 mln), compared to EUR 6.6 mln recognised as at 31 December 2021 (against total relief sought equal to EUR 20.2 mln).

Dispute with purchasers of subordinated bonds issued by Group companies

The total relief sought in these disputes as at 30 September 2022 was EUR 39.7 mln (EUR 33.7 mln as at 31 December 2021), whilst allocated provisions totalled EUR 16.5 mln (an increase of EUR 0.6 mln compared to 31 December 2021).

[23] In detail below in the section "Out-of-court claims for the repayment of sums and/or compensation for damages by Shareholders and Investors of Banca Monte dei Paschi di Siena S.p.A. in relation to the 2008, 2011, 2014 and 2015 share capital increases".

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

As at 30 September 2022, the total relief sought for this type of dispute amounted to around EUR 4 bn, subdivided as follows (data in EUR mln):

Type	30/09/22	30/06/22	31/03/22	31/12/21
Civil dispute *	1,510	769	763	738
Filed civil claim cp 29634/14**	111	111	123	125
Filed civil claim cp 955/16	158	158	158	158
Out-of-court claims ***	2,247	1,765	825	713
Total relief sought	**4,026**	**2,803**	**1,869**	**1,734**

(*) The increase in relief sought relates to a new dispute for a total of EUR 741 mln.
(**) The decrease in relief sought, with reference to the civil action claims in CP no. 29634/14, is due to the conclusion of settlement agreements with several civil parties.
(***) The increase in relief sought in out-of-court claims with respect to the previous quarter relates primarily to the requests of mediation received relating to the financial information distributed in the 2008-2015 period, net of repeated claims. Please note that in October, two mediation proceedings for a total of EUR 0.8 bn were officially closed due to inactivity on the part of the petitioning parties. Considering this event, the relief sought for out-of-court claims amount to a total of EUR 1.4 bn.

The main disputes by type are outlined below.

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

At the hearing on 15 July 2022, the Court of Milan: (i) declared the witness evidence requested by York, Nomura, Profumo and Viola to be inadmissible and (ii) referred to the panel - following the outcome of the decision regarding the causal link - the assessment of the need to dispose of the accounting expert witness requested by York. The case was postponed to 23 November 2023.

Criminal proceeding no. 29634/14

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

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

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

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

Following the filing of the grounds of the ruling on appeal of proceedings 29634/14, which acquitted all defendants as they were found not guilty, carried out on 3 October 2022, the term for those entitled to lodge an appeal before the court of cassation will end on 17 November 2022.

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

On 4 December 2020, Mr Giuseppe Caputo and an additional twenty-five parties (now 24 after one of the plaintiffs died) sued the Issuer before the Court of Milan to challenge the investments made by them in compliance with the share capital increases ordered by the same, or through purchases on the electronic/secondary market between 2014 and 2015. Following the appearance of the Issuer and the first hearing, the parties filed the preliminary briefs and, at the subsequent hearing, discussed the preliminary requests formulated by the plaintiff, on which the Judge reserved the right to provide for their admission. Upon lifting the reservation, the Judge deemed it necessary to refer the case to the deliberating body in order to settle the dispute or to proceed with any expert investigations and therefore postponed the case to the hearing on 4 November 2022 for the presentation of closing arguments. At this hearing the Parent Company, in addiction to specifying its conclusions, requested the assignment of time limits pursuant to the art. 190 of c.p.c, for the submission of closing arguments and replies, with a request for an adjournment of time limits in order to deposit certain documents that had been received.

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

On 16 September 2022, a notice was received concerning the conclusion of preliminary investigations pursuant to art. 415-*bis* of the Code of Criminal Procedure with respect to three former officers of the Parent Company and one former Executive. Despite the previous dismissal, the Parent Company also received the same notice as party bearing administrative liability pursuant to Italian Legislative Decree 231/01.

After that phase of conclusion of investigations, the Public Prosecutor may submit a request for committal for trial or dismissal with respect to the parties under investigation (likewise, it may submit a request for committal for trial or order dismissal with respect to the Parent Company).

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

In relation to capital increases and the allegedly incorrect financial information contained in the prospectuses and/or in the financial statements and/or in the price sensitive information for the period 2008-2011, as at 30 September 2022 the Parent Company had received out-of-court claims for a total relief sought of EUR 52 mln in quantified claims, net of those converted into judicial initiatives.

In addition to these claims, also out-of-court, claims which in addition to the 2014-2015 period also regard longer time periods were received for total relief sought as at 30 September 2022 of EUR 2.195 bn, of which roughly EUR 1.232 bn for complaints and EUR 963 mln for civil mediation, net of claims that have been converted into judicial initiatives.

These claims – brought individually or collectively – although naturally heterogeneous, are mostly justified by generic references to the Parent Company's alleged violation of the industry legislation governing disclosure and, therefore, were rejected by the Parent Company in that they were considered generic, unfounded, not backed by suitable documentary evidence, and in some cases past the statute of limitations.

The grand total amount claimed as at 30 September 2022 was equal to EUR 2.247 bn.

The mediations mentioned also include two proceedings, for total relief sought of EUR 0.8 bn, lodged by institutional investors which were closed in October due to inactivity on the part of the petitioning parties. This event was evaluated for the purposes of the Interim Report on Operations as at 30 September 2022 in accordance with IAS 10.

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With reference to criminal proceedings 29634/14, on 29 September the Milan Court of Appeal filed the grounds of its acquittal verdict of 6 May 2022.

The analysis of the grounds of the verdict resulted in the reclassification of the risk of losing from "likely" to "possible" for legal disputes, civil actions in criminal proceedings 29634/14 and out-of-court claims concerning disputes relating to the 2008-2011 period. Therefore, in the third quarter, the provisions for risks recognised previously were released to the income statement.

At the moment, litigation and out-of-court claims concerning the 2012-2015 period were reclassified to "likely" risk following the ruling of 15 October 2020 concerning criminal proceedings 955/2016 and those connected to "non-performing loans".

Other disputes

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

With a judgement filed on 6 June 2022, the Court of Siena rejected the claim for compensation for damages by way of contractual and extra-contractual liability proposed by the plaintiff. The Court only upheld the restitution claim brought by the opposing party in respect of alleged unlawful interest applied in connection with the land advances, quantified at EUR 58,038.27, plus legal interest, and awarded costs. The final deadline for lodging an appeal is 7 January 2023. The Bank's desire to accept the decision and comply with the ruling has already been expressed to the external legal advisor.

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

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

With ruling no. 3649/2021, published on 4 October 2021 and notified on 5 October 2021, the Court of Palermo rejected the Bank's opposition against the order with simultaneous condemnation of the Bank to pay the litigation costs. The Bank filed an appeal against this decision before the Palermo Court of Appeal with a request to suspend the provisional enforceability of the order and the first instance sentence. With an order dated 21 December 2021, the Court of Appeal of Palermo rejected the application for suspension, postponing the hearing of the first appearance of 11 February 2022 for the discussion of the appeal. By order filed on the same date, the Court of Appeal ordered the integration of the cross-examination against the Revenue Agency - Collection (ADER), as successor of Riscossione, ordering it to appear at the hearing scheduled for 1 July 2022, during which time the case was postponed to the hearing of 22 November 2024 for the presentation of closing arguments.

Against confirmation of the enforceability of the order by the Court, the Sicily Region issued a tax collection order for roughly EUR 68.6 mln plus accessory costs, for a total of EUR 71.3 mln (of which EUR 2.1 mln in expenses for tax collection) for which the Revenue Agency-Collection sent the Bank a payment order on 21 September 2022.

Against that notification, the Bank will request the sum of roughly EUR 68.6 mln, as the principal amount specified in the tax bill, from the Revenue Agency-Collection (ADER), with respect to which the Bank is entitled, as universal successor of Riscossione Sicilia.

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

In January 2018 the joint-stock company Etika Esco (hereinafter "Plaintiff" or "Company") sued MPS Capital Services S.p.A. (hereinafter "MPSCS") before the Court of Florence, contesting the illegitimacy of the Bank's conduct which, upon resolution of a loan of EUR 20 mln in favour of a company to be formed (hereinafter "Newco Sviluppo Marina Velca") which should have been wholly-owned by the Plaintiff, did not proceed with the stipulation of the contract and the consequent disbursements.

The failure to disburse the loan allegedly prevented the Newco Sviluppo Marina Velca from completing the project for the construction of a real estate complex of roughly 300 small villas, as well as the restructuring and expansion of a golf course, in an area owned by Sviluppo Marina Velca S.r.l., located in the municipality of Tarquinia (hereinafter, the "Real Estate Project") and is claimed to have caused alleged damages quantifiable at roughly EUR 46.2 mln by way of loss of profit for not having been able to obtain, as General Contractor, the revenues deriving from the construction of the Real Estate Project and emerging damages ensuing from demands for the payment of penalties set forth in the contracts entered into in view of the above-mentioned activity or, in any event, a sum of at least EUR 50 mln.

MPS Capital Services S.p.A. appeared before the court requesting that the claim be rejected as it is groundless both in fact and in law.

On 18 October 2022, the ruling of the Court of Florence was filed, rejecting the claims of Etika Esco against the subsidiary and sentencing the plaintiff to refund the legal costs of MPS Capital Services S.p.A.

The ruling was served and the terms are currently pending for the lodging of an appeal.

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

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

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

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Employment law disputes

Risks relating to employment law are subject to monitoring and evaluation by the relevant Group functions; in the event of disputes with "likely" risk, appropriate allocations are made to the provision for risks and charges. The overall relief sought for this type of disputes is equal to EUR 90.7 mln, of which EUR 53.8 mln refers to claims for which there is a "likely" risk of losing the case.

Tax disputes

Risks for tax disputes are subject to monitoring and evaluation by the relevant Group functions; in the event of disputes with "likely" risk, appropriate allocations are made to the provision for risks and charges. The overall relief sought for this type of disputes is equal to EUR 79.3 mln, of which EUR 12.5 mln refers to claims for which there is a "likely" risk of losing the case.

Compensation for transactions in diamonds

The Public Prosecutor's Office at the Court of Siena, with reference to the criminal proceedings regarding the possibility of self-laundering, issued a request for dismissal on 12 September 2022 against the natural persons (4 former executives and the only executive still employed), who had been investigated for self-laundering and also issued a decree for dismissal with regard to the Bank as party bearing administrative liability.

The above-mentioned decree also ordered the removal of the attachment order issued in relation to the offence of self-laundering pursuant to Italian Legislative Decree 231/2001, for the sum of EUR 195,237.33.

The dismissal with respect to the Bank was transmitted to the Attorney General of the Court of Appeal of Florence, pursuant to art. 58 of Italian Legislative Decree 231/2001, while the Preliminary Investigation Judge will hand down a judgement on the request for dismissal submitted with regard to the natural persons.

With reference to the "diamonds" affair, additional criminal proceedings for the offences of aggravated fraud, self-laundering and hindering the exercise of the functions of Public Supervisory Authorities were lodged before the Public Prosecutor's Office at the Court of Milan. On 28 September 2021 the Public Prosecutor made a request for committal for trial, against seven former executives (of which five in the main line of litigation) and the Chief Executive Officer and pro tempore General Manager of the BMPS.

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

In these new proceedings, the Bank is not involved as party with administrative liability pursuant to Italian Legislative Decree 231/2001.

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

As at 30 September 2022, more than 12 thousand claims had been received for a total value of around EUR 316 mln; while the cases concluded were equal to a total of roughly EUR 315.5 mln (of which around EUR 1.5 mln in the first nine months of 2022, covered for the total value net of the market value of the stones by the provision for risks and charges allocated in previous years) and represent 91.6% of the total volume of diamond offers reported by the Parent Company. Residual provisions for risks and charges recognised against the relief initiative were equal to EUR 4.6 mln at the end of September 2022.

As at 30 September 2022 the stones returned were recognised for a total value of EUR 76.9 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 conflict in Ukraine and the consequent energy crisis, with a rising inflation rate and the continuation of restrictive monetary policies. In particular, reference to market risk is attributable to the sovereign exposures, both in the Trading Book and in the Banking Book, even if the trend of recent years, confirmed in 2022, has shown a contraction of the overall exposures in the portfolio on that sector. Among the points of attention, we highlight the exposure and concentration in Italian government bonds in terms of issuer risk, for positions mainly classified in AC (Amortizing Cost) and the relative vulnerability of the portfolio in the face of unfavourable changes in market conditions, in particular on the Italian credit spread, for securities in FVOCI (Fair Value through Other Comprehensive Income). The assessment considered the prospective effects in relation to the capital requirements relating to the trading portfolio, for the entry into force in the next few years of the new method for calculating capital requirements on market risks (Fundamental Review of the Trading Book).

During the third quarter of the year, the general market context characterised by the increase in rates continued, with a partial subsiding of tensions as concerns credit spreads on Italian government bonds. In this context, as a condition of greater capital stability, the Group's decision to apply the temporary prudential filter for the period 2020-2022 to positions in FVOCI[24] is maintained.

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

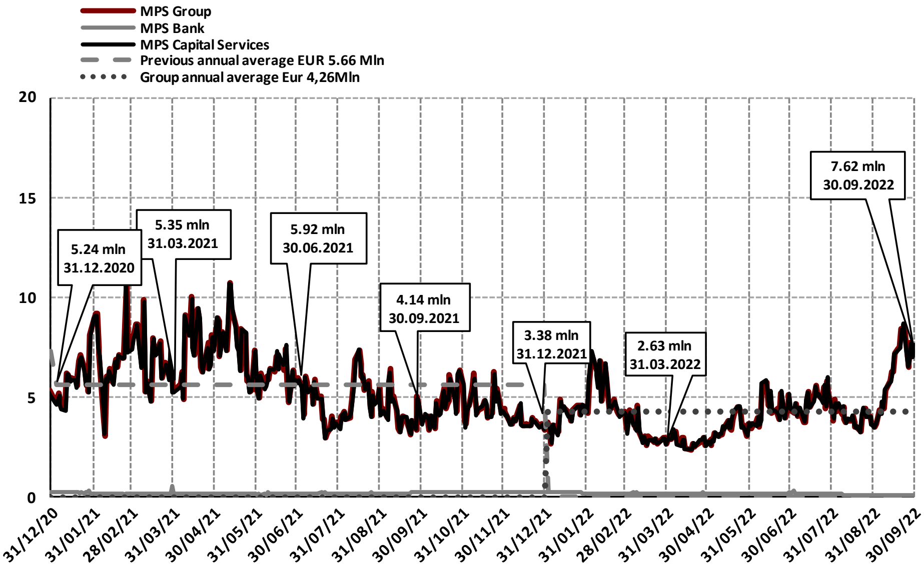
As at 30 September 2022, the market risks of the Group's Regulatory Trading Book, measured as VaR, equal to EUR 7.62 mln, were up on the end of 2021 (EUR 3.38 mln) and higher than the yearly average (EUR 4.26 mln).

During the third 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.

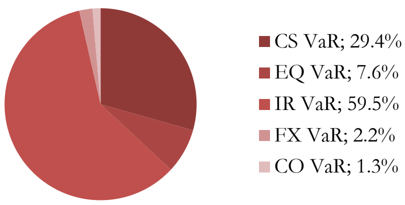
During September, the Interest Rate segment (IR VaR) was up, characterised by the risk of an incline in the curve, following the new restrictive monetary policy moves dictated by the ECB to limit the inflationary push. Within the context of a generalised increase in the rate curves, the IR segment is confirmed as the new driver of the overall VaR.

At the end of the quarter, VaR volatility resulted from auctions on Italian government securities by the subsidiary MPS Capital Services for primary dealer activities, with temporary changes in the overall Italy risk exposure, primarily short term, and the corresponding hedges in derivatives (swaps and long futures). During the third quarter, the average of Italian sovereign bonds held in the Group's trading books amounted to EUR 3.73 bn in nominal terms, down (EUR -1.31 bn) with respect to the previous quarter as well as the yearly average (EUR 4.46 bn).

[24] 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.



MPS Group: Trading Book
VaR by Risk Factor as at 30/09/2022



The breakdown of the VaR shows that the IR is the main risk factor, accounting for 59.5% of the RTB Gross VaR of the Group, while CS factor accounts for 29.4%, EQ for 7.6%, FX for 2.2% and CO for 1.3%.

MPS Group

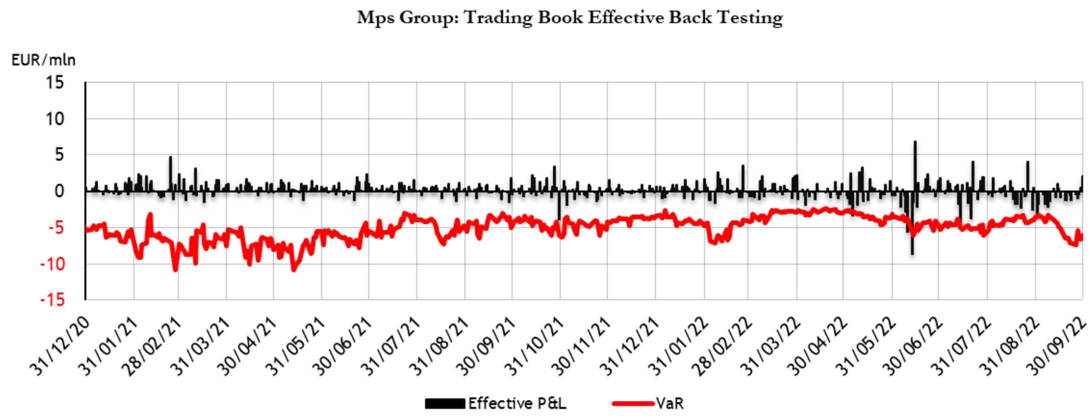
VaR TB 99% 1 day in EUR/mln

	VaR	Date
End of period	7,62	30/09/2022
Minimum	2,39	19/04/2022
Maximum	8,66	23/09/2022
Average	4,26	

In the first nine months of 2022, the Group's VaR in the Regulatory Trading Book ranged between a low of EUR 2.39 mln recorded on 19 April 2022 and a high of EUR 8.66 mln on 23 September 2022 with an average value marking an increase to EUR 4.26 mln. The RTB VaR as at 30 September 2022 amounted to EUR 7.62 mln.

VaR model backtesting

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



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

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.

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

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

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

Results in brief

The following table reports the main income statement and balance sheet items that characterised the Group's Operating Segments as at 30 September 2022:

SEGMENT REPORTING	Operating Segments									
Primary segment	Retail banking		Wealth Management		Corporate banking		Corporate Center		Total Montepaschi Group	
(EUR mln)	30/09/22	Chg % Y/Y	30/09/22	Chg % Y/Y	30/09/22	Chg % Y/Y	30/09/22	Chg % Y/Y	30/09/22	Chg % Y/Y
PROFIT AND LOSS AGGREGATES										
Total Revenues	914.8	-7.1%	96.1	-11.1%	882.6	3.4%	354.9	13.2%	2,248.4	-0.5%
Operating expenses	(991.4)	1.6%	(70.4)	-9.0%	(471.6)	-4.1%	(58.8)	39.1%	(1,592.3)	0.3%
Pre Provision operating Profit	(76.6)	n.m.	25.7	-16.1%	411.0	13.6%	296.1	9.2%	656.1	-2.5%
Cost of customer credit/Net impairment (losses)-reversals on securities and loans to banks	(51.9)	-32.5%	(4.6)	-29.8%	(261.7)	n.m.	(0.4)	n.m.	(318.6)	n.m.
Net Operating Income	(128.5)	89.8%	21.1	-12.4%	149.2	-63.9%	295.7	6.2%	337.5	-47.9%
	30/09/22	Chg. % 31/12	30/09/22	Chg. % 31/12	30/09/22	Chg. % 31/12	30/09/22	Chg. % 31/12	30/09/22	Chg. % 31/12
BALANCE SHEET AGGREGATES										
Gross Interest-bearing loans to customers (*)	31,350	1.0%	574	-1.0%	41,205	0.1%	5,577	-23.4%	78,706	-1.7%
Direct funding	42,452	-0.5%	2,830	-10.2%	26,042	-2.9%	12,481	-29.4%	83,805	-7.2%
Indirect Funding	49,381	-11.2%	14,102	-13.2%	13,175	-8.8%	14,823	-18.3%	91,481	-12.4%
Assets under management	*42,258*	*-10.6%*	*10,863*	*-12.9%*	*2,574*	*-6.5%*	*2,293*	*-17.9%*	*57,988*	*-11.2%*
Assets under custody	*7,123*	*-14.3%*	*3,239*	*-14.1%*	*10,602*	*-9.4%*	*12,530*	*-18.4%*	*33,493*	*-14.4%*

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

Retail Banking

Business areas

Retail MPS

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

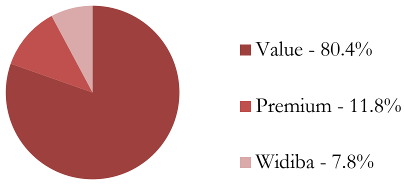
Widiba

- Banking products and services, deposit account, cards and advanced payment systems; customer self-service through the bank's digital channels or in assisted mode with the support of a Financial Advisor.
- Fully customisable online platform that relies on a Network of 542 Financial Advisors present throughout the country.
- Funding and Global advisory services and financial planning through the advanced WISE platform and the skills of the Financial Advisor Network.
- Mortgage loans, credit facilities and personal loans.
- Innovative interaction through computers, smartphones, tablets, watches and TV.

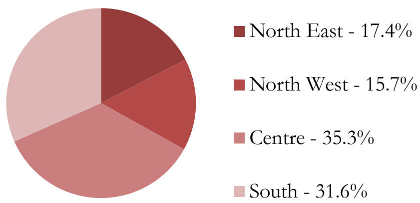
Customers

The number of Retail Banking customers was roughly 3.3 mln and includes around 259,000 exclusive Widiba customers, of which around 122,800 in the Financial Advisor Network channel, roughly 101,750 in the Self-service channel, around 60,700 customers migrated from the MPS branch network and about 26,400 shared with the Parent Company.

Breakdown by type



Breakdown by geography



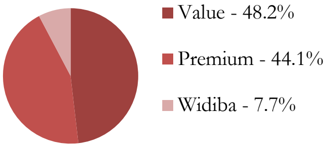
Income statement and balance sheet results

As at 30 September 2022, Total Funding for Retail Banking amounted to approximately EUR 91.8 bn, down by EUR 0.8 bn from June 2022 and by EUR 6.4 bn compared to the end of 2021. More specifically:

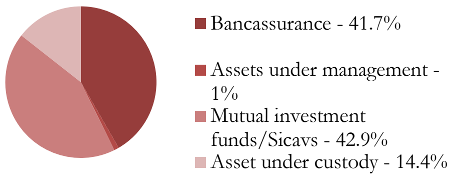
- **Direct Funding** stood at **EUR 42.5 bn,** aligned with 30 June 2022, due to the growth in deposits on demand (EUR +0.6 bn), which more than offset by the decrease recorded in medium / long-term (EUR -0.2 bn) and short-term (EUR -0.3 bn) technical forms of funding. The aggregate recorded a decrease in comparison with 31 December 2021 (EUR -0.2 bn), due mainly to the decrease in medium/long-term (EUR -0.6 bn) and short-term (EUR -0.4 bn) funding, basically offset by the increase in the on-demand deposits.
- **Indirect Funding**, amounting to approx. **EUR 49.4 bn**, decreased compared to June 2022 levels by EUR 0.9 bn, in both the assets under management (EUR -0.6 bn) and assets under custody (EUR -0.3 bn) components. The aggregate also decreased compared to 31 December 2021 (EUR -6.2 bn), due to the decrease in both assets under management (EUR -5.0 bn) and assets under administration (EUR -1.2 bn) which is essentially impacted by the negative market effect.
- **Gross interest-bearing loans to** *Retail Banking* **customers** were **EUR 31.4 bn**, an increase compared to June 2022 (EUR +0.1 bn) and December 2021 (EUR +0.3 bn).

RETAIL BANKING - BALANCE SHEET AGGREGATES										
(Eur mln)	30/09/22	30/06/22	31/12/21	30/09/21	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Direct funding	**42,452**	**42,382**	**42,656**	**42,595**	**70**	**0.2%**	**(204)**	**-0.5%**	**(143)**	**-0.3%**
Assets under management	*42,258*	*42,858*	*47,269*	*46,395*	*(600)*	*-1.4%*	*(5,011)*	*-10.6%*	*(4,137)*	*-8.9%*
Assets under custody	*7,123*	*7,404*	*8,314*	*8,394*	*(281)*	*-3.8%*	*(1,192)*	*-14.3%*	*(1,271)*	*-15.1%*
Indirect Funding	**49,381**	**50,262**	**55,583**	**54,789**	**(881)**	**-1.8%**	**(6,202)**	**-11.2%**	**(5,408)**	**-9.9%**
Total Funding	**91,832**	**92,644**	**98,239**	**97,384**	**(811)**	**-0.9%**	**(6,407)**	**-6.5%**	**(5,552)**	**-5.7%**
Gross Interest-bearing loans to customers	**31,350**	**31,215**	**31,036**	**31,091**	**135**	**0.4%**	**314**	**1.0%**	**259**	**0.8%**

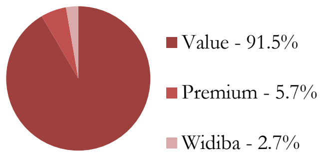
Direct funding



Indirect funding breakdown



Gross interest-bearing loans to customers



With regard to profit and loss, as at 30 September 2022 Retail Banking reported total **Revenues** equal to **EUR 915 mln**, down 7.1% compared to the same period of the previous year. A breakdown of the aggregate shows:

- Net Interest Income was approximately EUR 260 mln, up 1.6% mainly due to the higher contribution of commercial assets;
- Net fees and commissions were equal to approx. EUR 626 mln, with a 8.7% decrease on the same period of the previous year, primarily due to lower income from asset management, particularly on product placement.
- Other income from financial and insurance management amounted to EUR 30 mln, down by 39.8% compared to the same period of the previous year due to the lower contribution of income generated by insurance investments in AXA associates.

Considering the impact of Operating Expenses, which increased by 1.6% Y/Y, *Retail Banking* generated a **Gross Operating Loss** of about **EUR -77 mln** (income of EUR 9 mln as at 30 September 2021). The cost of credit was equal to **EUR -52 mln** (EUR -77 mln as at 30 September 2021).

The **Net Operating Income** recorded since the beginning of the year was **negative and around EUR 129 mln.**

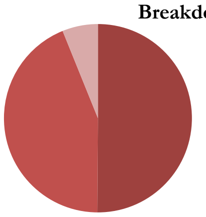
The non-operating components amounted to roughly EUR -4 mln compared to EUR -33 mln of the same period of the previous year due mainly to the reduction in Other net provisions.

The **Result before tax from continuing operations** was **EUR -133 mln** (EUR -101 mln as at 30 September 2021).

The ***cost-income ratio*** of the Operating Segment is **108.4%** (99.1% at the end of September 2021).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/09/22	30/09/21	Abs.	%
Net interest income	*259.8*	*255.7*	*4.0*	*1.6%*
Net fee and commission income	*625.7*	*685.7*	*(59.9)*	*-8.7%*
Other Revenues from Banking and Insurance Business	*30.1*	*50.0*	*(19.9)*	*-39.8%*
Other operating expenses/income	*(0.7)*	*(6.7)*	*6.0*	*-88.9%*
Total Revenues	**914.8**	**984.7**	**(69.9)**	**-7.1%**
Operating expenses	*(991.4)*	*(975.5)*	*(16.0)*	*1.6%*
Pre Provision Operating Profit	**(76.6)**	**9.2**	**(85.9)**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(51.9)	(76.9)	25.0	-32.5%
Net Operating Income	**(128.5)**	**(67.7)**	**(60.8)**	**89.8%**
Non-operating components	**(4.5)**	**(33.2)**	**28.7**	**-86.5%**
Profit (loss) before tax from continuing operations	**(133.0)**	**(100.9)**	**(32.1)**	**31.8%**

Breakdown of revenues



Results for the subsidiary

Banca Widiba S.p.A.: as at 30 September 2022, the Total Funding of Banca **Widiba** amounted to approximately **EUR 8.7 bn**, down by EUR -1.1 bn (-11%) compared to 31 December 2021 and EUR -0.2 bn (-3%) compared to 30 June 2022, in the first nine months of 2022 absorbing the unfavourable impacts of financial market trends (approximately EUR -1 bn of market effect in the first nine months, of which roughly EUR -141 mln in Q3).

With regard to profit and loss, as at 30 September 2022 Banca Widiba achieved **total Revenues** of approx. **EUR 56.1 mln**, up by EUR 5.1 mln (+10%) compared to the previous year, due primarily to an increase in Net interest income (which went from EUR 34.3 mln to **EUR 39.8 mln**, EUR +5.5 mln, an increase entirely attributable to commercial items to customers and the reduction in the cost of funding), while Net fee and commission income of EUR **17.1 mln** recorded a slight increase of EUR +0.5 mln (+3%), affected by the lower incidence of the cost of fees and commissions of the Network of Financial Advisors and the impact of banking fees and commissions linked to the unilateral manoeuvre. The total Revenues figure also includes a negative impact with respect to the previous year of EUR -0.9 mln relating to the item Other operating income/expense.

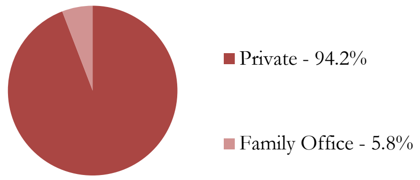
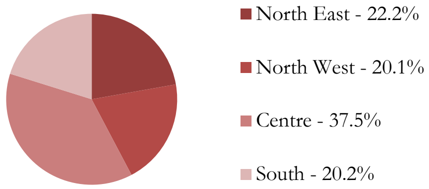
The **Gross Operating Result** amounted to **10.5 mln** and was up by +3.3 mln compared to the previous year. The aggregate includes the figure of Operating expenses (45.6 mln in the first nine months, up by 1.8 mln +4% compared to 2021 mainly due to the increase, in the other administrative expenses segment, of intra-group costs and the recognition of some contingent assets in 2021).

In relation to the lower incidence of the Cost of credit by EUR 2.2 mln compared to 2021, **Net Operating Income** amounted to **EUR 10.6 mln**, marking an increase of EUR 5.4 mln compared to the previous year.

Lastly, as a result of non-operating components that absorb reversals on some items of provisions for risks and charges, DGS expenses of EUR 4.7 mln and restructuring expenses for early retirements of 1.8 mln, the **Result**

before tax from continuing operations was **EUR 4.2 mln**, with an increase of EUR 4.4 mln compared to the first nine months of the previous year.

Wealth Management

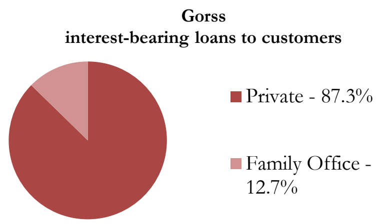
<table>
<tr><th>Business areas</th><th>Customers</th></tr>
<tr><td rowspan="3">
• Funding, lending, provision of insurance products, financial and non-financial services to private customers.
• Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on not strictly financial services (tax planning, real estate, art & legal advisory).
• Fiduciary and trust services (through the subsidiary MPS Fiduciaria).
</td><td>There are around 36,500 private customers.</td></tr>
<tr><td>Breakdown by type
</td></tr>
<tr><td>Breakdown by geography
</td></tr>
</table>

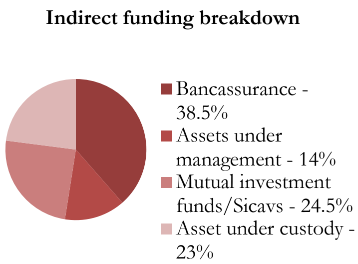
Income statement and balance sheet results

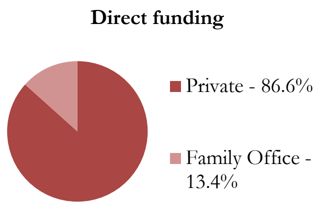
As at 30 September 2022, **Total Funding** for *Wealth Management* amounted to approximately **EUR 16.9 bn**, down by roughly EUR 0.5 bn compared to 30 June 2022 and down by EUR 2.5 bn compared to the end of 2021. More specifically:

- **Direct Funding** amounted to **EUR 2.8 bn**, down compared to level of 30 June 2022 and 31 December 2021;
- **Indirect Funding**, amounting to about **EUR 14.1 bn**, down compared to 30 June 2022 (EUR -0.4 bn) and down compared to the end of 2021 (EUR -2.1 bn).
- **Gross interest-bearing loans to customers** of *Wealth Management* were essentially in line with both 30 June 2022 and December 2021, around **EUR 0.6 bn**.

WEALTH MANAGEMENT - BALANCE SHEET AGGREGATES										
(EUR mln)	30/09/22	30/06/22	31/12/21	30/09/21	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Direct funding	**2,830**	**2,922**	**3,151**	**3,091**	**(92)**	**-3.1%**	**(320)**	**10.2%**	**(261)**	**-8.4%**
Assets under management	*10,863*	*11,067*	*12,470*	*12,624*	*(204)*	*-1.8%*	*(1,607)*	*-12.9%*	*(1,761)*	*-13.9%*
Assets under custody	*3,239*	*3,435*	*3,770*	*3,909*	*(196)*	*-5.7%*	*(531)*	*-14.1%*	*(670)*	*-17.1%*
Indirect Funding	**14,102**	**14,502**	**16,239**	**16,533**	**(400)**	**-2.8%**	**(2,138)**	**13.2%**	**(2,431)**	**14.7%**
Total Funding	**16,932**	**17,424**	**19,390**	**19,624**	**(492)**	**-2.8%**	**(2,458)**	**12.7%**	**(2,691)**	**13.7%**
Gross Interest-bearing loans to customers	**574**	**585**	**581**	**563**	**(10)**	**-1.8%**	**(6)**	**-1.0%**	**12**	**2.0%**







With regard to profit and loss, Wealth Management achieved total **Revenues** of approx. **EUR 96 mln** as at 30 September 2022, down 11.1% compared to the same period of last year. A breakdown of the aggregate shows:

- Net Interest Income amounted to approx. EUR 3 mln, up EUR 1.7 mln compared to the same period of the previous year, due to the higher contribution from direct funding;
- Net fee and commission income amounted to approximately EUR 85 mln, down by EUR 8 mln compared to 30 September 2021.

Considering the impact of Operating Expenses, which were down by 9.0% compared to the same period of the previous year, *Wealth Management* generated **Gross Operating Income** of about **EUR 26 mln** (EUR -5 mln compared to 30 September 2021). Including Cost of credit equal to EUR -5 mln, the **Net Operating Income** totalled roughly **EUR 21 mln**.

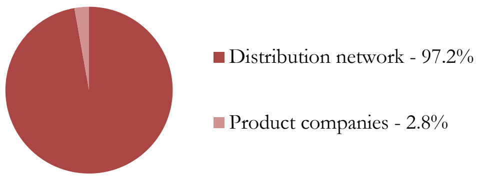
The non-operating components were equal to approx. EUR 0.3 mln, a EUR 2 mln improvement compared to the same period of the previous year.

The **Result before tax from continuing operations** was **EUR 21 mln** (EUR +23 mln as at 30 September 2021).

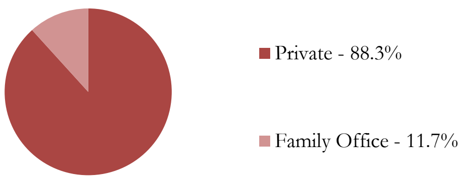
The ***cost-income ratio*** of the Operating Segment is **73.3%** (71.6% at the end of September 2021).

WEALTH MANAGEMENT - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/09/22	30/09/21	Abs.	%
Net interest income	*2.6*	*0.9*	*1.7*	*n.m.*
Net fee and commission income	*85.4*	*92.9*	*(7.6)*	*-8.1%*
Other Revenues from Banking and Insurance Business	*8.3*	*14.9*	*(6.7)*	*-44.6%*
Other operating expenses/income	*(0.1)*	*(0.7)*	*0.6*	*-80.4%*
Total Revenues	**96.1**	**108.1**	**12.0**	**-11.1%**
Operating expenses	*(70.4)*	*(77.4)*	*7.0*	*-9.0%*
Pre Provision Operating Profit	**25.7**	**30.7**	**(4.9)**	**-16.1%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(4.6)	(6.6)	2.0	-29.8%
Net Operating Income	**21.1**	**24.0**	**(3.0)**	**-12.4%**
Non-operating components	**0.3**	**(1.5)**	**1.8**	**n.m.**
Profit (loss) before tax from continuing operations	**21.4**	**22.6**	**(1.2)**	**-5.1%**

Breakdown of revenues



Breakdown of revenues - Distribution network

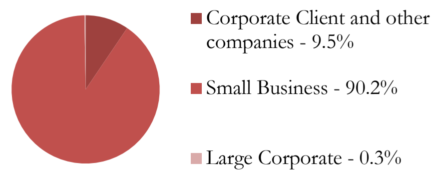
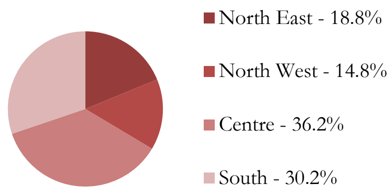


Results for the subsidiary

MPS Fiduciaria: as at 30 September 2022 the subsidiary reported a profit for the year equal to EUR 0.2 mln.

Corporate Banking

In January 2022, as part of the "Business Market Revision and Relaunch" project, revisions were introduced as regards the service models relating to the Business and Private Banking Business. In particular, SMEs and Key Clients were unified within a single service model named "Corporate Clients".

Business areas	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). • Corporate finance - medium/long-term credit facilities, corporate finance, capital markets and structured finance also through the subsidiary MPS Capital Services. • Custody and deposit services for dairy products on behalf of third parties (through the subsidiary Magazzini Generali Fiduciari di Mantova S.p.A., which is also authorised to issue documents of title to the merchandise, providing for easier access to bank lending).	Corporate Banking directly supports about 323,350 Corporate and Large Group customers of the Parent Company. **Breakdown by type**  **Breakdown by geography** 

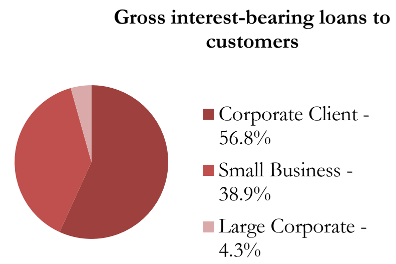
Income statement and balance sheet results

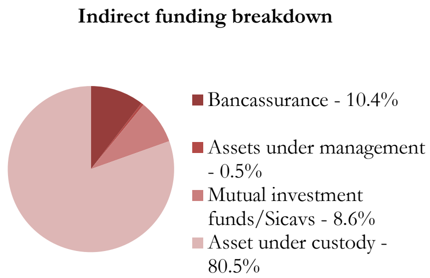
The **Total Funding** of *Corporate Banking* as at 30 September 2022 was equal to **EUR 39.2 bn**, up by EUR 0.3 bn with respect to 30 June 2022. There was also a EUR 2.1 bn decrease compared to the end of December 2021, as a result of a decrease in both Indirect Funding (EUR -1.3 bn) recorded mainly on Assets under custody and Direct Funding (EUR -0.8 bn). The decrease in Direct Funding was influenced by the actions taken by the Parent Company to optimise the cost of funding. With regard to Indirect Funding, instead, the decline recorded in the Assets under custody sector was mainly due to the negative market effect.

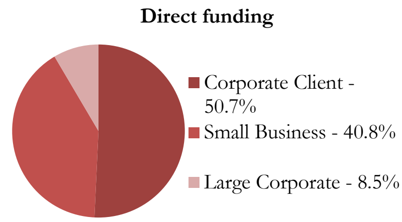
With regard to lending, as at 30 September 2022, **Gross interest-bearing loans to Corporate Banking customers** stood at approximately **EUR 41.2 bn** (down by EUR 0.6 bn compared to 30 June 2022 and in line with 31 December 2021).

CORPORATE BANKING - BALANCE SHEET AGGREGATES

(EUR mln)	30/09/22	30/06/22	31/12/21	30/09/21	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Direct funding	**26,042**	**26,098**	**26,818**	**26,483**	**(57)**	**-0.2%**	**(776)**	**-2.9%**	**(441)**	**-1.7%**
Assets under management	*2,574*	*2,587*	*2,753*	*2,717*	*(13)*	*-0.5%*	*(179)*	*-6.5%*	*(143)*	*-5.3%*
Assets under custody	*10,602*	*10,210*	*11,700*	*12,420*	*391*	*3.8%*	*(1,099)*	*-9.4%*	*(1,818)*	*-14.6%*
Indirect Funding	**13,175**	**12,797**	**14,453**	**15,137**	**378**	**3.0%**	**(1,277)**	**-8.8%**	**(1,961)**	**13.0%**
Total Funding	**39,217**	**38,895**	**41,271**	**41,620**	**322**	**0.8%**	**(2,054)**	**-5.0%**	**(2,402)**	**-5.8%**
Gross Interest-bearing loans to customers	**41,205**	**41,801**	**41,144**	**41,848**	**(596)**	**-1.4%**	**61**	**0.1%**	**(643)**	**-1.5%**







For profit and loss aggregates, as at 30 September 2022 *Corporate Banking Revenues* came to approx. **EUR 883 mln** (+3.4% compared to the same period of the previous year). A breakdown of the aggregate shows:

- Net Interest Income was approximately EUR 471 mln, up 8.5% annually mainly due to the higher contribution of commercial assets;
- Net Fee and Commission income was up 2.1% compared to the same period of the previous year to around EUR 406 mln;
- Other Revenues from Banking and Insurance Business amounted to approx. EUR 5 mln compared to EUR 36 mln in the first nine months of 2021.

Considering the impact of Operating Expenses, down by 4.1% compared to 30 September 2021, **Gross Operating Income** came to about **EUR 411 mln** (+13.6% compared to 30 September 2021).

Net Operating Income was equal to **EUR 149 mln** (EUR 413 mln in the same period of the previous year), against a Cost of credit standing at EUR -262 mln (compared to EUR 51 mln as at 30 September 2021).

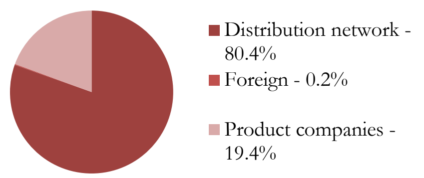
The non-operating components were equal to approx. EUR -55 mln, improved compared to EUR -94 mln in the same period of the previous year.

The **Result before tax from continuing operations** was **EUR 95 mln** (EUR +319 mln as at 30 September 2021).

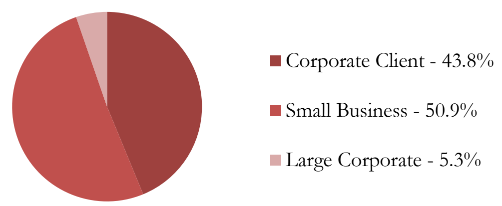
The ***Corporate Banking cost-income ratio*** stands at **53.4%** (57.6% as at 30 September 2021).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/09/22	30/09/21	Abs.	%
Net interest income	*471.1*	*434.1*	*37.0*	*8.5%*
Net fee and commission income	*406.2*	*397.9*	*8.4*	*2.1%*
Other Revenues from Banking and Insurance Business	*5.5*	*35.9*	*(30.4)*	*-84.7%*
Other operating expenses/income	*(0.2)*	*(14.6)*	*14.4*	*-98.3%*
Total Revenues	**882.6**	**853.3**	**29.3**	**3.4%**
Operating expenses	*(471.6)*	*(491.6)*	*20.0*	*-4.1%*
Pre Provision Operating Profit	**411.0**	**361.7**	**49.3**	**13.6%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(261.7)	51.3	(313.0)	n.m.
Net Operating Income	**149.2**	**413.0**	**(263.8)**	**-63.9%**
Non-operating components	**(54.7)**	**(94.3)**	**39.7**	**-42.1%**
Profit (loss) before tax from continuing operations	**94.6**	**318.7**	**(224.1)**	**-70.3%**

Breakdown of revenues



Breakdown of revenues - Distribution network



Results of the main subsidiaries

- **MPS Capital Services**: result before tax of EUR -31 mln, down by EUR 142 mln compared to 30 September 2021, mainly due to the trend in the Cost of Credit and Other income from financial and insurance management. The profit for the period was EUR -25 mln, down compared to a profit of EUR 126 mln as at 30 September 2021 due to the trends described above.
- **MPS Leasing & Factoring**: result before tax of EUR 10 mln, down by EUR 12 mln compared to 30 September 2021. The profit for the period was EUR 12 mln compared to profit for the period of EUR 23 mln as at 30 September 2021.
- **MP Banque[25]:** loss of EUR 3.1 mln compared to a loss of EUR 2.9 mln recorded in the same period of the previous year.

[25] The performance indicated above is that calculated on an operational basis. Please recall that in 2018 the Parent Company approved the run-off of MP Banque

Corporate Centre

The Corporate Centre includes:

- head office units, particularly with regard to governance and support functions, proprietary finance, the "asset centre" of divisionalised entities, which comprises in particular: proprietary finance activities, treasury and capital management;
- business service and support units, particularly with regard to the development and management of information systems (Consorzio Operativo Gruppo MPS).

The Corporate Centre also includes the offsetting of intragroup entries and the results of the companies consolidated under the equity method and those held for sale.

As regards Finance activities, in the first nine months of 2022 securities from the Parent Company's portfolio were sold, particularly roughly EUR 815 mln classified at amortised cost, which contributed a total profit of roughly EUR 48 mln, down by around EUR 76 mln compared to the same period of the previous year when disposals from the securities portfolio were carried out for a total of around EUR 850 mln. Partially offsetting these sales, to support net interest income, EUR 1 bn in securities, also classified at amortised cost, were repurchased.

Prospects and outlook on operations

The global economy is experiencing a phase with a sharp slowdown in growth, linked to deep uncertainty concerning the outcome of the conflict in Ukraine, record inflation in advanced economies, a deterioration of financial conditions and international supply chain problems; downside risks weighing on the scenario include a possible escalation of geopolitical tensions in the Pacific, blocks on international wheat supplies and a resurgence of the virus. Central banks are adopting highly restrictive policies that are driving up government maturity curves and negatively impacting the economic cycle, fuelling risks of a recession. The International Monetary Fund[26] has revised Eurozone GDP growth upward to +3.1% in 2022, while reducing that of 2023 to +0.5% ; according to the Fund, between the end of 2022 and 2023, countries representing roughly one-third of the global economy will record a decline in GDP for two consecutive quarters (technical recession).

Rising energy prices along with increasing uncertainty with respect to the results of the conflict in Ukraine are causing a deterioration of the expected macroeconomic scenario for Italy. In this context, the new executive branch will need to plan an energy transition, deal with new international geopolitical scenarios and especially implement an NRRP, some measures of which will be difficult to enact as a result of rising prices. Public debt management will be particularly delicate and a focus of the markets, within a framework of less accommodating monetary policy. According to the most recent forecasts of the International Monetary Fund, Italian GDP is expected to grow by 3.2% on an annual basis in 2022, while expectations for 2023 are for a slight recession (-0.2%).

Thanks to a first half of the year characterised by better economic growth than expected and measures introduced to mitigate the effects of rising energy costs, at the moment there are no strong repercussions on the credit quality of Italian banks, even if, with the increase in rates and with the gradual return of support policies, a deterioration is expected starting from 2023. In the short term, financial market conditions will support an accumulation of liquidity, despite high inflation, but already starting from next year a re-composition will be observed. With a restrictive monetary policy in place, private sector investment decisions will transition towards higher return assets, even with lower risk profiles (time deposits, bonds). Already as of 2023, funding is expected to recover in relation to mutual funds, equities and the insurance segment. The banking sector will need to face a change in the funding structure, with lower dependence on Eurosystem liquidity and the need for a corresponding increase in medium/long-term funding. Lending to the economy, albeit slowing, is expected to be positive, supported in nominal terms by higher inflation and despite the increase in the rate profile. Household loans will be impacted by a stagnation in consumption and revised real estate market outlooks; those to businesses will be affected by the adverse economic scenario as well as recourse to other forms of financing. The expansion of the banking spread and higher volumes may contribute to the good net interest income trend and the improvement in sector profitability. The fee and commission component, suffering due to the reduction in new flows, may benefit as of 2023 from the contribution deriving from the re-composition of liquidity towards asset management instruments.

The greater uncertainty characterising the current economic context may also have effects on the Group's performance over the coming months. In any event, the Group will be committed to supporting businesses by working alongside them as they resume activities in a post-pandemic world, also exploiting the potential offered by the NRRP, supporting development projects and local activities, leveraging their unique features through specific initiatives and products, with a view to supporting and directing the recovery towards a more sustainable development model, integrating environmental, social and governance (ESG) criteria within investment and lending policies and continuously interpreting the Bank's historical role in supporting and promoting local areas and economies. The net interest income will benefit from the recent rate hike and the contribution of the new consumer credit platform. For the last quarter of the current year, a negative contribution to net interest income is expected for TLTRO III liabilities following the new conditions[27] applicable as of 23 November, more than offset by higher remuneration of ECB loans. The higher financial market volatility and increased uncertainty may influence the trend of fees and commissions from asset management in the final quarter as well. Following the restructuring costs linked to the voluntary early retirement plan based on the Solidarity Fund, 2022 is expected to close with a net loss, while the benefit on personnel expense will be higher than expected in the Plan due to the higher number of resources deciding to participate in the early retirement plan.

[26] *World Economic Outlook*, October 2022

[27] On 27 October 2022, the ECB's Governing Council established new remuneration conditions for TLTRO-III transactions. In detail, for the Group, as of 23 November the interest rate on TLTRO-III transactions still outstanding is indexed to the deposit facility rate (DFR) applicable during this period. On the other hand, the current method for calculating the interest rate for the period from 24 June to 22 November is maintained (post additional special interest period), considering the average DFR from the origin of the transactions only until this date.

On 7 October 2022, the Bank received the European Central Bank's 2022 Draft SREP Decision. This document contains several recommendations and quantitative and qualitative requirements already reflected in the Plan actions. This affirmation also extends to the results of the Thematic Review on climate/environmental risks, the findings of which were included in the 2022 Draft SREP Decision. The Bank is asked to accelerate some actions already set forth in the plan for adaptation to ECB guidelines on climate/environmental risks and therefore in the Plan, without however undermining their validity.

On 4 November 2022, the Parent Company's share capital increase for a total equivalent value of EUR 2,499.3 mln was concluded. This transaction resulted in estimated costs of approximately EUR 132 mln, of which EUR 125 mln relating to the fees to be paid to the guarantee syndicate.

In line with the pathway for the implementation of the 2022-2026 Business Plan approved by the Board of Directors on 22 June 2022, in the fourth quarter of the year the following are planned: (i) the completion of the deconsolidation of the portfolio of non-performing loans associated with the "Fantino" project - the disposal of which was finalised on 4 August - for a gross exposure as at 30 June 2022 of roughly EUR 0.9 bn; (ii) the finalisation of the merger by incorporation into the Parent Company of the subsidiary Consorzio Operativo Gruppo MPS, which received authorisation from the European Central Bank on 25 October 2022; (iii) the departure of more than 4,000 resources (including secondments) due to participation in the Solidarity Fund.

The actual figures as at 30 September 2022 confirm the very robust liquidity position of the Group, with indicator levels (LCR/NSFR) that are significantly higher than regulatory and operational limits. The institutional maturities expected for the fourth quarter of 2022 are primarily represented by TLTRO III auctions for EUR 4 bn. Against the planned maturities, the Group's funding strategies aim to maintain liquidity indicators at adequate levels, broadly above regulatory limits, as well as reabsorb, with reference to public bond issue plans and also considering the capital increase, the breaches of MREL requirements. These strategies are defined in accordance with the 2022-2026 Business Plan.

As regards capital requirements, in relation to the revision of internal models, in the course of the fourth quarter of 2022 an overall increase of no more than EUR 5.5 bn is expected in RWAs, linked to the re-estimation of models for full alignment with the EBA Guidelines (EBA-GL-2017-16) carried out in the course of 2021, subject to review by the ECB in 2022.

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 30 September 2022 corresponds to the underlying documentary evidence and accounting records.

Siena, 10 November 2022

Signed by

The Financial Reporting Officer

Nicola Massimo Clarelli