MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Monte dei Paschi di Siena Group Consolidated Half-yearly Report as at 30 June 2024

Half-yearly Report
Monte dei Paschi di Siena Group
30 June 2024

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

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INTERIM REPORT ON OPERATIONS

Results in brief

Below are the main economic and financial values of the Montepaschi Group as at 30 June 2024, compared with those for the same period of the previous year and at the end of the previous year, respectively. The Alternative Performance Measures (APMs) identified by the Directors to facilitate the understanding of the economic and financial performance of the Group's operations are also presented. The APMs, which are built using the reclassified data reported in the Reclassified Income Statement and Reclassified Balance Sheet chapters, are based on accounting data, corresponding to those used in internal performance management and management reporting systems, and consistent with the most commonly used metrics within the banking industry, thereby ensuring the comparability of reported figures. The APMs are not envisaged by the IAS/IFRS international accounting standards and, although they are calculated on financial statement data, they are not subject to a full-scope audit or review.

These measures take into account the Guidelines provided by the European Securities and Markets Authority (ESMA) on 5 October 2015, which the Italian stock exchange regulator, Consob, incorporated into its supervisory practices (Communication no. 0092543 of 3 December 2015), applicable from 3 July 2016. With reference to the context resulting from the military conflict between Russia and Ukraine, note that, in line with ESMA guidelines, no new indicators were introduced, nor were changes made to the indicators normally used. It should be noted that, for each APM, information is provided on its definition and calculation methods, and the amounts used in the calculation may be identified through the information contained in the tables below or in the reclassified financial statements in this Consolidated Report on Operations. These formats were constructed on the basis of the financial statements envisaged in Bank of Italy Circular no. 262/2005 and subsequent updates, following the same aggregation and classification criteria adopted when preparing the Consolidated Financial Statements as at 31 December 2023.

INCOME STATEMENT AND BALANCE SHEET FIGURES			
MONTEPASCHI GROUP			
INCOME STATEMENT FIGURES (EUR mln)	30 06 2024	30 06 2023	Chg.
Net interest income	1,172.2	1,082.8	8.3%
Net fee and commission income	735.8	670.0	9.8%
Other income from banking business	116.6	100.3	16.3%
Other operating income and expenses	6.1	(1.9)	n.m.
Total Revenues	2,030.7	1,851.2	9.7%
Operating expenses	(924.9)	(913.8)	1.2%
Cost of customer credit	(204.0)	(204.9)	-0.4%
Other value adjustments	(4.7)	1.6	n.m.
Net operating income (loss)	897.1	734.1	22.2%
Non-operating items	(191.3)	(118.8)	61.0%
Parent company's net profit (loss) for the period	1,159.2	619.0	87.3%
EARNINGS PER SHARE (EUR)	30 06 2024	30 06 2023	Chg.
Basic earnings per share	0.920	0.491	87.3%
Diluted earnings per share	0.920	0.491	87.3%
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	30 06 2024	31 12 2023	Chg.
Total assets	128,700.5	122,613.7	5.0%
Loans to customers	77,974.7	76,815.6	1.5%
Direct funding	96,521.6	90,639.0	6.5%
Indirect funding	99,878.7	96,844.9	3.1%
of which: assets under management	58,554.5	56,887.8	2.9%
of which: assets under custody	41,324.2	39,957.1	3.4%
Group net equity	10,795.0	9,978.5	8.2%
OPERATING STRUCTURE	30 06 2024	31 12 2023	Chg.
Total headcount - end of period	16,632	16,737	(105)
Number of branches in Italy	1,312	1,362	(50)

ALTERNATIVE PERFORMANCE MEASURES			
MONTEPASCHI GROUP			
PROFITABILITY RATIOS (%)	30 06 2024	31 12 2023	Chg.
Cost/Income ratio	45.5	48.5	-3.0
ROE (on average equity)	22.3	23.0	-0.7
Return on Assets (RoA) ratio	1.8	1.7	0.1
ROTE (Return on tangible equity)	22.7	23.5	-0.8
CREDIT QUALITY RATIOS (%)	30 06 2024	31 12 2023	Chg.
Net NPE ratio	2.4	2.3	0.1
Gross NPL ratio	3.7	3.6	0.1
Rate of change of non-performing loans to customers	5.2	5.7	-0.5
Bad loans to customers/Loans to Customers	0.6	0.6	n.m.
Loans to customers measured at amortised cost - Stage 2/Performing loans to customers measured at amortised cost	13.1	12.8	0.3
Coverage of non-performing loans to customers	49.8	49.1	0.7
Coverage of bad loans to customers	67.5	68.1	-0.6
Provisioning	0.52	0.57	-0.05
Texas Ratio	29.4	30.3	-0.9

Cost/Income Ratio: ratio between Operating Expenses (Administrative Expenses and Net Value Adjustments to Property, Plant and Equipment and Intangible Assets) and Total Revenues (for the composition of this aggregate, see the Reclassified Income Statement).

Return On Equity (ROE): ratio between the annualised Net Profit (Loss) for the Period and the average between the Shareholders' Equity (including Profit and Valuation Reserves) at the end of period and the Shareholders' Equity at the end of the previous year.

Return On Assets (ROA): ratio between the annualised Net Profit (Loss) for the Period and Total Assets at the end of the period**.**

Return On Tangible Equity (ROTE): ratio between the annualised Net Profit (Loss) for the Period and the average between the Tangible Shareholders' Equity[1] at the end of period and that at the end of the previous year.

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

Gross NPL Ratio: gross impact of non-performing loans calculated based on the European Banking Authority (EBA) guidelines[2] as the ratio between Gross Non-Performing Loans to customers and banks[3], net of assets under disposal, and total Gross Loans to customers and banks[3], net of assets under disposal.

Rate of change in non-performing loans to customers: represents the annual rate of growth in Gross Non-Performing Loans to customers 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 and Bad Loans to Customers is calculated as the ratio between the relative Loss Provisions and the corresponding Gross Exposures.

Provisioning: ratio between the annualised Cost of Customer Credit and the sum of Loans to Customers and the value of securities deriving from sale/securitisation of non-performing loans.

Texas Ratio: ratio between Gross Non-Performing Loans to customers and the sum, in the denominator, of the relative loss provisions and Tangible Shareholders' Equity.

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

REGULATORY MEASURES			
MONTEPASCHI GROUP			
CAPITAL RATIOS (%)	30 06 2024	31 12 2023	Chg.
Common Equity Tier 1 (CET1) ratio - phase in	18.1	18.1	n.m.
Common Equity Tier 1 (CET1) ratio - fully loaded	18.1	18.1	n.m.
Total Capital ratio - phase in	21.4	21.6	-0.2
Total Capital ratio - fully loaded	21.4	21.6	-0.2
MREL-TREA (total risk exposure amount)	27.6	28.2	-0.6
MREL-LRE (leverage ratio exposure)	10.2	10.8	-0.6
FINANCIAL LEVERAGE INDEX (%)	30 06 2024	31 12 2023	Chg.
Leverage ratio - transitional definition	6.7	7.0	-0.3
Leverage ratio - fully phased	6.7	6.9	-0.2
LIQUIDITY RATIO (%)	30 06 2024	31 12 2023	Chg.
LCR	164.3	163.3	1.0
NSFR	133.6	130.1	3.5
Asset encumbrance ratio	28.3	28.5	-0.2
Loan to deposit ratio	80.8	84.7	-3.9
Spot counterbalancing capacity (bn of EUR)	33.4	29.8	3.6

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 Common Equity Tier 1 and total Risk-Weighted Assets.

Total Capital ratio: ratio between Own Funds and total Risk-Weighted Assets.

MREL-TREA: calculated as the ratio of the sum of own funds and eligible liabilities to total Risk-Weighted Assets.

MREL-LRE: calculated as the ratio of the sum of own funds and eligible liabilities to the amount of total leverage exposures.

Leverage Ratio: calculated as the ratio between Tier 1 Capital and total exposures, in accordance with the provisions of art. 429 of Regulation 575/2013.

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.

Asset encumbrance ratio: ratio of the total carrying amount of encumbered assets and collateral received reused to total assets and total guarantees received available.

Loan to Deposit Ratio: ratio between Net Loans to Customers and Direct Funding (due to 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.

Executive summary

The changes in the Group's main income statement and balance sheet aggregates as at 30 June 2024 are summarised below:

- **Net Interest Income,** equal to EUR 1,172 mln, was up compared to the same period of 2023 (+8.3%; EUR 89.4 mln). The growth was mainly driven by the higher contribution from relations with central banks, hedging derivatives and the securities portfolio. In particular, a net benefit of EUR 67 mln was recognised in relations with central banks as at 30 June 2024, compared to a net cost of EUR 60 mln in the corresponding period of 2023. This performance reflects, among other things, the change in the net position vis-à-vis the ECB from an average debit balance of EUR 3.2 bn as at 30 June 2023 to an average credit balance of EUR 4.2 bn as at 30 June 2024. The positive trends mentioned above were partly offset by the higher cost of bond issues, mainly as a result of the renewed use of the institutional market and, in relations with customers, the increase in the cost of commercial funding reflecting higher funding volumes and higher interest rate levels.

- **Net Fee and Commission Income**, totalling EUR 736 mln, showed an increase compared to the same period of the previous year (+9.8%). The positive performance is mainly attributable to management/brokerage and advisory activities (+20.0%; EUR +60.4 mln) and, to a lesser extent, commercial banking activity (+1.5%; EUR +5.4 mln). In detail, in the first commissions area, the contribution of distribution and portfolio management increased (+31.3%; EUR 55.6 mln) and insurance products (+7.5%; EUR 7.5 mln). In the commercial banking area, commission income on guarantees (EUR +16.3 mln) and other net fee and commission income (EUR +6.6 mln) were partly offset by lower commissions of current accounts (EUR -13.7 mln) in relation to the Bank's reduction of service fees applied to customers' accounts.

- **Other income from banking business**, equal to EUR 117 mln, increased by 16% compared to the corresponding period of the previous year. The growth is mainly attributable to the greater contribution of market making activities which, in the first quarter of 2024, benefited from a growth in business volumes and a favourable market context as well as the positive effects resulting from the early closure of some accounting hedges as part of the interest margin stabilisation strategy.

- **Other operating income/expenses** amounted to EUR +6 mln, compared to a contribution of EUR -2 mln recorded in the first half of 2023.

- As a result of the trends described above, **Total revenues** amounted to EUR 2,031 mln, an increase of 9.7% compared to the same period of the previous year.

- **Operating expenses** amounted to EUR 925 mln, up compared to the first half of 2023 (+1.2%). In particular, within the aggregate, **Personnel expenses**, which amounted to EUR 608 mln, are higher than those recorded in the corresponding period of the previous year (+5.9%), as a consequence of the increased costs resulting from renewal of the banking industry National Collective Labour Agreement in November last year. **Other administrative expenses**, equal to EUR 232 mln, were down compared to 30 June 2023 (-8.1%), also due to the implementation of a rigorous expenditure management process and a focus on cost optimisation actions. The **Net value adjustments to property, plant and equipment and intangible assets** totalled EUR 84 mln, a decrease of 2.4%.

- The **Cost of Customer Credit** is EUR 204 mln, essentially stable compared to the EUR 205 mln recorded in the corresponding period of the previous year. The **Provisioning Rate**[4] is 52 bps (57 bps as at 31 December 2023).

- The **Net operating income** for the first half of 2024 stood at EUR 897 mln, compared to EUR 734 mln in the first half of 2023.

- In addition to the changes in these economic aggregates, there were **non-operating items** amounting to EUR -191 mln in the first half of 2024 (EUR -119 mln in the corresponding period of 2023). Non-operating components include: **Net provisions for risks and charges**, equal to EUR -15 mln (EUR -2

[4] 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.

mln as at 30 June 2023), **Other gains (losses) on equity investments**, equal to EUR -4 mln (EUR -1 mln as at 30 June 2023), **Restructuring Costs/One-off Charges**, equal to EUR -41 mln (EUR +4 mln as at 30 June 2023), costs associated with **SRF (Single Resolution Fund), DGS (Deposit Guarantee Systems) and similar schemes**, equal to EUR -75 mln (EUR -59 mln as at 30 June 2023), the **DTA fee** equal to EUR -31 mln (in line with the first half of 2023), the **Net gains (losses) on property, plant and equipment and intangible assets measured at fair value**, equal to EUR -19 mln (EUR -29 mln as at 30 June 2023), **Gains (losses) on disposal of investments**, equal to EUR -6 mln (EUR +0.2 mln as at 30 June 2023).

- As a result of these trends, combined with the positive impact on **Taxes** of EUR 453 mln (compared to a positive contribution of EUR 4 mln in the first half of 2023), the Group recorded a **Parent Company's net profit (loss) for the period of EUR 1,159 mln**, compared to a profit of EUR 619 mln in the same period of 2023.
- As at 30 June 2024, the Group's **Total Funding** volumes amounted to **EUR 196.4 bn**, highlighting an increase of EUR 3.6 bn compared to 31 March 2024 in Direct Funding (EUR +3.8 bn), while Indirect Funding was essentially stable (EUR -0.2 bn). In particular, as regards Direct Funding, the increase affected all segments: current accounts (EUR +2.2 bn), term deposits (EUR +0.4 bn), repo agreements (EUR +0.4 bn) and bonds (EUR +0.8 bn), while other forms of funding remained essentially stable. The trend for the Indirect Funding aggregate is the result of a decline in assets under custody (EUR -0.7 bn), reflecting a negative market effect despite the presence of still positive net inflows and growth in assets under management (EUR +0.4 bn) which, vice versa, benefits from a positive market effect.

  Total Funding compared to 31 December 2023 recorded an increase in volumes of EUR 8.9 bn due to the increase in Direct Funding (EUR +5.9 bn) and in Indirect Funding (EUR +3.0 bn). The increase in Direct Funding, also in this case, affected all segments: current accounts (EUR +1.2 bn), term deposits (EUR +1.8 bn), repo agreements (EUR +2.6 bn) and bonds (EUR +0.3 bn), while other forms of funding remained essentially stable. The increase in indirect funding includes the increase in assets under custody (EUR +1.4 bn), recorded mainly on the government bonds component, and the growth in assets under management (EUR +1.7 bn).
- **Loans to customers** reached EUR 78.0 bn as at 30 June 2024, down compared to 31 March 2024 (EUR -0.4 bn), especially on mortgages (EUR -0.5 bn) which include instalments falling due. The other components were essentially stable.

  The aggregate was up (EUR +1.2 bn) compared to 31 December 2023. The increase in other loans (EUR +0.4 bn) and repurchase agreements (EUR +1.0 bn) more than offset the decrease in mortgages (EUR -0.3 bn) and current accounts (EUR -0.1 bn). Non-performing loans were essentially stable (EUR +0.1 bn).
- As at 30 June 2024, the **coverage ratio of non-performing loans to customers** was **49.8%**, up compared to 31 March 2024 when it was 49.5%. In particular, the coverage ratio of bad loans went from 67.8% to 67.5%, the coverage ratio of unlikely to pay exposures rose from 37.8% to 38.1% and, lastly, that of non-performing past due loans increased from 21.3% to 23.1%.

  The coverage ratio of non-performing loans to customers is higher than at 31 December 2023, when it was 49.1%. At individual administrative status level, the changes refer to unlikely to pay exposures (coverage of which rose from 37.6% to 38.1%) and the coverage ratio of non-performing past due loans (from 21.7% to 23.1%). The coverage ratio of bad loans recorded a slight decrease, however (from 68.1% to 67.5%)

With regard to capital ratios, as at 30 June 2024, the ***Common Equity Tier 1 Ratio*** stood at **18.1**% (compared to 17.9% as at 31 March 2024 and 18.1% as at 31 December 2023) deducting from capital the dividends accrued in the first half of the year assuming a pay-out ratio of 75% of pre-tax profit, and the ***Total Capital Ratio*** stood at **21.4%** (compared to 21.3% as at 31 March 2024 and 21.6% as at 31 December 2023).

Reference context

The international scenario

The global economy continued its expansionary phase in the spring, with major economies confirming a recovery. Domestic demand remained buoyant in the USA, less so in other areas, and international trade showed a slight acceleration. The process of global disinflation continues. However, in several countries some hesitations[5] emerged which recommended a more gradual and cautious approach in the expected monetary easing. The worsening of the international political framework linked to the conflicts in Ukraine and the Middle East and the changes in political balance and budget policies deriving from electoral results (in particular, the US elections at year end) affect global cycle prospects and fuel uncertainty.

In the second quarter of the year, the **United States** recorded a faster than expected expansion pace, with GDP growing by +2.8% annualised QoQ (preliminary figures). Consumption continued to increase and the labour market showed signs of greater balance, however, recent updates that saw unemployment benefits rise toa on - year high and deteriorating manufacturing confidence, pose uncertainty about the resilience of the domestic economic recovery. In June, for the second consecutive month, inflation took a surprising downturn, which after the uncertainties of the beginning of the year comforted the resumption of a downward trend and provided support for possible future Fed interventions on rates: the general price index slowed to +3% YoY (from +3.3% in May) with a decline QoQ (-0.1%), the core component[6] fell to +3.3% YoY from +3.4% in May and vs. +3.4% consensus. Trade tensions with China and the uncertainty over the upcoming presidential elections, which have become more acute since Biden stepped down, are affecting the US scenario.

In the **Eurozone**, second quarter economic activity continued to expand at the same rhythm as in the first quarter (preliminary GDP figure of +0.3% QoQ) driven by services. After a weak start at the beginning of the year, consumption recorded a modest strengthening assisted by the solidity of the labour market, with employment confirmed as rising, unemployment at minimum levels (6.5% in June) and a sustained wage trend. Lending conditions held back investments, while net foreign demand returned to positive territory. Since the beginning of the year, the disinflationary trend has eased, albeit with energy prices recovering marginally and service prices confirmed as rising, the underlying component of inflation has further reduced: in July the core index stood at 2.9% YoY (3.3% YoY in January) and the general price index stood to 2.6% YoY(preliminary figures).

On 30 April, the reform of EU budget rules entered into force. As part of the Recovery and Resilience Facility, new funds for around EUR 15 bn have been disbursed to Member States since mid-April, bringing the total since the start of the programme to over EUR 240 bn (of which around EUR 156 bn in grants).

In France, after the legislative elections, coalition clashes are affecting formation of the new executive. The newly elected European Parliament reconfirmed Ursula von der Leyen as President of the European Commission for the next five years. She announced a manifesto focused, among other things, on the Green Deal, the use of Next Generation EU resources, competitiveness, defence and security.

Among the **emerging countries**, GDP in China slowed more than expected in the second quarter (+4.7% YoY from +5.3% in the first quarter). The weakness of domestic demand, caused by difficulties in the real estate sector (for which further support measures were implemented) and by private sector debt, contributed to keeping inflation close to zero. Low inflation, excess production capacity and depreciation of the yuan have improved the competitiveness of Chinese exports, generating competitive pressures to which Western economies have responded by introducing tariff barriers. At the end of July, the Central Bank of China cut the one-year refinancing rate by 20 basis points (to 2.3%): this cut is the first in almost a year while Beijing is attempting to stimulate economic growth during the deadlock. In India, the strong expansion of the economy continued; almost all major Asian currencies depreciated against those of Western countries.

Italy: economic context

In **Italy**, GDP expanded moderately (preliminary GDP +0.2% QoQ in the second quarter, +0.3% YoY) supported by services, tourism in particular, which benefited from the good spending capacity of foreign visitors. Exports are growing, investments and the construction and manufacturing industries are weak; consumption is stable. Employment continued to increase in June (+0.1% compared to the previous month); unemployment also

[5] These were mainly linked to the sustained trend in prices for services, which were affected by rising labour costs. In addition, since April the prices of crude oil have fluctuated wildly, natural gas prices have seen a further upturn and, since May, so have sea transport costs.
[6] Index adjusted for the price components of food and energy goods (typically more volatile)

increased to 7.0%. The growth in the cost of labour in the non-agricultural private sector has strengthened, driven by services sector contract renewals and by payments already envisaged in agreements in force. Inflation remained low, despite the modest rise in July, standing at 1.3% (preliminary figures) and the core component remained stable at 1.9% YoY in the same month. The disinflation process was confirmed to be slower for services. The pessimism of real estate agents on the evolution of market conditions, in the short and long terms, was confirmed as easing despite the weak real estate cycle.

The reorganisation of regulations on tax benefits launched at the beginning of the year continued with the conversion into Law of Italian Decree Law 39/2024 (Tax Benefits Decree) in the second quarter, which in particular envisaged several new features regarding the Superbonus, building bonuses, business tax credits, joint agreements and special rates, introduced via Government amendment. The corrective measures concerned a series of provisions aimed at modifying, if necessary retroactively, the recovery timing of tax credits deriving from "building bonuses" (*Superbonus, Bonus Barriere, Sismabonus*, etc.), in particular lengthening recovery times (by up to 10 years). The amendment also envisaged that the annual instalments that can be offset from 2025, in relation to tax credits associated with the "Superbonus", "Bonus Barriere" and "Sismabonus" measures, must be divided into 6 equal annual instalments (in place of the original legal breakdown).

On 30 April 2024, the Council of Ministers also approved:

- a Decree Law aimed at implementing the cohesion policy reform included in the review of the National Recovery and Resilience Plan (NRRP) in order to give strategic unity and a common vision to the main development and cohesion levers and to accelerate and strengthen the enforcement of actions financed by the 2021-2027 cohesion policy to reduce territorial differences;
- a Legislative Decree for review of the IRPEF and IRAP tax system which confirms the objective for 2025 of an adjustment to the three IRPEF rates. The Legislative Decree also envisages new aspects on employee income, including a measure to disburse an indemnity of EUR 100 in 2025 to employees with earnings up to EUR 28,000 with certain conditions regarding household composition and a recruitments "superbonus". There are also provisions on business income.

The European Commission announced a recommendation to initiate excessive deficit proceedings against five Eurozone countries, including Italy. For Italy, the Commission has estimated that the deficit-GDP ratio, though narrowing sharply compared to 7.4% in 2023, will remain above the 3% limit both this year and next year. With regard to the NRRP, at the end of June the Government requested payment of the sixth instalment after achieving the 37 targets set. At the beginning of July, the European Commission also preliminarily approved the request for payment of the fifth instalment.

Financial markets and monetary policy

After the rally at the beginning of the year, in the second quarter the stock markets, though positive, recorded a more volatile performance, reacting to the escalation of geopolitical tensions, monetary policy recommendations of the Central Banks and the economic situation of advanced economies and their inflationary dynamics. In the first half of 2024, the FTSE Mib gained more than 9% and the Euro Stoxx rose by approximately 8%, recently affected by the climate of political uncertainty in Europe. Shining performances were recorded by the S&P 500 (close to +15%) and the Nikkei (over +18%). The Chinese Shanghai Shenzhen CSI 300 recorded a limited increase (approx. +1%) with prices recovering following the announcement of imposing measures to stabilise the crisis in the domestic real estate sector.

In June, long-term government bond yields partly interrupted the upward trend recorded since the beginning of the year: the US Treasury fell slightly after publication of the lower than expected inflation figures; the uncertainty on political structures arising from the European and French elections led to a stronger preference of investors for securities considered safer, such as the German Bund, compressing yields. As at 30 June 2024, the US 10-year rate stood at 4.40% and the German rate rose to 2.50% (+52 basis points and +48 basis points, respectively, compared to 2023 year-end levels). The Italian 10-year rate rose from last March, albeit with a certain volatility, and closed at 4.07% as at 30 June 2024 (+37 bps from 2023 year-end values). The BTP10Y-Bund spread stood at 157 basis points at the end of the first half of the year (-10 basis points from the 31 December 2023 levels), but saw upward pressure in June in the wake of the climate of greater European political instability and the proceedings against Italy for excessive deficit infringement.

At its July meeting, the Federal Reserve maintained the Fed Fund rate level unchanged in the range of 5.25%-5.50% opened to a possible cut of interest rates in September. In fact, Governor Powell during the press conference, stated if there are no inflation surprise and the data go in the expected direction, a rate cut is possible in September. Also significant is the fact that already in July meeting, the possibility of a cut rate in September was discussed. The possible slowdown of US economy has prompted the markets to expect a decisive intervention by the FED on interest rate for the latter part of the year.

At its June meeting, the ECB - for the first time in five years - reduced official interest rates by 25 basis points, bringing the main refinancing rate to 4.25%, the central bank deposits rate to 3.75% and the marginal refinancing rate to 4.50%. In any event, the Authority revised its medium-term forecasts of an increase in inflation for the Eurozone and did not provide any indications on the expected pace of monetary normalisation. The cautionary stance was confirmed at the July meeting, with the ECB keeping rates unchanged, stressing that most of the inflation measures have remained stable or decreased slightly in recent months, and likewise pressures on domestic prices remain strong, particularly in the services sector. With market expectations discounting a new possible rate cut in September on release of the new ECB estimates on growth and inflation, the ECB President declared that the question of a cut is open and that the decision will depend on how the figures evolve.

With regard to the amount of the portfolio held as part of the Asset Purchase Programme (APP), the ECB confirmed its reduction at a measured and predictable pace, given that the Eurosystem no longer reinvests the principal repaid on maturing securities. With reference to the Pandemic Emergency Purchase Programme (PEPP), the Eurosystem intends to reduce the portfolio by an average EUR 7.5 bn per month and the Governing Council confirmed the termination of reinvestments in the framework of this programme at the end of 2024.

The Bank of England, at its last summer meeting, also cut the UK interest rate by 25 bps to 5%.

Shareholders

As at 30 June 2024, the Parent Company Banca Monte dei Paschi di Siena S.p.A. share capital amounted to EUR 7,453,450,788.44, broken down into 1,259,689,706 ordinary shares.

According to communications received pursuant to applicable legislation and based on other information available, as well as based on information on CONSOB's website, the entities that, as at 30 June 2024, directly and/or indirectly hold ordinary shares representing a shareholding exceeding 3% of the share capital of the Issuer and which do not fall under the cases of exemption set forth in art. 119-bis of the Issuers' Regulations are as follows:

Major BMPS shareholders as at 30 June 2024

Declarant	% of shares held on the ordinary share capital
Ministry of Economy and Finance	26.732%
Norges Bank	3.153%

Information on the BMPS share

The BMPS share closed the second quarter of 2024 at a value of EUR 4.39, with growth of +4.4% in the period, while the FTSE All Share Banks showed an increase of +0.7% and the FTSE MIB declined by -4.6%. The average daily trading volume was around 21.2 million over the quarter.

SHARE PRICE SUMMARY STATISTICS (from 31/03/2024 to 30/06/2024)	
Average	4.57
Minimum	3.98
Maximum	5.29

Ratings

The ratings assigned by the rating agencies are provided below:

Rating Agency	Short-term debt	Outlook	Long-term debt	Outlook	Last rating action
Moody's	(P)NP	-	Ba2*	Stable	15/05/24
Fitch	B	-	BB	Stable	10/11/23
Morningstar DBRS	R-3	Positive	BB (high)	Positive	15/04/24

** Long-Term Senior Unsecured Debt Rating*

- On **15 May 2024**, the rating agency **Moody's Investors Service** (**Moody's**) improved the Bank's ratings by 1 notch, bringing the standalone Baseline Credit Assessment rating to "ba2" from "ba3", the long-term deposit rating to "Baa3" from "Ba1", and the long-term senior unsecured debt to "Ba2" from "Ba3". The outlook on the long-term ratings of deposits and unsecured senior debt was raised to stable.
- On **15 April 2024**, the rating agency **DBRS Ratings GmbH** (**Morningstar DBRS**) upgraded the Bank's ratings by 2 notches, bringing the standalone Intrinsic Assessment rating, the long-term issuer rating and the long-term senior debt rating to "BB (high)" from "BB (low)", and the long-term deposit rating upgraded to "BBB (low)" from "BB". The subordinated debt rating improved by 3 notches to "BB (low)" from "B" (low). The outlook was improved to positive from stable.
- On **10 November 2023**, **Fitch Ratings** (**Fitch**) improved the Bank's ratings of 2 notches, among others raising the Long-Term Issuer Default Rating to "BB" from "B+", and the standalone Viability Rating to "bb" from "b+". The outlook remains stable.

Significant events in the first half of the year

On **7 February 2024**, the Parent Company announced new top management appointments in a number of key functions with the enhancement of the assets of internal resources. In detail, in addition to the appointment of Maurizio Bai as Deputy General Manager, Fiorella Ferri was appointed Chief Human Capital Officer, Alessandro Giacometti as Chief Operating Officer, Vittorio Calvanico as Chief Safety Officer, and finally Marco Tiezzi assumed the role of Chief Commercial Officer Retail.

On **29 February 2024**, Standard Ethics improved the short-term outlook of Banca Monte dei Paschi di Siena, from "Stable" to "Positive". The rating agency highlighted the Bank's commitment to the integration of ESG criteria, confirming the "EE" rating and anticipating a potential upgrade to "EE+" within 12-24 months, following the implementation of the 2022-2026 Business Plan and the new Sustainability Plan.

On **8 March 2024**, Banca MPS successfully completed the placement of a new senior preferred unsecured bond issue with a 5 year maturity (with early repayment option after 4 years), for an amount of EUR 500 mln and a coupon set at 4.75%.

On **11 April 2024**, the Ordinary Shareholders' Meeting of Banca Monte dei Paschi di Siena was held, at which, among other things, the 2023 Financial Statements, payment of the dividend, the remuneration policies, the incentives plans and the appointments of Raffaele Oriani as director, Giacomo Granata as standing auditor and Paola Lucia Giordano as alternate auditor were approved.

On **16 April 2024**, Banca MPS successfully completed the placement of a covered bond issue, the first after the transposition of the European harmonisation directive on covered bonds, with a maturity of five years, aimed at Italian and foreign institutional investors, for an amount of EUR 750 mln and a coupon set at 3.5%.

On **22 May 2024** (ex-dividend date 20 May and record date 21 May), the dividend for 2023 was paid for a total of EUR 314,922,426.50, corresponding to 0.25 eurocents for each of the 1,259,689,706 ordinary shares without par value outstanding at the record date.

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

The significant events that occurred in the period between the reporting date (30 June 2024) and the date of approval of these consolidated Half-yearly report by the Board of Directors (05 August 2024), entirely attributable to non-adjusting events, pursuant to IAS 10, i.e. events that do not entail any adjustments to the financial statements, as they are the expression of situations arising after the reporting date, are highlighted below.

On **9 July 2024**, MPS Bank successfully completed the placement of its first Social European Covered Bond issue with a maturity of 6 years, targeting Italian and foreign institutional investors, for a total of EUR 750 mln and fixed coupon of 3.375%.

On **5 August 2024**, the Parent Company approved the 2024-2028 Business Plan, with an update of the financial targets, following the overcoming of the main objectives of the previous 2022-2026 Plan, and with the strategic guidelines to strengthen the positioning of a "Clear and simple Commercial Bank" driven by a digital transformation and a growing specialization of the business model for families and corporates.

Commercial strategy in the first half of 2024

Commercial strategies in the first half of 2024, in continuity with the process already started in the previous year, directed business towards core areas to relaunch the Group's economic performance, confirming customer support, and towards a more sustainable development model, through dedicated projects. Following are reported the main initiatives for private, private banking and companies, as well as an overview of initiatives in Process digitalisation and platform development and finally in Consumer finance.

Private

- development of new solutions in the bancassurance segment with the release of a new Multi-segment savings policy called Investisemplice, placed with both Retail and Private customers. Launch of two new units with an investment strategy focused on stock markets and gradual increase in exposure to better seize *Gradual Multi-Market Development and Gradual Equity Strategy Development* opportunities, these too placed with the aforementioned customer segments. Launch (in two tranches) of a new "Rendimento Plus" unit-linked policy with a fixed annual coupon;
- release of new UCI segments to increase diversification and specialisation by market and fund offering sector, with particular reference to window funds. As regards bonds, note the issues of Anima Cedola Più and Anima Prestige, both in three tranches, and the JPM Target Fund III, all characterised by a fixed annual coupon. For dynamic customers with a higher risk-return profile, note the release of three Anima PicPac funds (America 2029, Best Selection and Initiative Europe), all characterised by a progressive investment logic, to mediate the effects of volatility;
- expansion of the fixed-return instruments offer, with placement of a 7-year Goldman Sachs Callable bond (with half-yearly coupon); focus on the acquisition of new customers and the recovery of deposits by means of the offer of new deposit accounts (CID) lines and of dedicated commercial initiatives that on the various current account lines provide temporary fee waivers for active customers that do not hold current accounts or prospective customers and dedicated initiatives on asset management products.
- adjustment of the offer of mortgage loans to consumers with the introduction of new pricing offers, reserved for new loans only, in order to overcome competitive pressure in a market scenario that sees the first signs of a reduction in benchmark rates, accompanied by a significant reduction in average disbursement rates at national level;
- development of relations through the synergy between the premium market and the small business market, with the aim of acquiring new customers (shareholders, legal representatives and/or owners of companies that are already customers) by providing qualified support in response to the personal and business needs of customers. With the same objective, the structured approach developed in 2023 to assist preventive management of generational handovers through promotional initiatives and levers to acquire and retain potential beneficiaries was renewed;
- release of initiatives for the rebalancing of portfolios that were out of alignment with certain efficiency parameters (adequacy and adherence in terms of composition and market risk), with the aim of improving the quality of the advisory approach to premium customers through the MPS Athena platform;
- release of initiatives to enhance the "platinum" add-on service to advanced consulting provided via the MPS Athena platform, with the aim of offering premium customers an all-inclusive service of excellence (e.g. unlimited consulting options, rebalancing proposals on monthly *views* , quarterly monitoring with dedicated reports);
- focus, especially for value customers, on insurance solutions related to home protection, with the preparation of sales campaigns and dedicated advertising media;
- development of training activities targeting premium and value employees on specific topics related to finance and protection, with webinars and dedicated one-day sessions organised in collaboration with the main partners; for value employees, organisation and performance of Axa Mps campuses dedicated to generic protection training and online training courses on IVASS MiFID issues;

Private Banking

- strengthening of relations with business customers through synergy between the private and business markets, with the aim of providing specialist support to meet customers' personal and business needs;
- monitoring and optimisation of the quality of private and family office customers' financial portfolios through specific initiatives aimed at expanding the advisory service and increasing the diversification of investment solutions;

- providing customers with functional support for the management of generation-to-generation handover and business continuity, in line with recently introduced regulations, and which allow effective management of portfolio transfers thanks in particular to fiduciary services.
- continuation of the specialist training course for the private network (*Private Academy*) for the purpose of strengthening and increasing the skills of bankers and managers, through targeted courses in collaboration with certified entities and structures with high standing.

Companies

- continuation of the trade policy to relaunch our country's businesses, working alongside them as they resume activities, supporting development projects and local activities and economies through specific initiatives and products, integrating environmental, social and governance (ESG) criteria within investment and lending policies and exploiting the potential of the NRRP. The opportunities linked to the latter also represent a significant lever for expanding the customer base through important development activities, identifying high-potential companies, to guarantee increases in loans and revenues; in particular in this area, having adhered to the ABI CDP Ministry of Tourism Agreement, the Parent Company has effectively promoted the Business Revolving Fund to support businesses and development investments in tourism, whose branch was opened in March 2023, allocating a limit of EUR 100 mln with the aim of encouraging energy requalification, environmental sustainability and digital innovation in the tourism sector;
- continuation of customer orientation activities in the context of NRRP and subsidised finance, offering specific consulting dedicated primarily to micro, small and medium-sized enterprises and in the tourism, agri-food and energy sectors, to access supplementary finance or strategic support in digital and sustainable development projects;
- supporting companies' green projects with the Agreement between SACE and the Bank, renewed in April 2024, with a view to incentivising projects aimed at reducing environmental impacts and launching a sustainable transformation. A total of EUR 500 mln was allocated (corresponding to SACE Guarantees of up to EUR 400 mln) to be used in 2024 and the first quarter of 2025. SACE will intervene with the issue of green guarantees (at market conditions, counter-guaranteed by the State), for 80% of the loans disbursed by Banca MPS to support companies and finance projects in Italy aimed at facilitating the transition towards a lower environmental impact economy, integrating production cycles with low-emission technologies for the production of sustainable goods and services and promoting new mobility with lower polluting emissions, in line with NRRP guidelines;
- support for projects of strategic importance to the Italian economy in terms of internationalisation, economic security or the activation of production and employment processes, thanks to the agreement signed between SACE and the Bank for "Garanzia Futuro" with setup of a pool of funds for approximately EUR 560 mln (corresponding to guarantees up to EUR 390 mln);
- continuation of the MPS Banca Verde AgriDOP project, launched in 2023 and dedicated to Italian companies operating in the "PDO *Economy*". In the first half of 2024, specialist support to PDO/PGI companies continued, in compliance with the needs of medium, small and micro enterprises, but also of family businesses operating in the agri-food sector. This activity has generated increasing synergies between operators and the specialist support of 15 consolidated Agrifood centres, which will soon be increased with new openings in Agrifood "vocation" areas throughout Italy.
- in line with the principles of the AgriDOP project, establishing the agri-food excellence of *Made in Italy* as its reference, accompanying companies towards a development path characterised by the core NRRP elements: innovation, digitalisation and sustainability. In this context, numerous collaborations and partnerships have been launched with protection consortia as well as sponsorship of the guide to Italian olive oils.
- membership to the CDP/MASAF Convention[7] for production chain projects and registration in the list of authorised banks, with certification of 26 contracts to date. Lastly, continuation of the CDP FRI confinement activities with the granting of over EUR 260 mln under the aforementioned agreements as lending bank;
- introduction of new segmentation criteria for small business customers for which specialised and more consistent commercial coverage is now envisaged with respect to the different financial needs. For this reason, operating units dedicated exclusively to the small business model have been created (132 small business districts reporting directly to the regional corporate and private departments) envisaging greater clarity of commercial inputs to the supply chains, more intense relations with customers by managers and greater specialisation in managing the more linear companies with high development potential;

[7] Minister of Agriculture, Food Sovereignty and Forests

- through pilot projects, the launch of the fast credit process, i.e. innovative forms of disbursement to increase lending volumes to existing and prospective customers. With this process, credit profiles are created for small business customers, based on algorithms to measure credit rating (eligibility) and to determine the sustainable incremental credit pool. The goal is to make customer relations more efficient by reducing the activities carried out by the customer and the manager and at the same time guarantee rapid execution times.

Process digitalisation and platform development

- incentive for the online signing of deeds and contracts (remote collaboration) through: i) expansion of the option of using function also to customers without the remote digital signature, who can purchase it at the same time as signing the document sent by the operator; ii) extension of the scope of documents that can be signed remotely;
- strengthening of anti-fraud control, through: i) the introduction of an item dedicated to security on the digital banking support site and the publication of FAQs, with the aim of informing customers on best practices to adopt in the event of theft of credentials or the smartphone used to access digital banking; ii) the launch of a dedicated campaign for customers using the Bank's app and cards about to expire, to raise customer awareness on fraud related to the theft of new cards issued; iii) introduction of the mandatory screen lock system on smartphones for use of the app;
- digitalisation of the *Digital Only* processes to reduce operational risks, eliminate paper and speed up front-end activities in all branches. The scope of documents for which electronic signature use for signing has become mandatory has been expanded, (including MIFID questionnaires and basic and advanced consulting proposals through MPS Athena). A structured process has been launched to "secure" the MPS Athena Wealth Management platform targeting individuals (private and value/premium customers) through:
  - the release of new functions that simplify network operations on after-sales for UCI accumulation plans, completion of the information on asset management performance and order execution, the optimisation of consulting reports to be used and delivered to the customer;
  - the identification of targeted actions to strengthen support to the manager during all customer consulting phases and expansion of the range of services offered through the aforementioned platform.
- optimisation of branch tools dedicated to customers (totems and Transparency PCs) through a software application that supports customers in the initial access phase to digital banking and that illustrates specific features of the service;
- updating of the Bank's app framework to improve stability and performance;
- implementation of electronic payment tools available to customers through release of the Apple Pay service, which can be activated via the iPhone app or from Apple wallets on all major payment cards;
- expansion of the scope of documents available online (DOL service) aimed at making communications with customers more efficient and achieving economic and environmental benefits on the production, mailing and transport of printed documents.

Consumer finance

In 2024, the *consumer finance* segment was confirmed as one of the pillars fundamental to the Bank's development, with objectives of increasing amounts disbursed and the development of innovative products and distribution channels. During the first quarter, the MPS Prestito Ricarica product was released with the aim of completing development of the consumer credit range of products, increasing the value proposition and retention. The new product meets the additional liquidity needs of customers who already have an MPS personal loan, regularly repaid, with simultaneous settlement of the existing loan.

Credit strategies

The Group operates in a macroeconomic scenario that is still uncertain, characterised be weak growth, due to the fragility of the geopolitical context and high inflation although gradually decreasing mainly due to the gradual reduction in energy costs. Hence the need to pay particular attention to maintaining a high level of asset quality, giving preference to commercial transactions or investments targeting debt sustainability and energy transition, introducing specific targets for this purpose.

For **companies**, as in the past, credit policies combine forward-looking indicators on customers with sector-specific outlooks and, as a new element, introduce incentive/disincentive mechanisms for specific sectors (i.e. AgriDOP and NZBA sectors) and for green lending. In this respect, the use of ESG questionnaires has been extended, now integrated into the PEF application to mitigate transition risk and physical risk. A renewed focus on sensitivity is also required to support decision-making processes, to increase risk management and, at the same time, raise awareness of future sustainability of the debt.

With respect to private customers, strategies remain integrated within acceptance algorithms which guarantee standardisation and make it possible to achieve higher process efficiency at the same level of effectiveness. The process of strengthening these models continues, thanks to the accessing and use of internal and external data, so as to increase the digitalisation rate, productivity and operating efficiency, also in compliance with ECB indications formalised as part of the Thematic Review on RRE. Disbursements were directed towards mortgage products secured by property collateral with a high energy rating (A-C) and the use of forms of insurance against climate-related events, in the presence of loans secured by mortgages on properties with high physical risk.

For the purpose of monitoring credit strategies, in addition to revising the usual dashboard/monthly report, sector reporting and more specific ESG and NZBA-related reporting were introduced.

Lastly, for greater risk control, in the first half of 2024 the proactive management of the "higher risk" portfolio was strengthened. In fact, the scope was extended, introducing differentiated risk levels and new risk indicators previously agreed with the Supervisory Authority. All of the above with the aim of ensuring a rapid response to the first signs of deterioration and providing managers with the necessary tools, where possible, to accompany customers on a virtuous path to overcoming temporary difficulties.

Group initiatives on Environmental, Social and Governance issues

The Group is continuing its process of fully integrating ESG criteria into strategies and processes, as well as actions designed to achieve the objectives and the initiatives identified for the four ESG *framework* areas ("Strategy & Governance", "Business Model", "Risks and Regulation", "Reporting and Communication") which represent a further step in the practical integration process of the Group's commitment to supporting the Sustainable transition also in compliance with the international commitments subscribed.

The additional progress made by the Programme during the first half of 2024 is highlighted below, in addition to that reported in greater detail in the Annual Financial Report as at 31 December 2023 and in the 2023 Non-Financial Statement, to which reference should be made:

- integration of ESG criteria/objectives into the 2024 remuneration policies in order to determine variable remuneration;
- further integration of credit strategies with new ESG approaches to take into account the customer's ESG profile, including exposure to climate risks, and decarbonisation objectives of the Group's credit portfolio, with the definition of actions and initiatives in support of customer and Group transition plans;
- introduction and evolution of a new lending standard, the ESG questionnaire, in investment and loan policies, as well as definition of the strategic guidance to be developed with the customer and tools to support managers;
- continuation of support for the implementation of customer transition projects through renewal of the partnership with SACE New Green Deal and the integration of ESG criteria into the investment and loan policies implemented through specific initiatives and products such as the Sustainable Linked Loan, which links the interest rate to specific ESG performance indicators, MPS Eco Presto and the "Mutuo Mio Immobili Green" for properties in APE energy performance classes A and B;
- introduction and publication of the framework for issue of the Green, Social and Sustainable Bond and successful placement of the first Covered Social Bond;
- implementation of initiatives to comply with international United Nations commitments, including the Global Compact, the Principles for Responsible Banking and the Net Zero Banking Alliance (NZBA);

- conclusion of the analyses to estimate of the baseline[8] for financed emissions and for the three high emission-intensity sectors in its portfolio - for which the intermediate decarbonisation targets were announced in August 2023 - definition of the transition plan formalised in the Directive on Sustainability and lending policies; continued analysis of the residual sectors with high emission intensity for the definition of decarbonisation targets and formalisation of the related transition plans in line with the NZBA guidelines;
- confirmation of the phase-out of loans granted to the coal mining sector, monitored on a residual gross exposure basis. Formalisation and introduction of an exclusion policy to support this objective;
- increase to 37% in the target of women in roles of responsibility, continued implementation of the diversity & inclusion initiatives identified and confirmation of the UNI/PDR 125:2022 gender equality certification, acquired at the end of December 2023;
- structuring and activation of an ESG database, centralised for the Group, to improve the quality and quantity of the information to be reported on sustainability.

The Legislative Decree for the transposition of Directive (EU) 2022/2464, the Corporate Sustainability Reporting Directive (CSRD), is expected by 10 September 2024. From 1 January 2024, the CSRD introduces new rules on sustainability reporting for listed companies with over 500 employees already subject to the previous directive on non-financial reporting. The new rules will gradually be extended to other categories of companies from 1 January 2025.
The objective of the afore described directive is to increase the transparency of information provided by companies on environmental, social and governance matters, combating greenwashing, and strengthen the sustainable footprint of the European economy and market.
Sustainability-related information will be provided in a specific section of the Report on Operations in the Annual Consolidated Financial Statements as at 31 December 2024, in accordance with the European Sustainability Reporting Standards (ESRS) issued by EFRAG and published in Commission Delegated Regulation (EU) no. 2023/2772 of 31 July 2023, supplementing Directive (EU) 2013/34 of the European Parliament and of the Council.
The standards published to date include:

- 2 transversal standards, ESRS1 General Requirements and ESRS2 General Disclosures, which respectively contain the preparation and presentation requirements for sustainability-related information and the general disclosure obligations with reference to the four disclosure pillars: governance; strategy; impacts, risks and opportunities (IRO); metrics and targets;
- 10 topic-based standards, applying regardless of the business sector, of which five environment-related (ESRS E1 Climate Change, E2 Pollution, E3 Water and marine resources, E4 Biodiversity and ecosystems, E5 Resource use and Circular Economy), four social (ESRS S1 Own Workforce, S2 Workers in the value chain, S3 Affected communities, S4 Consumers and users) and one governance (ESRS G1 Business conduct).

By 30 June 2026, sector-specific sustainability reporting principles are expected to be published, which will specify the information that companies are required to disclose in relation to sustainability issues and the specific reporting areas for the sector in which they operate.

In the last few months of 2023, the Group launched a project focused on preparation of the first Sustainability Report as at 31 December 2024, in line with the disclosure requirements of the new standards and emerging best practices. The project activities also take into account the non-mandatory Implementation Guidance documents issued by EFRAG such as: IG1 on Materiality assessment, IG2 on Value chain, IG 3 List of ESRS datapoints and explanatory notes, Q&A platform, etc.

In this context, the reporting scope was defined pursuant to ESRS 1 and a gap analysis was carried out for all ESRS published in order to assess the degree of alignment of non-financial disclosures already provided by the Group with those required under the new standards. On the basis of this last activity, the information and data to be reported in the Sustainability Statement were identified, in particular the information and data to be supplemented compared to the past, together with the internal owners with whom the disclosure needs are shared.

The sustainability disclosure definition will take into account the results of the double materiality assessment on sustainability issues, detailed in the topics, sub-topics and sub-sub topics identified by the CSRD, currently being finalised for 2024.

[8] As at the reporting date, the baseline for financed emissions was identified as 31 December 2022 to compare the performance of projects over-time.

The Group is also working to implement the IT architecture and IT applications to ensure that the sustainability information and data is correctly supplemented in the Report on Operations, in the formats required by the standards, as well as the correct ESEF tagging ready for when it becomes mandatory.

2022-2026 Group Business Plan

The 2022-2026 Business Plan approved by the Parent Company's Board of Directors on 22 June 2022 aimed to strengthen BMPS' nature as a "simple commercial bank in its operations and interaction with customers". The main results achieved as at 30 June 2024 are shown below.

In the fourth quarter of 2022, the share capital increase of EUR 2.5 bn was completed and, following the agreement with the Trade Unions, the Group's workforce was reduced by approximately 4,000 staff. With a view to simplification of the Group structure, in December 2022 the Group Operating Consortium was merged into the Parent Company and a new "Information Technology" office was created, reporting to the Chief Operating Officer, to ensure greater efficiency in the design and implementation of IT systems. On 24 April and 29 May 2023, respectively, the mergers by incorporation of MPS Leasing & Factoring S.p.A. and MPS Capital Services Banca per le Imprese S.p.A. into Banca MPS were completed. The Bank also improved its funding profile by reopening access to the senior preferred bond market with two issues in 2023, totalling EUR 1.250 bn, the first being for EUR 750 mln in February 2023, the second for EUR 500 mln in August 2023. In the first seven months of 2024, three additional issues were finalised, totalling EUR 2.0 bn, of which a senior preferred bond of EUR 500 mln issued in March 2024, an issue of covered bonds of EUR 750 mln in April 2024 and, in July 2024, placement of the first issue of Social European Covered Bonds was successfully completed for a total of EUR 750 mln. The Bank also significantly reduced its debt to the ECB, settling all TLTRO auctions reaching maturity during the first half of the year. The strengthening of Banca MPS's performance and its capital level, together with the improvement in asset quality and new access to the debt market, led to rating agencies upgrading the Bank's rating. The Group also achieved a CET1 *ratio* of 18.1% in 2023 and confirmed in the first half of 2024, among the best levels in the banking system. In terms of economic targets, the result in the first half of 2024 was significantly better than the Plan targets, above all due to the increase in revenues supported by net interest income, which also benefited in the first six months of 2024 from higher interest rates than those implicit in the Plan scenario, largely offsetting the contribution from fees and commissions that was below the Plan target, affected by the macroeconomic scenario especially in asset management and in any case accelerating in the first quarter of 2024. Operating expenses were substantially in line with expectations, due to higher exits through early retirement plan/access to the solidarity fund, and tight control of other administrative expenses. This made it possible to absorb the effects on personnel expenses resulting from renewal of the banking industry National Collective Labour Agreement last November and the impact of inflation. As regards credit, the objectives of ordinary destocking and return to performing, in addition to contributions from the sale transactions, made it possible to maintain the NPE ratio at low levels albeit in a context of macroeconomic framework uncertainty due to geopolitical tensions and the increase in borrowing costs, which led to a higher cost than envisaged in the Plan. In relation to legal risks, the first half sees confirmation of the 2023 assessments, the year in which the risk of disbursement deriving from the potential loss of civil and criminal disputes, relating to financial information disclosed in the period 2008-2015, which had led to significant net releases of provisions for risks and charges.

As a result of the economic trends described above, the profitability indicators (Cost income, ROE, ROTE, ROA) were all better than the Plan forecast.

New 2024-2028 Group Business Plan

On **5 August 2024**, the Parent Company Board of Directors approved the new 2024-2028 Business Plan, "A Clear and Simple Commercial Bank Revolving Around Customers, Combining Technology With Human Touch" aiming to create a bank capable to successfully meet the evolving needs of customers, through a process of business and technological innovation supported by an extensive investment plan, fully enhancing the Bank's talented people, further improving business sustainability, strengthening balance sheet and focusing on value distribution and creation for all stakeholders.

The Business Plan is based on five key pillars:

1. **Evolution of fee-based proposition** through multiple levers, including:

- Enhancement of the Wealth Management offering, introducing highly customised advisory services, to proactively address the most advanced customers' needs;

- Deep innovation of the insurance protection offering, developing holistic and modular solutions aimed to provide a comprehensive coverage to customers, also capturing emerging needs by redefining the insurance offer through digital channels;
- Building-up of Widiba platform, thanks to the expansion of the financial advisory network on highly strategic geographic areas, the development of the technological platform also through the innovation of CRM systems, and the enrichment of product range to support the trend of conversion of customer assets into managed products;
- Strengthening of the "fee-based" product offering for Business clients.

2. **New dedicated service models for value-added activities,** to be achieved through:

- Introduction of a new "Upper Affluent" customer segment to significantly improve customer experience and further strengthen the level of advice offered, through the appointment of fully dedicated Relationship Managers together with the launch of a number of targeted initiatives;
- New "Wealth Management Center & Advisory" to develop tailored investment solutions;
- Evolution of the omnichannel proposition, further enhancing digital customer journey to become the main tool, simpler and more intuitive, for daily banking transactions and proactive offering, with an evolved role of branch network focusing on higher value-added activities at the service of the most complex customers' needs.

3. **Enhancement of household lending solutions and development of new verticals for SMEs**, through:

- Development and innovation of the commercial proposition related to household lending solutions, with a focus on mortgage loans leveraging on digitalized disbursement processes, enabling the reduction of "time-to-decision", the accuracy of profiling and the strong improvement of the customer experience;
- Growth in consumer credit, seizing the strong potential for penetration of the Bank's customer base by leveraging an innovative commercial proposition, tailored to the customer's needs;
- Launch of a unit dedicated to specialized verticals for SMEs, such as agrifood and the green energy transition.
- Strengthening of guaranteed and subsidized finance proposition, thanks to the complete digitalization of the platform and the support provided by the NRRP;
- Overall improvement of the product offering to meet the various needs of business customers.

4. **Platform revamp and optimisation**, through:

- Continued strong discipline for G&A cost management, optimizing the overall "cost-to-serve" of banking activities through digitalization and innovation;
- Activation of a new central unit dedicated to "project governance" for the definition of strategic investments and constant control over timing and quality of execution;
- Strengthening of the IT infrastructure, maximizing speed and computational power, enhancing security systems related to the whole Bank's organization;
- The careful recruitment strategy aimed at young talented professionals, combined with the reskilling of the Bank's high-potential professionals in areas of greater value added, on the back of comprehensive training activities, as well as the natural generational turnover of resources.

5. "**Zero-based**" **approach to risk**, as a result of a strengthening underwriting processes, in line with new credit priorities, improving monitoring and warning systems and accelerating credit recovery through new strategies for assessing, classifying and collecting credit exposures. Such initiatives will be enabled and accelerated by the use of digital solutions, including algorithmic capabilities for consumer credit origination, AI-enabled scoring systems, advanced analytics for early management workflows, and the technological innovation of the NPE platform.

Enabling factors: Technology

The implementation of the Plan's distinctive initiatives will be made possible and accelerated by the digitalisation and adoption of new technologies, according to the following key propositions:

- Evolution of digital channels proposition, including Digital Branch and Modular Platform for Enterprise, enabling a full self-experience, with a highly advanced service level, seamlessly integrated with the Bank's physical channels. In particular, the Digital Branch will enable outbound and remote offering activity with digital signature, the implementation of AI-driven conversational chatbots with information and dispositive functions and the evolution of CRM systems to optimize interaction with customers. Similarly, the Modular Platform for Enterprise will provide a comprehensive offering of digital dispositive features to enable a fully self-assisted experiences also through new remote interaction channels (i.e., Chat and Videochat), as well as the use of innovative technologies (e.g., Advanced Analytics and Open Banking) to strengthen the commercial offer.
- Development of Advanced Analytics modelling to deliver proactive and customised commercial offering, with the enhancement of digital marketing activities, and the identification of high-potential "hidden" value customers in terms of risk profile and propensity to buy in key areas such as Wealth Management (e.g. Athena), consumer finance and protection, identifying cross-selling opportunities through multi-variable analysis of customer characteristics.
- Implementation of a fully digital end-to-end process, including automated assessment systems, near-real-time monitoring of paperwork progress and shortened "time-to-decision".
- Development of an "algorithmic skills centre" for retail credit origination, leveraging advanced AI-enabled scoring and innovation of early management workflow platform (also through Advanced Analytics) in order to implement the "zero-based" approach in risk management.
- Implementation of security and performance by design, also through infrastructure modernization and hardware/license upgrades, in line with market best practices. New hardware equipped with cutting-edge technologies to significantly increase computational capacity and allow more substantial volumes of activities, with license updates to ensure the best levels of performance and increase safety in peripheral systems.

The above comprehensive IT development plan is supported by EUR 500 million capex in 2024- 2028.

Enabling factors: our talented Human Resources

The digitalisation plan and widespread adoption of technological innovation, foundation of the 2024- 2028 Business Plan, are expected to create a virtuous circle supporting the full valorisation of the Bank's human capital, which has always been at the heart of BMPS' development strategy.

In this context, a dedicated reskilling program will be launched, allowing more than 1,300 high-potential professionals to be reskilled for higher value-added activities. BMPS Academy will be at the centre of BMPS human capital development, as a key tool for strengthening employees' skills through advanced training for continuous upskilling of all employees, also related to digital and IT innovation along with risk management.

The Plan also envisages the hiring of ~800 resources with distinctive capabilities in high-priority areas such as IT and Advanced Analytics / GenAI.

Finally, the Bank will strengthen the incentive and rewards schemes for merit recognition, closely linked to performance, strengthening initiatives aimed at talent retention, attraction and detection.

The Plan will allow the Group to further accelerate its path towards a sustainable business model following a long-standing commitment and the goal of achieving a distinctive position in the management of ESG issues, supporting clients in the upcoming "green" transformation process and contributing to the creation of a society based on sustainability, equality and inclusion.

Key financial targets 2024-2028

Thanks to the implementation of the Plan initiatives, Pre-tax Profit is expected to evolve over time from EUR 1.3 bn in 2024, to EUR 1.42 bn in 2026 and EUR 1.657 bn in 2028. Such expected result is a function of the following components:

- Commercial revenues (commercial net interest income and net fee and commission income) expected to contract slightly between 2024 and 2026, by approximately EUR -14 mln, while expanding between 2024 and 2028, by approximately EUR 260 mln;
- Cost/income ratio projected substantially stable over the plan period, from 49% in 2024 to 51% in 2026 and 50% in 2028, as a result of the Business Plan's cost saving initiatives to mitigate the increase in the cost base resulting from inflation, renewal of the National Banking Employment Contract and transformation costs;
- Cost of risk expected in significant and constant contraction from 54 bps in 2024, to 44 bps in 2026 and 34 bps in 2028, thanks to (i) the expected improvement of the collection rate supported, among other things, by the high stock of loans secured by State guarantees, coupled with strong track record of the Bank in recovery/collection; (ii) cure rate supported, among other things, by the expected development of the forborne mortgage portfolio (on which recovery and restructuring levers have already been proactively activated), as well as initiatives for assessment, classification and collection; (iii) default rate reduction driven by a set of rebalancing actions of the lending mix and the evolving macroeconomic scenario; (v) proactive management of the non-performing loan portfolio, including through disposals;
- Systemic charges, extraordinary restructuring costs and other non-recurring costs expected to decrease over the Plan period.
- The CET1 Ratio is expected to remain above 18% over the Plan period.

Commitments related to State Aid received in 2017

On 3 October 2022, the European Commission published a review of the commitments already set forth in the previous 2017-2021 Restructuring Plan. 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 that no prohibitions established by the ECB or the SRB are in place against the distribution of dividends;
3. advertising prohibition: the Bank cannot make use of the State aid measures or the State's equity investment in its share capital to promote the Bank's products or its market positioning;
4. sustainable trade policy and prohibition against aggressive pricing policies: BMPS should not implement aggressive commercial strategies that would not have been implemented in the absence of State support;
5. remuneration of Bank employees and managers: the Parent Company will need to apply strict Executive managers remuneration policies, and the remuneration of any employee cannot exceed 10 times the average remuneration of the Bank's employees. Without prejudice to what is set forth above, the Bank may be exempted from this requirement for a limited number of managers of key functions provided that the commitment pursuant to no. 12 below concerning the State equity investment is met and the additional remuneration is variable and aligned with the EBA Guidelines, on the basis of Directive 2013/36/EU;
6. number of branches: the number of Bank branches may not exceed [1,350-1,370] by the end of 2022, [1,300-1,350] by the end of 2023 and 1,258 by the end of 2024;
7. number of employees: the number of Bank employees may not exceed [20,000-21,100] by the end of 2022, [18,000-20,000] by the end of 2023 and 17,634 by the end of 2024;
8. *Cost/income ratio*: the Bank's *cost/income ratio* may not exceed the higher between the *average cost/income ratio* reported over time by the EBA for significant Italian credit institutions included in the *Risk Dashboard* sample and the following objectives: [70-80]% in 2022 (with a tolerance margin of [200-250]

basis points), [60-70]% in 2023 (with a tolerance margin of [150-200] basis points) and 60% in 2024 (with a tolerance margin of [100-150] basis points);

9. Operating costs: operating costs (personnel expenses, other administrative expenses, depreciation and amortisation) may not exceed, with a tolerance margin of [0-5] percentage points, EUR [2,000-2,500] mln in 2022, EUR [1,500-2,000] mln in 2023 and EUR 1,872 mln in 2024;
10. Total asset target: the Bank's total assets should not exceed EUR [140-150] bn;
11. *Loan to deposit ratio:* the ratio between the bank's net loans and deposits should not exceed 87% by the end of 2024, with a tolerance margin of [200-250] basis points;
12. State divestment: the Italian Republic should transfer its equity investment in the Bank by a defined date and must make all reasonable efforts to transfer its equity investment before that deadline. Furthermore, the State will need to sell the shares acquired in the context of the 2017 precautionary recapitalisation. If the State's equity investment is transferred by means of a merger, only commitments no. 6, 15 and 22 will remain in force until a predefined date. In all other cases of disposal of the State equity investment, the following commitments will remain in force until a predefined date: nos. 2, 3, 4, 6, 7, 8, 13, 14, 15, 16, 17, 18, 20, 21 and 22;
13. Deposit price: BMPS will need to continue to price deposits for which agreements have been entered into or renewed after the date of adoption of the Commission's decision so as to maintain the rate in line with that of the Italian banking industry average, as reported by the Bank of Italy, with a tolerance margin of [0-10] basis points. Furthermore, the Bank will need to continue to price its credit products provided after the date of the decision at a level no lower than the market average for products with similar characteristics;
14. MP Banque S.A.: the Bank will need to continue with the process of discontinuing its operations on the basis of a defined timetable, within which its total assets should be [75-85]% lower than the volume of its total assets as at 31 December 2017, when they amounted to EUR 1,231 mln. In addition, MP Banque may not carry out activities not required for the process of discontinuing its current operations or new activities;
15. Leasing portfolio: the Group will need to continue to reduce the leasing portfolio, which must result in a reduction in assets of EUR [0-5] bn compared to 31 December 2021 equal to EUR 3,341 bn;
16. Non-performing loans: the Group should not exceed the higher between a gross NPL ratio of 4%, with a tolerance margin of [25-75] basis points, and the average NPL ratio reported over time by the EBA for significant Italian credit institutions included in the Risk Dashboard sample;
17. Real estate disposals: the Group will need to dispose of real estate for an amount of EUR 100 mln within a predefined period;
18. Disposal of non-strategic equity investments: the Parent Company will need to dispose of its equity investments in Visa, Bancomat, Veneto Sviluppo, MPS Tenimenti Poggio Bonelli e Chigi Saracini S.p.A. and Immobiliare Novoli S.p.A. by 31 December 2024 or, alternatively, must dispose of its equity investment in the Bank of Italy.
19. Closure of foreign branches: the Parent Company will need to close the Shanghai branch by the end of 2024;
20. Separate management of the equity investment of the Italian Republic in banks under public ownership: the Italian Republic undertakes to guarantee that every bank owned by the State will remain a separate economic unit with independent decision-making powers pursuant to Regulation (EC) 139/2004 on the control of concentrations between undertakings and the Commission Consolidated Jurisdictional Notice under the aforementioned Regulation (EC) No. 139/2004. In particular, the Italian Republic undertakes to ensure that: (i) all information that is confidential, sensitive from the commercial perspective or personal provided to government bodies shall be processed accordingly and will not be transmitted to other banks and investee companies of the Italian Republic; (ii) Italy will manage and maintain its equity investment in the Bank separately from the management of its equity investments in any other investee bank; (iii) the exercise of any right whatsoever held by Italy and the management of Italy's equity investments in any bank shall take place on a commercial basis and shall not significantly impede, limit, distort or reduce or hinder effective competition. Any disposal of Italy's equity investment must be carried out within a transparent, public and competitive process;

21. Confirmation of several 2017 commitments: the Bank should not violate any commitment adopted and will continue to respect internal policies and behaviours that it has adopted in order to meet commitments 12 (a)-(j), 13 and 22 of Commission decision C(2017)4690;
22. Monitoring trustee: full respect for the commitments will be monitored by a Monitoring Trustee independent of the Italian Republic that has no conflicts of interest.

In general, the Parent Company has complied with the majority of commitments undertaken, although some critical issues persist on the following commitments, for which the Bank commenced the necessary action to reach the assigned targets: MP Banque S.A. (#14), leasing portfolio (#15), sale of properties (#17), Shanghai branch (#19), disposal of non-core equity investments (#18).

Funding strategy

The Group's Liquidity and Funding Plan 2024-2028, defines the guidelines of the Group's liquidity management and funding activities with a multi-year time horizon, in order to support the development and the objectives outlined in the Plan. It describes, for each prospective maturities, the methods to obtaining the cash and the counterbalancing capacity necessary for the functionality of the short term process, as well at the same time guaranteeing the structural balance in funding profile and development of medium/long term business. The maturities profile for 2024-2028 period, is mainly represented by ECB auctions which, as at 30 June 2024, amounted to EUR 12 bn (EUR 13 bn as at 31 December 2023 and EUR 11.5 bn as at 31 March 2024). The TLTRO IIIs maturing in the first half year of 2024 (equal to EUR 5.5 bn as at 31 December 2023), entirely fell due in the first half of 2024 and were essentially replaced with short-term LTRO auctions for a total of EUR 6 bn (EUR 1.5 bn as at 31 December 2023) in addition to MRO auctions for EUR 6 bn (stable compared to December 2023). Also in the 2024 - 2028 period, other maturities are represented by institutional bonds to be repaid for a total of EUR 8.0 bn, of which: EUR - 2.1 bn in 2024 (EUR 1.3 bn covered bonds and EUR 0.75 bn senior unsecured); EUR - 1.8 bn in 2025 (EUR 1 bn covered bonds and EUR 0.75 bn senior unsecured); EUR - 2.8 bn in 2026 (EUR 1.1 bn covered bonds and EUR 1.65 bn senior unsecured); EUR 0.5 bn in 2027 (EUR 0.5 bn senior unsecured) and lastly EUR - 0.8 bn in 2028 (EUR 0.75 bn Tier2 subordinated bond).

Moreover, in 2025, the call will be exercised on two Tier 2 subordinated securities issued in January and September 2020 (with original maturity date set in 2030), for a nominal amount of EUR 0.4 bn and EUR 0.3 bn, respectively. In the same year, the call of a senior unsecured of EUR 0.75 bn (whose final maturity date is in 2026) may be exercised. In 2026, the call of a senior unsecured of EUR 0.5 bn (with final maturity date set in 2027) and, in 2028, a call of a senior unsecured of EUR 0.5 bn(with final maturity date set in 2029) will be exercisable. Considering the exercise of the calls options, whose original maturity date is set in 2029 and 2030, which will be based on cost effectiveness in terms of spread/replacement rate, the liquidity/capital situation and will in any case be subject to prior authorisation from the competent supervisory authorities (SRB/ECB), the total maturities of institutional bonds over the Plan' time horizon (starting from the second half of 2024) amount to EUR 9.2 bn.

In relation to bond issue activities, two placements in the first half of the year were made for a total of EUR 1.250 bn. In detail, the Parent Company issued: (i) in March 2024, a EUR 0.5 bn senior preferred bond, maturing in March 2029, callable in March 2028 and a coupon of 4.75%; (ii) in April 2024, a EUR 0.750 bn covered bond maturing in April 2029 and a coupon of 3.5%. In July, MPS Bank also issued its first social European covered bond with 6 year maturity for an amount of EUR 0.75 bn and a coupon of 3.375%.

Against the scheduled 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 and liquidity ratio requirements. The Group's Liquidity and Funding Plan 2024-2028 will require an annual definition, time by time, which will represent with a greater level of detail the actual actions to be undertaken during the reporting year and the authorisations to the operating structures for their implementation.

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

Consolidated balance sheet

	Assets	30 06 2024	31 12 2023
10.	Cash and cash equivalents	16,998.6	14,317.3
20.	Financial assets measured at fair value through profit or loss	7,556.3	6,251.6
	a) financial assets held for trading	7,141.0	5,882.8
	c) other financial assets mandatorily measured at fair value	415.3	368.8
30.	Financial assets measured at fair value through other comprehensive income	2,447.0	2,477.3
40.	Financial assets measured at amortised cost	91,639.7	90,544.4
	a) Loans to banks	3,931.2	3,790.9
	b) Loans to customers	87,708.5	86,753.5
50.	Hedging derivatives	583.7	704.1
60.	Change in value of macro-hedged financial assets (+/-)	(679.8)	(561.2)
70.	Equity investments	708.1	726.7
90.	Property, plant and equipment	2,139.8	2,228.7
100.	Intangible assets	151.1	178.2
	- of which goodwill	*7.9*	7.9
110.	Tax assets	*2,522.4*	2,150.9
	a) current	172.0	308.4
	b) deferred	2,350.4	1,842.5
120.	Non-current assets held for sale and disposal groups	1,062.5	76.2
130	Other assets	3,571.1	3,519.5
	Total Assets	**128,700.5**	**122,613.7**

continues: Consolidated balance sheet

Total Liabilities and Shareholders' Equity		30 06 2024	31 12 2023
10.	Financial liabilities measured at amortised cost	108,626.3	105,026.5
	a) due to banks	13,123.1	14,498.8
	b) due to customers	85,270.6	80,422.1
	c) debts securities issued	10,232.6	10,105.6
20.	Financial liabilities held for trading	3,982.6	2,854.7
30.	Financial liabilities designated at fair value	113.8	111.3
40.	Hedging derivatives	303.7	330.2
50.	Change in value of macro-hedged financial liabilities (+/-)	(5.7)	(16.1)
60.	Tax liabilities	4.9	9.1
	a) current	0.4	3.6
	b) deferred	4.5	5.5
70.	Liabilities associated with non-current assets held for sale and disposal groups	965.1	-
80.	Other liabilities	2,983.4	3,268.5
90.	Provision for employees severance pay	67.4	72.0
100.	Provisions for risks and charges:	863.6	978.3
	a) financial guarantees and other commitments	129.1	154.3
	b) post-employment benefits	3.2	3.4
	c) other provisions	731.3	820.6
120.	Valuation reserves	1.3	27.9
150.	Reserves	2,181.0	445.3
170.	Share capital	7,453.5	7,453.5
190.	Non-controlling interests (+/-)	0.4	0.7
200.	Net Profit (loss) for the period (+/-)	1,159.2	2,051.8
	Total Liabilities and Shareholders' Equity	**128,700.5**	**122,613.7**

Consolidated income statement

Items		30 06 2024	30 06 2023*
10.	Interest income and similar revenues	2,427.2	1,963.5
	of which interest income calculated applying the effective interest rate method	*1,989.9*	*1,647.8*
20.	Interest expense and similar charges	(1,273.2)	(895.4)
30.	**Net interest income**	**1,154.0**	**1,068.0**
40.	Fee and commission income	842.8	777.9
50.	Fee and commission expense	(112.5)	(109.4)
60.	**Net fee and commission income**	**730.3**	**668.5**
70.	Dividends and similar income	17.0	15.7
80.	Net profit (loss) from trading	78.1	44.0
90.	Net profit (loss) from hedging	1.6	0.1
100.	Gains/(losses) on disposal/repurchase of:	(10.9)	-
	a) financial assets measured at amortised cost	(10.4)	-
	b) Financial assets measured at fair value through other comprehensive income	0.1	0.2
	c) financial liabilities	(0.6)	(0.2)
110.	Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss	(6.3)	3.4
	a) financial assets and liabilities designated at fair value	4.1	1.3
	b) other financial assets mandatorily measured at fair value	(10.4)	2.1
120.	**Net interest and other banking income**	**1,963.8**	**1,799.7**
130.	Net impairment (losses)/reversals on	(217.8)	(193.5)
	a) financial assets measured at amortised cost	(218.3)	(194.4)
	b) financial assets measured at fair value through other comprehensive income	0.5	0.9
140.	Modification gains/(losses)	(4.9)	(0.3)
150.	**Net income from banking activities**	**1,741.1**	**1,605.9**
190.	Administrative expenses:	(1,048.6)	(998.1)
	a) personnel expenses	(613.3)	(555.5)
	b) other administrative expenses	(435.3)	(442.6)
200.	Net provision for risks and charges:	11.0	(13.7)
	a) commitments and guarantees issued	24.5	(7.9)
	b) other net provisions	(13.5)	(5.8)
210.	Net adjustments to/recoveries on property, plant and equipment	(50.4)	(53.4)
220.	Net adjustments to/recoveries on intangible assets	(33.3)	(32.0)
230.	Other operating expenses/income	108.3	93.3
240.	**Operating expenses**	**(1,013.0)**	**(1,003.8)**
250.	Gains (losses) on investments	23.8	40.6
260.	Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(19.3)	(28.8)
280.	Gains (losses) on disposal of investments	(6.1)	0.1
290.	**Profit (loss) before tax from continuing operations**	**726.5**	**614.1**
300.	Tax (expense)/recovery on income from continuing operations	454.2	3.6
310.	**Profit (loss) after tax from continuing operations**	**1,180.7**	**617.6**
320.	Profit (loss) after tax from discontinued operations	(21.6)	1.3
330.	**Profit (loss) for the period**	**1,159.1**	**618.9**
340.	Net Profit (loss) attributable to non-controlling interests	(0.1)	(0.1)
350.	**Parent company's net profit (loss) for the period**	**1,159.2**	**619.0**

		30 06 2024	30 06 2023*
	Basic Earnings per Share (Basic EPS)	**0.920**	**0.491**
	of continuing operations	0.937	0.490
	of groups of assets held for sale and discontinued operations	(0.017)	0.001
	Diluted Earnings per Share (Diluted EPS)	**0.920**	**0.491**
	of continuing operations	0.937	0.490
	of groups of assets held for sale and discontinued operations	(0.017)	0.001

** The data were restated in the 2023 income statement to take into consideration the classification of the subsidiary Monte Paschi Banque S.A. as a discontinued operation, in accordance with the provisions of IFRS 5.*

Consolidated Statement of Comprehensive Income

	Items	30 06 2024	30 06 2023
10.	**Profit (loss) for the period**	**1,159.1**	**618.9**
	Other comprehensive income after tax not recycled to profit or loss	**(2.2)**	**(11.1)**
20.	Equity instruments designated at fair value through other comprehensive income	2.0	(1.3)
30.	Financial liabilities designated at fair value through profit or loss (change in the entity's own credit risk)	(2.8)	(0.7)
50.	Property, plant and equipment	(9.7)	(15.9)
70.	Defined benefit plans	1.5	6.8
80.	Non-current assets held for sale	2.4	-
90.	Share of valuation reserves of equity-accounted investments	4.4	-
	Other comprehensive income after tax recycled to profit or loss	**(24.5)**	**23.4**
110.	Exchange differences	0.7	(0.8)
120.	Cash flow hedges	(7.4)	-
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(6.7)	27.4
160.	Share of valuation reserves of equity-accounted investments	(11.1)	(3.2)
170.	**Total other comprehensive income after tax**	**(26.7)**	**12.3**
180.	**Total comprehensive income (Item 10+130)**	**1,132.4**	**631.2**
190.	Consolidated comprehensive income attributable to non-controlling interests	(0.1)	(0.1)
200.	**Consolidated comprehensive income attributable to Parent Company**	**1,132.5**	**631.3**

Consolidated Statement of Changes in Equity – 30 June 2024

				Allocation of profit from prior year		Change during the period											
							Shareholders' equity transactions										
	Balance as at 31 12 2023	Change in opening balance	Balance as at 01 01 2024	Reserves	Dividends and other payout	Change in Reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Treasury Shares derivatives	Stock options	Change in equity investments	Total comprehensive income as at 30 06 2024	Total equity as at 30 06 2024	Group equity as at 30 06 2024	Non-controlling interests as at 30 06 2024
Share capital:	7,454.1	-	7,454.1	-	-	-	-	-	-	-	-	-	-	-	7,454.1	7,453.5	0.6
a) ordinary shares	7,454.1	-	7,454.1	-	-	-	-	-	-	-	-	-	-	-	7,454.1	7,453.5	0.6
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	444.2	-	444.2	1,736.6	-	(1.1)	-	-	-	-	-	-	-	-	2,179.7	2,181.0	(1.3)
a) form profit	576.3	-	576.3	1,608.6	-	(2.0)	-	-	-	-	-	-	-	-	2,182.9	2,184.2	(1.3)
b) other	(132.1)	-	(132.1)	128.0	-	0.9	-	-	-	-	-	-	-	-	(3.2)	(3.2)	-
Valuation reserves	29.2	-	29.2	-	-	-	-	-	-	-	-	-	-	(26.7)	2.5	1.3	1.2
Profit (loss) for the period	2,051.6	-	2,051.6	(1,736.6)	(315.0)	-	-	-	-	-	-	-	-	1,159.1	1,159.1	1,159.2	(0.1)
Total Equity	9,979.1	-	9,979.1	-	(315.0)	(1.1)	-	-	-	-	-	-	-	1,132.4	10,795.4	10,795.0	0.4
Group Equity	9,978.4	-	9,978.4	-	(314.9)	(1.1)	-	-	-	-	-	-	-	1,132.5	10,795.0	10,795.0	X
Non-controlling interests	0.7	-	0.7	-	(0.1)	-	-	-	-	-	-	-	-	(0.1)	0.4	X	0.4

As at 30 June 2024, shareholders' equity, including non-controlling interests and net income for the period, was equal to EUR 10,795.4 mln, compared to EUR 9,979.1 mln as at 31 December 2023, with a total net increase of EUR 816.3 mln. This performance is mainly due to: (i) profit for the period of EUR 1,159.1 mln; (ii) distribution of the 2023 dividend by the Parent Company for a total of EUR 314.9 mln and (iii) the net decrease in valuation reserves of EUR 26.7 mln, the breakdown of which is provided in the statement of comprehensive income, to which reference should be made.

Consolidated Statement of changes in equity – 30 June 2023

	Balance as at 31 12 2022*	Change in opening balance	Balance as at 01 01 2023	Allocation of profit from prior year: Reserves	Allocation of profit from prior year: Dividends and other payout	Change during the period: Change in reserves	Shareholders' equity transactions: Issue of new shares	Shareholders' equity transactions: Purchase of treasury shares	Shareholders' equity transactions: Extraordinary distribution of dividends	Shareholders' equity transactions: Change in equity instruments	Shareholders' equity transactions: Treasury Shares derivatives	Shareholders' equity transactions: Stock options	Shareholders' equity transactions: Change in equity investments	Total comprehensive income as at 30 06 2023	Total Equity as at 30 06 2023	Group Equity as at 30 06 2023	Non-controlling interest as at 30 06 2023
Share capital:	7,454.1	-	7,454.1	-	-	-	-	-	-	-	-	-	-	-	7,454.1	7,453.5	0.6
a) ordinary shares	7,454.1	-	7,454.1	-	-	-	-	-	-	-	-	-	-	-	7,454.1	7,453.5	0.6
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	614.7	-	614.7	(178.6)	-	10.8	(2.6)	-	-	-	-	-	-	-	444.3	445.4	(1.1)
a) form profit	742.4	-	742.4	(178.6)	-	13.4	-	-	-	-	-	-	-	-	577.2	578.3	(1.1)
b) other	(127.7)	-	(127.7)	-	-	(2.6)	(2.6)	-	-	-	-	-	-	-	(132.9)	(132.9)	-
Valuation reserves	(29.3)	-	(29.3)	-	-	-	-	-	-	-	-	-	-	12.3	(17.0)	(18.4)	1.4
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity	(178.5)	-	(178.5)	178.6	(0.1)	-	-	-	-	-	-	-	-	618.9	618.9	619.0	(0.1)
Group Equity	7,861.0	-	7,861.0	-	(0.1)	10.8	(2.6)	-	-	-	-	-	-	631.2	8,500.3	8,499.5	0.8
Non-controlling interests	7,860.1	-	7,860.1	-	-	10.8	(2.6)	-	-	-	-	-	-	631.3	8,499.5	8,499.5	X
Share capital:	0.9	-	0.9	-	(0.1)	-	-	-	-	-	-	-	-	(0.1)	0.8	X	0.8

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

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

Consolidated cash flow statement - indirect method

A. OPERATING ACTIVITIES	30 06 2024	30 06 2023
1. Cash flow from operations	**1,012.5**	**1,072.7**
Profit (loss) (+/-)	1,159.1	618.9
Capital gains/losses on financial assets held for trading and on assets/liabilities measured at fair value (+/-)	(258.0)	(10.1)
Net gains (losses) on hedging activities	(1.6)	(0.1)
Net impairment losses/reversals (+/-)	291.9	288.2
Net adjustments/ recoveries on property, plant and equipment and intangible assets (+/-)	103.0	115.4
Net provisions for risks and charges and other costs/revenues (+/-)	(6.8)	19.2
Unpaid charges, taxes and tax credits	(454.2)	(3.6)
Net adjustments/recoveries on discontinued operations (+/-)	3.3	-
Other adjustments	175.8	44.8
2. Cash flows from (used in) financial assets	**(2,966.9)**	**(1,550.5)**
Financial assets held for trading	(1,014.6)	(1,051.8)
Other financial assets mandatorily measured at fair value	(57.0)	(7.8)
Financial assets measured at fair value through other comprehensive income	15.2	927.0
Financial assets measured at amortised cost	(1,587.5)	(852.3)
Other assts	(323.0)	(565.6)
3. Cash flow from (used in) financial liabilities	**4,927.1**	**(384.2)**
Financial liabilities measured at amortised cost	4,515.1	(2,098.6)
Financial liabilities held for trading	1,148.7	90.8
Financial liabilities designated at fair value	2.3	4.5
Other liabilities	(739.0)	1,619.1
Net cash flow from (used in) operating activities	**2,972.7**	**(862.0)**

B. INVESTMENT ACTIVITIES	30 06 2024	30 06 2023
1. Cash flow from	**36.0**	**117.8**
Dividends collected on equity instruments	35.5	116.4
Sales of property, plant and equipment	0.5	1.4
2. Cash flow used in	**(12.4)**	**(22.6)**
Purchase of property, plant and equipment	(5.0)	(16.1)
Purchase of intangible assets	(7.4)	(6.5)
Net cash flow from (used in) investment activities	**23.6**	**95.2**

C. FUNDING ACTIVITIES	30 06 2024	30 06 2023
Issue/purchase of equity instruments carried at equity	-	(2.6)
Dividend distribution and other	(315.0)	(0.1)
Net cash flow from (used in) funding activities	**(315.0)**	**(2.7)**

NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE PERIOD	**2,681.3**	**(769.5)**

Reconciliation

Accounts	30 06 2024	30 06 2023
Cash and cash equivalents at beginning of the period	14,317.3	12,538.6
Net increase (decrease) in cash and cash equivalents	2,681.3	(769.5)
Cash and cash equivalents at end of the period	16,998.6	11,769.1

EXPLANATORY NOTES

Accounting Policies

Basis of preparation

The Half-Yearly Report as at 30 June 2024 of the Monte dei Paschi di Siena Group, approved by the Board of Directors on 5 August 2024, includes the Interim Report on Operations and the Condensed Consolidated Half-Yearly Financial Statements and was prepared in accordance with financial disclosure requirements set forth in art. 154-ter, Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), and in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB), including interpretations by the IFRS Interpretations Committee (IFRIC), as endorsed by the European Commission and effective as at 30 June 2024, pursuant to Regulation (EC) no. 1606/2002 of 19 July 2002.

The Condensed Consolidated Half-Yearly Financial Statements, prepared using the Euro as the reporting currency, drawn up succinctly and in compliance with the IAS 34 standard "Interim financial reporting" comprises the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the Explanatory Notes; the tables of the Condensed Consolidated Half-Yearly Financial Statements and the Explanatory Notes, unless otherwise noted, are prepared in millions of Euro.
In preparing the Condensed Consolidated Half-yearly Financial Statements, the provisions of Bank of Italy Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation", and subsequent updates (most recently, the 8th update, published on 17 November 2022) were applied.

The Condensed Consolidated Half-Yearly Financial Statements show, in addition to the amounts pertaining to the reporting period, also the corresponding comparison data as at 31 December 2023 for the Consolidated Balance Sheet and for the first half of 2023 for:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Changes in Equity; and
- the Consolidated Cash Flow Statement.

Note that, under the exclusive arrangement with a private equity fund for disposal of the subsidiary Monte Paschi Banque S.A., approved by the Board of Directors of Banca MPS on 13 June 2024, in the Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2024 the investee in question was classified as a discontinued operation pursuant to IFRS 5. In particular, in the balance sheet as at 30 June 2024, the assets and related liabilities of the subsidiary are shown in the consolidated balance sheet items "Non-current assets held for sale and disposal groups" and "Liabilities associated with disposal groups", without any restatement of comparative balances. With reference to the income statement, the contribution of the associate was recorded in income statement item 320 "Profit (loss) after tax from discontinued operations" for the first six months of 2024 and for the previous comparison period, which was therefore restated compared to that originally published. Specifically, the positive contribution of Monte Paschi Banque S.A., amounting to EUR 1.3 mln as at 30 June 2023, which in the Condensed Consolidated Half-Yearly Financial Statements of the previous period was represented in the various income statement items as a result of the line-by-line consolidation, was restated under the aforementioned income statement item. Application of the measurement criterion envisaged in IFRS 5 had a negative impact of EUR 29.3 mln as at 30 June 2024 on the economic result for the first half of the year and on the carrying amount of shareholders' equity.

The Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2024 are drafted with clarity and give a true and fair view of the Bank's assets, financial position, profit and loss for the period, change in shareholders' equity and the cash flows generated.

With reference to the classification, recognition, valuation and derecognition of the various asset and liability entries, as well as the methods for recognising revenue and costs, the accounting principles used for the preparation of these Condensed Consolidated Half-Yearly Financial Statements are the same as those used for preparation of the Consolidated Financial Statements as at 31 December 2023, to which the reader is referred for more detail.

The Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2024 are accompanied by the certification of the Financial Reporting Officer, pursuant to art. 154-bis of the Consolidated Law on Finance, and are subject to limited review by the Independent Auditors PricewaterhouseCoopers S.p.A.

An illustration of the new accounting standards, or the changes to existing standards approved by the IASB is provided below, as well as the new interpretations or changes to existing interpretations published by IFRIC, with separate reporting on those applicable in 2024 from those applicable in subsequent years.

IAS/IFRS accounting standards and related SIC/IFRIC interpretations endorsed whose application is mandatory as of the 2024 financial statements

Regulation (EU) 2023/2579 of 20 November 2023 endorsed the amendment to IFRS 16 "***Leases: lease liability in a sale and leaseback***" (amendment to IFRS 16) issued by the IASB on 22 September 2022. The amendment clarifies how a sale and leaseback transaction is recognised after the transaction date. The above amendments are in addition to the sale and leaseback requirements of IFRS 16, thus supporting the consistent application of the accounting standard. The amendments apply as of 1 January 2024.

Regulation (EU) 2023/2822 of 19 December 2023 endorsed the amendments to IAS 1 presented by the IASB on 23 January 2020 ***"Classification of Liabilities as Current or Non-Current Date"*** and on 31 October 2022 ***"Non-current Liabilities with Covenants"***, with the aim of clarifying the way in which a company must determine, in the statement of financial position, the debt and other liabilities with uncertain settlement date. Based on these amendments, the debt or other liabilities must be classified as current (with actual or potential extinction date within one year) or non-current. This last amendment requires that only the covenants that an entity must comply with at the reporting date or before that date are such as to affect the classification of a liability as current or non-current. It is also required to indicate in the notes to the financial statements the information that allows users of the financial statements to understand the risk that non-current liabilities with covenants may become repayable within twelve months. The aforementioned amendments apply as of 1 January 2024.

Regulation (EU) 2024/1317 of 15 May 2024 endorsed the amendment to IAS 7 "***Statement of Cash Flows***" and to IFRS 7 "***Financial Instruments: Disclosures: Supplier Finance Arrangements***" with the aim of improving disclosure in the financial statements of existing supplier finance arrangements. In particular, the following details are required:

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

The aforementioned amendments apply as of 1 January 2024.

The aforementioned changes did not have a significant impact on the Group's financial position.

IAS/IFRS accounting standards and related SIC/IFRIC interpretations endorsed, the application of which is mandatory after 31 December 2024

None to report as at the date of these Condensed Consolidated Half-Yearly Financial Statements.

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

On 15 August 2023, the IASB published the amendment to IAS 21 "***The effects of changes in foreign exchange rates: lack of exchangeability".*** The amendment clarifies when a currency is convertible into another currency, how to estimate the exchange rate if the currency is not convertible and the information to be provided in the Notes to the financial statements. The amendment will become effective on 1 January 2025, but early adoption is permitted.

On 9 April 2024, the IASB published IFRS 18 "Presentation and Disclosure in Financial Statements", which replaces IAS 1 "Presentation of Financial Statements". The new standard establishes the presentation and disclosure requirements for financial statements with the aim of making the information more transparent and comparable and to ensure that it faithfully represents the assets, liabilities, shareholders' equity, revenues and costs of the entity. The main changes compared to IAS 1 are:

- the classification of income and expenses in five categories (operating, investing, financing, income taxes, discontinued operations) based on the core business activities of the entity;
- new statement items with partial totals (operating profit, profit before financing and income taxes);
- increased obligations relating to the labelling of items as well as the aggregation and disaggregation of information based on characteristics that agree (or not) with financial statement items;
- introduction of disclosure requirements for the inclusion of performance measures (MPSs);
- the new standard involves limited amendments to other standards, including IAS 7 "Statement of Cash Flows", IAS 33 "Earnings per Share" and IAS 34 "Interim Financial Reporting".

Application becomes effective from 1 January 2027. Pursuant to IAS 34, the entity will be required to present its income statement in compliance with IFRS 18 requirements in the 2027 half-yearly financial statements.

On 9 May 2024, the IASB published IFRS 19 "Subsidiaries without Public Accountability: Disclosures". Under certain conditions, the new standard allows subsidiaries that apply the international accounting standards to provide reduced financial statement disclosures, thus lowering their financial statement preparation costs. In order to apply the standard, the subsidiary: i) must not have public liability, and ii) must have a parent company, ultimate or intermediate, which prepares consolidated financial statements in accordance with international accounting standards. The application of IFRS 19 is optional for eligible subsidiaries and enters into force from 1 January 2027.

On 30 May 2024, the IASB published the amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments". The amendments to the two standards clarify certain critical aspects of the classification and measurement of financial instruments pursuant to IFRS 9 that emerged from the post-implementation review of the standard. The amendments mainly refer to:

- the classification of financial assets, particularly cases where returns vary when environmental, social and corporate governance (ESG) targets and similar are achieved. As the presence of these ESG-related characteristics could affect the measurement of loans at amortised cost or at fair value, the amendments provide indications and examples to assess whether the contractual cash flows of the financial asset are consistent with a basic loan agreement;
- the derecognition of financial liabilities when settlement is arranged through electronic payment systems. The amendments clarify the date on which the financial liabilities can be derecognised. The IASB has also decided to envisage an accounting policy option allowing a company to derecognise a financial liability before delivering liquidity on the settlement date, if specific criteria are met.

With these amendments to IFRS 9 - Financial Instruments, the IASB also introduced additional disclosure requirements to improve transparency for the benefit of investors as regards equity instruments for which the option has been exercised for the recognition of changes in fair value in the statement of comprehensive income (OCI election) and financial instruments with contingent characteristics, e.g. associated with ESG-linked objectives.

The amendments apply to financial years beginning on or after 1 January 2026.

The aforementioned changes are not expected to have a significant impact on the Group's financial position.

Other matters

Pillar Two – Global Minimum Tax

In implementing the principles of Italian Law no. 111 of 9 August 2023, Italian Legislative Decree no. 209 of 27 December 2023 transposed into Italian law the Council Directive (EU) 2022/2523 of 15 December 2022, aimed at ensuring a global minimum tax for large multinational and national groups of companies in the European Union.

Title II of this decree introduced a Global Minimum Tax regime aligned with the GloBE rules designed at international level by the OECD to combat harmful tax competition between countries.

These regulations apply, in principle from financial years starting on or after 1 January 2024, to national and multinational groups with revenues recorded in the consolidated financial statements of the parent company parent company that exceed EUR 750 mln in at least two of the four years prior to the reporting period.

Global Minimum Tax aims to guarantee an effective tax rate of at least 15% for each jurisdiction in which the aforementioned groups are located, applying a supplementary tax in cases where the "Effective Tax Rate" in a given jurisdiction, after the regulatory adjustments envisaged in the aforementioned Title II and respective implementing decrees, is lower than the aforementioned minimum tax rate.

In the first half year of 2024, the regulations in question were supplemented by the Italian Ministerial Decree of 20 May 2024 on "Transitional Safe Harbours" (TSH) and by the Italian Ministerial Decree of 1 July 2024 on the "national minimum tax".

In this regard, in 2023 the MPS Group - with the support of its advisors - launched an activity to estimate the impacts deriving from the reference regulations.

The MPS Group, being a multinational group (with Banca MPS as parent company, or UPE "Ultimate Parent Company"), integrates the subjective prerequisites for the application of the new tax, therefore it is potentially impacted by said tax, in particular, having regard, besides Italy, to the following additional jurisdictions where subsidiaries or branches are present: France, Ireland and China.

For the purpose of these Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2024, a preliminary estimate was made of whether or not the TSH access requirements were met on the basis of data relating to 2023. As a result, access to the TSH (Transitional Safe Harbour) in China could be possible, while in Italy, France and Ireland access to this simplified regime would not be possible.

Nevertheless, the analyses carried out indicate that the potential impacts of the new tax on the Group's financial position are immaterial, in particular, applicability of the GMT could be necessary only for the Group entity located in Ireland (AXA MPS Financial DAC Ltd., a company that according to the Pillar regulations can be classified as "jointly controlled", in which Banca MPS indirectly holds a 50% interest in the share capital) for which, in any event, the effective tax rate should not differ significantly from that envisaged in Pillar 2. As at 30 June 2024, for the entity located in Ireland there are no GMT-related impacts.

Lastly, note that the Group is currently monitoring the continuous developments in regulations at global and national level, also in order to implement the necessary GMT management processes.

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

The application of certain accounting standards necessarily implies the use of estimates and assumptions that impact the values of the assets and liabilities recognised in the financial statements as well as the disclosure provided on contingent assets and liabilities. The assumptions underlying the estimates developed take into consideration all available information at the date on which these Condensed Consolidated Half-Yearly Financial Statements were drafted as well as the assumptions considered reasonable, also in light of historical experience. By their very nature, it is therefore not possible to exclude that the assumptions used, albeit reasonable, may not be confirmed in the future scenarios in which the Group will be operating. The results achieved in the future therefore could differ from the estimates developed in order to draft these Condensed Consolidated Half-Yearly Financial Statements and as a result adjustments may be required, to an extent that cannot currently be predicted or estimated, with respect to the carrying amount of the assets and liabilities recognised in the Financial Statements. In this regard, please note that estimates could need to be revised following changes in the circumstances on which they were based, the availability of new information or the increased experience gained. In this regard, note that significant elements of uncertainty persist in the reference macroeconomic scenario in which the Bank operates. Though global economy prospects improved during the first half of the year, the economic recovery was still influenced by the effects of restrictive monetary and credit conditions for businesses and households, as a direct consequence of still-high inflation levels, despite the clear downward turn compared to last year, obstacles related to geopolitical tension between Russia and Ukraine, the recent conflict in the Middle East and the increasingly serious and frequent impacts associated with climate change. The following are the new aspects and refinements of the valuation processes introduced during the first half of 2024.

Macroeconomic forecasts for 2024, 2025 and 2026

On 6 June 2024, the ECB published the periodic update to the macroeconomic forecasts for the Eurozone, prepared by its staff with contributions from the individual national central banks, and suggests that the Eurozone economy will continue its recovery during the year due to the real increase in incomes, falling inflation, the growth in wages and improvement in the terms of trade, as well as the gradual disappearance of the effects of the restrictive monetary policy stance.

In detail, the average annual growth rate of GDP in real terms is expected to be 0.9% in 2024, rising to 1.4% in 2025 and 1.6% in 2026. Compared to the March projections, the outlook for GDP growth was revised upwards for 2024 (+30 bps), thanks to a trend more positive than expected at the beginning of the year and the improvement in the most recent data. For 2025 there is a slight downward correction (-10 bps), while for 2026 they remain unchanged.

Total inflation measured on the harmonised index of consumer prices (HICP) shows no significant change in trend in 2024 compared to the March forecasts and should subsequently fall to 2.2% in 2025 (2.0% in March) and to 1.9% in 2026 (unchanged compared to March). Overall inflation fell from an average 5.4% in 2023 to 2.4% in April 2024 and is expected to be around 2.5% in the coming quarters in the presence of slight volatility, mainly related to basic energy price effects.

The specific scenario for Italy, included in the base scenario of the ECB projections, was released by the Bank of Italy in the document "Macroeconomic projections for the Italian economy" published on 13 June and confirmed in the Economic Bulletin of 12 July 2024. Assuming there is no heightening of the already intense geopolitical uncertainty and the related tensions on the international financial markets, the scenario forecasts moderate GDP growth this year that will acquire greater strength from the second half of 2025, thanks to a recovery in disposable income and foreign demand. As a yearly average, GDP should increase by 0.6% in 2024, 0.9% in 2025 and 1.1% in 2026.

Consumer inflation, equal to an average 5.9% in 2023, is expected to remain very low throughout the three-year period, at just over 1% in 2024 and 1.5% in 2025-26. The significant downturn compared to last year mainly reflects the moderation of prices for intermediate goods and energy.

This being said, the following is information on the main macroeconomic and financial indicators included in the "baseline", "severe but plausible" and "best" scenarios, referring to the period 2024-2026, from the IFRS 9 models used for the determination of staging and loan losses from a forward-looking perspective.

Scenario	Year	GDP	Unemployment rate	Consumer Price Index	Interbank rate interest 3M	Eurirs 10Y	Interest rate on 10-years BTPs	short-term interest rate on loans to families and companies
Baseline	2024	0.43%	7.69%	2.43%	4.01%	3.49%	4.63%	5.10%
	2025	0.83%	7.55%	2.14%	3.57%	3.78%	4.95%	4.60%
	2026	0.88%	7..30%	2.15%	3.10%	3.84%	5.04%	4.22%
	AVG	0.71%	7.51%	2.24%	3.56%	3.71%	4.87%	4.64%
Severe but plausible	2024	-0.40%	8.03%	4.01%	4.46%	3.50%	4.94%	5.44%
	2025	0.45%	8.54%	2.53%	3.88%	3.68%	5.29%	4.91%
	2026	0.49%	8.96%	2.28%	3.35%	3.73%	5.25%	4.48%
	AVG	0.18%	8.51%	2.94%	3.90%	3.64%	5.16%	4.94%
Best	2024	1.49%	7.31%	1.43%	3.82%	3.83%	4.81%	4.96%
	2025	1.40%	6.52%	1.33%	3.32%	3.97%	4.77%	4.38%
	2026	1.18%	5.59%	1.81%	2.98%	3.95%	4.76%	4.06%
	AVG	1.36%	6.48%	1.52%	3.38%	3.92%	4.78%	4.46%

For the forward-looking conditioning of ECL estimation parameters, the Group policy envisages use of the macroeconomic scenario defined and updated by the Study and Research Function at least annually, as well as every time the latest available baseline scenario shows a net cumulative change in GDP that, in absolute value, is greater than or equal to 0.5% over a 3-year period compared with the scenario currently in use. The forecasts updated to June 2024, relating to the basic macroeconomic scenario, show an average cumulative change in GDP compared to the production scenario, which remains within the thresholds established by the Group. In detail, it is characterised by an improvement in the three-year period 2024-2026 (+9 bps). Consequently, the scenarios used for the 2023 Financial Statements and the Interim Report on Operations as at 31 March 2024 were confirmed for the accounting valuations as at 30 June 2024, the estimate for which was developed internally in October 2023, also using the forecasts provided by external providers as reference.

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With regard to management overlay, for the purpose of these Condensed Consolidated Half-Yearly Financial Statements the Group decided to apply substantial methodological continuity with that implemented for the 2023 Financial Statements. It should be remembered that, as at 31 December 2023, "post-model adjustments" had been applied to the results of the ECL estimation methods, within the framework of flexibility allowed by IFRS 9 and in light of the greater prudence necessary in relation to emerging risks deriving from the current and forward-looking contexts. The overlays were necessary to complement the results of the models in production, in order to better capture the uncertainties and risks inherent in the forecasts as well as the observed/predicted deviations from the long-term time series.

On the whole, adjusting loan loss provisions as at 30 June 2024 included prudent items for approximately EUR 73.3 mln, an increase of EUR 12.3 mln compared to 31 March 2024 and EUR 19.3 mln compared to 31 December 2023.

The increase compared to 31 March 2024 and 31 December 2023 is mainly attributable to: i) the higher correction applied to floating rate retail mortgages due to the increase in the default rate in the last twelve months as observed in the second quarter of 2024 compared to those of previous periods and ii) higher provisions of EUR 5.7 mln as a result of the back testing - conducted during the second quarter of 2024 on the IFRS 9 models - which showed for leasing and factoring products observed losses slightly higher than estimated..

As at 30 June 2024, the Group maintained the same overlays used for the accounting measurements as at 31 March 2024 and 31 December 2023, also introducing an additional overlay following the back testing on LGD carried out in the second quarter of 2024. The overlays are represented by five main categories as follows*:*

1) *Early Warning System (EWS)* – Due to the uncertainty of the current macroeconomic scenario, the Group has identified a portfolio cluster deemed most exposed to potential financial difficulties. The portfolio, represented by retail and corporate customers with a turnover less than EUR 50 mln, included in the highest risk class of the internal early warning system, was prudentially reclassified to stage 2, which increased by EUR 40.9 mln (EUR 122.6 mln as at 31 March 2024 and EUR 147.9 mln as 31 December 2023) with higher provision of EUR 0.2 mln (EUR 0.9 mln as at 31 March 2024 and EUR 1.2 mln as at 31 December 2023);
2) C&E scenarios - the inclusion of climate-environmental factors in credit risk estimates, with integration of the macroeconomic indicators observed in the Net Zero 2050 climate scenario into the baseline scenario adopted by the Group. This scenario, characterised by a proactive behaviour of the economic system with respect to the energy transition, would lead to a global economic contraction with the application of specific corrective measures resulting in higher allocations for EUR 38.1 mln (unchanged compared to 31 March 2024 and 31 December 2023);
3) deterioration of the real estate market: taking into account the current market environment characterised by high interest rates and resulting risks of customer refinancing, especially in sectors such as real estate, the Group decided to further revise downwards the real estate price index forecast in the "severe but plausible" scenario issued by the external provider. The application of this correction factor resulted in higher value adjustments for a total of EUR 2.7 mln (unchanged from 31 March 2024 and 31 December 2023);
4) floating rate mortgages - application of a correction factor on retail exposures with mortgages at floating rates calculated using a sensitivity analysis, carried out on the instalment income ratio in a stress scenario in which further rate increases lead to a doubling of the instalment and consequent deterioration in the aforementioned income ratio and higher default flows. The application of this correction factor resulted in higher adjustments for EUR 26.6 mln (EUR 19.2 mln as at 31 March 2024 and EUR 11.8 mln as at 31 December 2023);
5) back testing on bad loans - in the second quarter of 2024, the Group carried out back testing on the bad loans portfolio, which showed a slight underestimation of the loss observed compared to that estimated on leasing and factoring products, and higher loss provisions of EUR 5.7 mln were recognised in the income statement.

This without prejudice to the transitional nature of the aforementioned management overlays linked to the capacity of expected credit loss models to recognise emerging risks, in addition to the consideration that results deriving from the aforementioned models are influenced by macroeconomic scenarios largely dependent on phenomena that are not fully consolidated and in any case still subject to extreme variability and uncertainty.

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

In order to assess how forward looking factors may influence expected losses, it is considered reasonable to carry out a sensitivity analysis in the context of different scenarios based on forecasts consistent with the evolution of the various macroeconomic factors. The innumerable interrelations between the individual macroeconomic factors are such as to render a sensitivity analysis of expected losses based on the individual macroeconomic factor of little significance.
The table below highlights the sensitivity for the main credit portfolios of the Group consisting of cash loans to customers, belonging to the corporate and retail segments of the 2 banks (Banca MPS and Widiba), which represent around 96% of the Group's total gross exposure, net of loans classified in the portfolio of non-current assets held for sale and disposal groups.

The analysis shows, in line with the same approach adopted for 2023, the impact for each level of risk on gross exposures, on the adjustments and on the coverage ratio in the cases where a weight equal to 100% of the baseline, severe but plausible and best-case scenarios, respectively, is used instead of the scenario defined as weighted - i.e. based on weightings that the Group has attributed to each scenario[9] - used by the Group for estimating the stages of risk and value adjustments as at 30 June 2024.

The weighted scenario used for the accounting valuations as at 30 June 2024 is positioned, in terms of adversity, between the severe but plausible and best cases. In particular, for non-impaired exposures:

- the portfolio's sensitivity to the severe but plausible scenario would see (i) a shift of counterparties to stage 2, whose gross exposure would increase by EUR 1,050 mln (+9.67%), with a consequent increase in the ECL estimated at around 21.57% (around EUR 71.7 mln), and a higher average coverage of around 33 bps, (ii) a specular reduction of counterparties in stage 1, whose exposure would decrease by EUR 1,050 mln (-1.67%), an increase in the ECL of around 2.46% (around EUR 2.2 mln) with an average coverage that would remain substantially unchanged;
- the sensitivity of the portfolio to the baseline scenario would see (i) a decrease in counterparties in stage 2, whose exposure would decline slightly by about EUR 131.1 mln (-1.21%) with a consequent decrease in the estimated ECL at around 2.44% (about EUR 8.1 mln) and an average coverage that would remain substantially unchanged (-4 bps), (ii) a modest increase in terms of both exposures of around EUR 131.1 mln (+0.21%) and related ECL of around EUR 0.2 mln (+0.28%) for stage 1 with an unchanged average coverage;
- vice versa, the sensitivity analysis of the portfolio to the best case scenario would see (i) a more marked reduction in the stock of stage 2 positions for EUR 720.9 mln (a reduction of 6.64%) with a potential economic benefit on ECL of about EUR 64.0 mln (19.27%), and a consequent decrease in the coverage ratio of about 41 bps; (ii) an increase in stage 1 counterparties, exposure to which would increase by EUR 720.9 mln (an increase of 1.14%), a decrease in the ECL of about 4% (about EUR 3.7 mln) and average coverage unchanged.

The sensitivity analysis of adjustments of non-performing exposures would see an increase in the severe but plausible scenario for about EUR 29.9 mln (+1.79%) and a decrease of approximately EUR 0.4 mln (-0.03%) and EUR 36.3 mln (-2.17%) in the baseline and best scenarios, respectively.

[9] The weighted scenario was determined using weightings of 26.3%, 52.6% and 21.1% for the Best, Baseline and Severe but plausible scenarios, respectively.

	Scenario (Delta in EUR /mln)			
	Weighting	Best	Severe but plausible	Baseline
STAGE 1 Gross exposure	**62,962.3**	**720.9**	**(1,050.1)**	**131.1**
of which CORPORATE	36,105.9	489.1	(769.3)	92.1
of which RETAIL	26,856.4	231.8	(280.8)	38.9
STAGE 1 Value adjustments	**90.6**	**(3.7)**	**2.2**	**0.3**
of which CORPORATE	61.2	(1.0)	0.1	0.3
of which RETAIL	29.4	(2.7)	2.2	(0.1)
STAGE 1 coverage ratio (%)	**0.14%**	**-0.01%**	**0.01%**	**0.00%**
of which CORPORATE	0.17%	-0.01%	0.00%	0.00%
of which RETAIL	0.11%	-0.01%	0.01%	0.00%
STAGE 2 Gross exposure	**10,857.9**	**(720.9)**	**1,050.1**	**(131.1)**
of which CORPORATE	7,527.8	(489.1)	769.3	(92.1)
of which RETAIL	3,330.1	(231.8)	280.8	(38.9)
STAGE 2 Value adjustments	**332.4**	**(64.1)**	**71.7**	**(8.1)**
of which CORPORATE	246.0	(48.5)	54.5	(6.3)
of which RETAIL	86.4	(15.6)	17.2	(1.8)
STAGE 2 coverage ratio (%)	**3.06%**	**-0.41%**	**0.33%**	**-0.04%**
of which CORPORATE	3.27%	-0.46%	0.35%	-0.04%
of which RETAIL	2.59%	-0.31%	0.27%	-0.02%
STAGE 3 Gross exposure	**3,579.0**	**-**	**-**	**-**
of which CORPORATE	2,617.2	-	-	-
of which RETAIL	961.8	-	-	-
STAGE 3 Value adjustments	**1,672.9**	**(36.3)**	**29.9**	**(0.4)**
of which CORPORATE	1,336.3	(17.5)	14.3	(0.2)
of which RETAIL	336.6	(18.8)	15.6	(0.3)
STAGE 3 coverage ratio (%)	**46.74%**	**-1.01%**	**0.84%**	**-0.01%**
of which CORPORATE	51.06%	-0.67%	0.55%	-0.01%
of which RETAIL	34.99%	-1.95%	1.62%	-0.03%
TOTAL Value adjustments	**2,095.9**	**(104.0)**	**103.8**	**(8.3)**
of which CORPORATE	1,643.6	(66.9)	68.9	(6.2)
of which RETAIL	452.3	(37.1)	34.9	(2.1)

The sensitivity of the portfolio to the two extreme scenarios would see an overall increase of approximately 5% in the ECL (approximately EUR 103.9 mln) in the event of a 100% weighting of the "Severe but plausible" scenario and a decrease of approximately 5% in the ECL (approx. EUR 103.9 mln) if only the "Best" scenario were used. Lastly, compared to the baseline scenario, the ECL remained essentially unchanged, with an estimated overall reduction of approximately EUR 8.3 mln (-0.4%).

However, it is not possible to rule out that a further deterioration in the credit situation of debtors, also as a consequence of the possible effects of the international geopolitical situation, could lead to the recognition of further losses, even significant ones, compared to those considered as at 30 June 2024.

Impairment test of equity investments and goodwill

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

With specific reference to equity investments, the method adopted by the MPS Group envisages alternative use of a set of indicators based on several factors, referring to the investee, including the type of business, market listing and budget objectives. The presence of impairment indicators entails the recognition of a write-down in the amount for which the recoverable value is lower than the book value. The recoverable amount pursuant to IAS 36 is the higher between its fair value, net of costs to sell, and its value in use, equal to the present value of future cash flows that the company expects from continuous use of the asset and its disposal at the end of its useful life.

The Group's valuations as at 30 June 2024 showed recoverable amounts higher than the book values and therefore no adjustments were made to the carrying amount of the equity investments.

With reference to goodwill, this is fully allocated to the Widiba CGU, an investee subject to verification of the presence of impairment indicators based on the methodology described above. A valuation carried out on the equity investment therefore indicates the absence or presence of any impairment of goodwill. Note that as at 30 June 2024 indicators were detected that made necessary to determine the recoverable value. The comparison between this latter value and the book value of the CGU represented by Banca Widiba did not reveal any losses in value and the book value of goodwill was therefore confirmed.

Property valuation

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

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

The Group carries out half-yearly valuations of real estate assets, both for investment property and properties for business use. At 30 June 2024, the entire property portfolio owned by the Group was subjected to evaluation, consisting of 1,121 owned assets of which 682 properties for operating use (IAS 16), 6 goods buildings (IAS 2), 287 investment properties (IAS 40), 138 properties with mixed classification and 8 properties held for sale (IFRS5).

The valuation as at 30 June took into account asset reclassifications among the various categories during the first half year of the year. In particular, the valuation considered the new intended use of the 24 owned properties where part of the bank branches subject to closure, as part of the optimisation of the Parent Company's branches network and in line with the objectives of the 2022-2026 Business Plan, were located.

The valuation methodologies applied by the appraiser are aligned with international IVS (International Valuation Standards) practices and with the provisions of the Red Book of the Royal Institute of Chartered Surveyors (RICS) and remained unchanged with respect to the previous valuations of property assets, which took place on 31 December 2023 and 30 June 2023. To learn more about the valuation methods as well as the valuation approach adopted by the Group, please refer to paragraph A.4 - Information on fair value contained in the Accounting Policies of Part A of the 2023 Consolidated Financial Statements.

The appraisals were drawn up in full mode for 193 of the properties in scope (i.e. 17.2% of the total number) and on the basis of desktop analysis for the remaining properties (i.e. 82.8% of the total). The market value of the portfolio was estimated at a total of EUR 1,841.9 mln, which led to an overall write-down of property assets for EUR 33.7 mln, of which:

- write-downs referring to properties classified under IAS 16 for EUR 20.8 mln, properties classified under IAS 40 for EUR 13.4 mln and properties classified under IAS 2 for EUR 0.2 mln;
- revaluations relating to properties classified under IFRS 5 for EUR 0.7 mln.

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

- item 260 of the income statement - "Net gains (losses) on property, plant and equipment and intangible assets measured at fair value" for a total of EUR 19.3 mln gross of related taxes;
- item 120 of the balance sheet - "Valuation reserve" for a total of EUR 14.4 mln gross of related taxes.

Estimation and assumptions on recoverability of deferred tax assets

In compliance with the provisions of accounting standard IAS 12 and the ESMA communication of 15 July 2019, the Group recognised deferred tax assets (DTA - *Deferred Tax Asset*) after verifying the existence of future taxable income sufficient for the purposes of reabsorption of the same (so-called *Probability test*).

In this test, the different rules set forth in the Italian tax laws which impact the assessment in question were taken into account, in particular:

- art. 2, paragraphs 55-59, of Italian Law Decree no. 225 of 29 December 2010 (converted, with amendments, by Italian Law no. 10 of 26 February 2011) which establishes the obligation for financial intermediaries to convert into tax credits DTAs (IRES and IRAP) relating to goodwill, other intangible assets and impairment losses on receivables, in the case of a loss in the statutory financial statements and/or a tax loss;
- art. 84, paragraph 1 of the TUIR (Income Tax Act), which allows for the possibility of carrying forward IRES tax losses with no time limits;
- art. 1, paragraphs 61-66 of the 2016 Stability Law (Italian Law no. 208 of 28 December 2015) reduced the IRES rate from 27.5% to 24% effective from 2017, and simultaneously introduced an IRES additional tax of 3.5% for credit and financial institutions.

The MPS Group incurred significant consolidated tax losses in the past, particularly in 2016 and 2017, the residual amount of which as at 30 June 2024 was EUR 11.9 bn; these tax losses can be carried forward for offsetting against future taxable income without limits of amount and time and constitute the prerequisite for the recognition in the financial statements of corresponding DTAs, after verifying the existence of future taxable income. In its recent financial statements, the Group recognised DTAs on tax losses only to a minimal extent with respect to their nominal value, given that the future taxable income considered in the valuation time period was largely absorbed by costs already recognised in the accounts for which the tax regulations provided for deferral of deduction to subsequent years. The recognition of DTAs in the financial statements was also limited in the past by the ACE (Allowance for corporate equity) deductions from which Group companies could benefit as a result of the capital increases completed from 2011 onwards. The repeal of this contribution, in Italian Legislative Decree 216/2023, therefore increased the tax loss absorption prospects from 31 December 2023, triggering a partial reassessment of the related DTAs recognised in the Consolidated Financial Statements as at that date (for more information, reference should be made to paragraph 11.8 - Part B - Information on the balance sheet in the explanatory notes to the Consolidated Financial Statements as at 31 December 2023).

The valuation of DTAs in the financial statements and interim reports for the period from 30 September 2022 to 31 March 2024 was carried out by determining the future taxable income based on the expected evolution of the Group's income statements inferred from the income projections contained in the 2022-2026 Business Plan, approved by the Parent Company Board of Directors on 22 June 2022. Although the plan outlined a scenario of increasing profitability for the Group, for the purpose of the DTA valuation this positive evolution was prudentially limited to the pre-tax profit forecast for 2024, deferring any use of the (higher) income forecast for 2026 to 2024, subject to verification of achievement of the plan objectives and confirmation of the Bank's income prospects. Also note that the forecast for taxable income in years beyond 2026 assumed 1.35% growth per year from 2027 onwards, with respect to the profit forecast for the immediately preceding year.

The Group's current situation shows the achievement of a consolidated pre-tax profit as at 31 December 2023, also normalised by the impact of positive extraordinary factors linked to the release of provisions for risks and charges, largely higher than forecast for 2023 in the aforementioned 2022-2026 Plan. This level of profitability is also confirmed for 2024 and the general context for the banking sector in the short/medium term is favourable. In addition, the objectives set in the 2022-2026 plan were substantially achieved.

In this context, on 5 August 2024 the Board of Directors of the Parent Company approved a new Business Plan for the period 2024-2028, which envisages consolidation and strengthening of the Group's income growth.

For the purpose of the DTA valuation in these Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2024, therefore, the new income projections for 2024-2028 were considered. Also in this case, the increase in income outlined in the plan was prudentially limited to the third year of the time horizon considered (2026), where necessary, deferring the use of the (higher) income forecast for 2027 and 2028, respectively, to the financial statements as at 31 December 2024 and 31 December 2025.

In terms of methodology, the probability test was carried out by following the steps listed below.

DTAs relating to goodwill, other intangible assets - limited to those recognised before 2015 - and adjustments to receivables ("qualified" DTAs), were excluded from the total amount of DTAs for which the existence of sufficient future taxable income needs to be identified. This is because the above-mentioned art. 2, paragraphs 55-59 of Italian Law Decree 225/2010 made the recovery of that type of DTA certain, with respect to both IRES and IRAP, regardless of the presence of future taxable income. Indeed, the rule sets forth that, if taxable income for the financial year in which the recovery of qualified DTAs is expected is not sufficient to absorb them, the resulting tax loss would be convertible into a tax credit that may be, alternatively i) used to offset, with no amount limits, the various taxes ordinarily due from the Bank, or ii) requested in the form of a refund, or iii) transferred to third parties. In addition, qualified DTAs may be converted into tax credit in advance of their natural maturity, in the event of a loss for the year in the statutory financial statements or voluntary liquidation, as well as subjection to bankruptcy proceedings.

In other words, for qualified DTAs the Probability test must be deemed automatically satisfied; this is also confirmed by the joint Bank of Italy, CONSOB and ISVAP document no. 5 of 15 May 2012 "Accounting treatment of deferred tax assets deriving from Italian Law 214/2011".

For DTAs other than qualified DTAs, the financial year in which the relative recovery is expected has been identified (or estimated when uncertain).

The estimate of taxable income for future years for the three-year period 2024-2026, in line with other relevant business valuation processes, was carried out on the basis of the expected evolution of the Group's income statements in the new 2024-2028 Business Plan approved on 5 August 2024.

From 30 June 2024, two methodological refinements were also made to the estimate of taxable income for years following those of the first three-year period inferred from the Business Plan:

i. from 2027 onwards, it is assumed that a pre-tax profit will be achieved which, projected over subsequent years for the twenty-year time horizon considered by the probability test and revalued at a growth rate g of 2% per year, allows expression of a Group return on equity (ROE) no higher than the average ROE recorded for the banking sector in the last 20 years ("average YoY income" or "cap"). Until 31 March 2024, the pre-tax profit projected beyond the three-year period of the Business Plan was equal to that of the last year of that three-year period. The change is prudential in that in the absence of the cap, use of the new business plan projections would have resulted in an ROE over the probability test time horizon higher than that for the industry;
ii. the growth rate g (of pre-tax profit) was increased to 2% per year, instead of the 1.35% considered up to 31 March 2024, which was assumed to be equal to the nominal growth rate of the economy, in line with the inflation target under the ECB's long-term monetary policy.

In order to reflect the level of uncertainty that characterises the actual realisation of long-term forecasts, a discount factor was applied to the forecast economic results (risk-adjusted profits approach) of 9%, unchanged from that used for previous Financial Statements and up to 31 March 2024. This factor is calculated also taking into account observable market parameters. In greater detail, the adjustment of taxable income is obtained by discounting the forecasts for each year - over a maximum 20-year time horizon from 2024 - by the factor of 9%, applied according to the compound capitalisation formula. This formula therefore makes it possible to adjust future forecasts according to an increasing reduction factor based on the time horizon of the estimate of taxable flows.

Taxable income was estimated:

- at domestic tax consolidation level, for the IRES Probability test, since the Group's most significant companies pay this tax in accordance with articles 117 et seq. of the Income Tax Act (TUIR);
- at individual level for IRES additional tax;
- at individual level for IRAP.

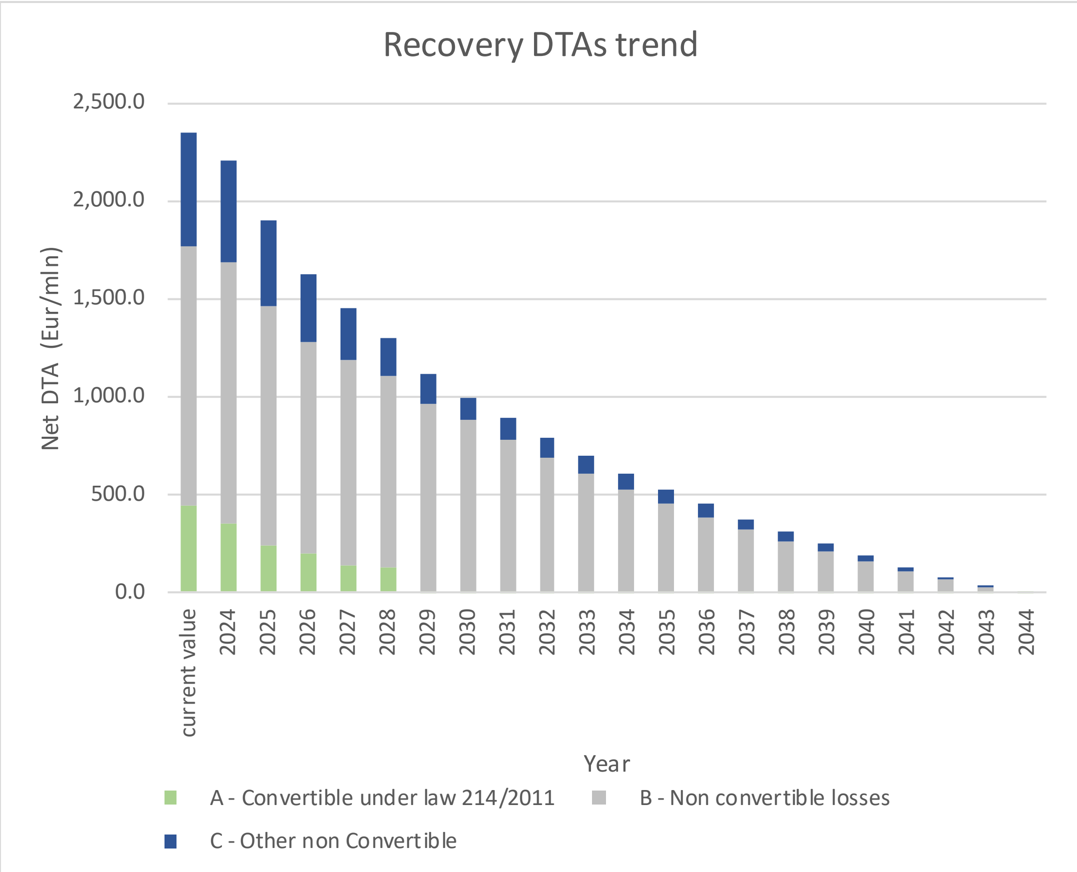
The valuation exercise conducted with the model described above resulted in an overall increase in value of DTAs for EUR 693.4 mln, of which EUR 542.6 mln due to adoption of the new income projections, with the following effects on the Group's accounts:

- with reference to DTAs for consolidated tax losses, a write-down of EUR 605.6 mln;
- with reference to DTAs for tax losses for purposes of additional IRES, a revaluation of EUR 86.7 mln;
- with regard to DTAs other than "qualified" DTAs and those relating to ACE and tax losses, a total recovery in value equal to EUR 1.1 mln.

As a result of the aforementioned valuation, the Group had DTAs not recognised as assets in the Balance Sheet for a total of EUR 1,882.3 mln as at 30 June 2024 (EUR 2,478.9 mln as at 31 March 2024 and EUR 2,575.7 mln as at 31 December 2023).

For the Group, this amount is a potential asset not subject to any time limits according to current tax legislation, with the exception of the limits to carrying forward, in case of extraordinary transactions, envisaged by art. 172 and 173 of Italian Presidential Decree no. 917/1986; the relative recognition in the balance sheet assets will be evaluated at the future reporting dates based on the Group's profit outlook.

The MPS Group's tax losses, equal to EUR 11,874 mln as at 30 June 2024, accrued mainly in 2016 and 2017, corresponding to the start of the Group's restructuring process, and derive essentially from significant loan losses for both years. In particular, for 2016 the methodologies and parameters used in measuring loans had to be updated and for 2017 the realisable value of non-performing loans sold during 2018 had to be adjusted. Therefore, pursuant to the provisions of paragraph 36.c) of IAS 12, also taking into account increased Group profitability, it is believed that these unused tax losses derive from *"identifiable causes that are unlikely to recur"* and in this sense have been included in the valuation process for DTAs that can be partially recognised in financial statements. The following chart shows the expected trend related to the recovery of DTAs recognised in the Financial Statements as at 30 June 2024, both quantitatively and over time, broken down between convertible DTAs pursuant to Italian Law 214/2011, DTAs from non-convertible losses and other non-convertible DTAs.



The probability test model in use in MPS Group includes some input data whose fluctuations in value can significantly influence the final result of the DTA valuation recognised in financial statements. Specifically, these are:

1) total "average YoY income" (pre-tax profit taken from the Business Plan, projected for the years beyond the first three years, but adjusted so that it is not higher than the average ROE for the banking sector);
2) discount rate of future results (coefficient used in the risk-adjusted profits approach);
3) tax rates for IRES, IRES additional tax and IRAP.

Certain indications on the sensitivity of results of the valuation model are provided below, assuming both an increase and decrease in each of the input data listed above. The effects shown in the table refer to the difference that would have occurred for the tax item in the income statement as at 30 June 2024, compared to the amount actually recognised, changing the individual variable as indicated.

Inputs	Decreases	Effect on income statement of decrease in DTAs (Eur/mln)	Increases	Effect on income statement of decrease in DTAs (Eur/mln)
2024 taxable income	-100 mln	-173.9	+100 mln	173.9
Discount rate of prospective results	-1%	151.7	+1%	-134.9
IRES tax rate	-1%	-80.4	+1%	-80.4

Note that, in the absence of the methodological refinements described above, the result of the DTA valuation as at 30 June would have required a greater reassessment totalling EUR 808.3 mln, of which:

- EUR +904.0 mln attributable to the projection from 2027 onwards on 2026 income, instead of the "average YoY income"; and
- EUR -95.7 mln attributable to a growth rate of 1.35%, instead of 2%.

Rights of use in lease agreements

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

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

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

During the first half year of the year, as part of the optimisation of the Parent Company's branch network and in line with the Business Plan objectives, the Group closed 26 bank branches located in leased properties. As a result of the loss of the economic usefulness of the properties involved in the transaction, an impairment loss of EUR 0.3 mln was recognised as the amount of the corresponding rights of use.
As at 30 June 2024, the Group arranged the following checks:

- trend in interest rates used for discounting the payments;
- presence of unused lease properties other than those involved in the branch closure plan.

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

Going concern

The Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2024 were prepared on a going concern basis.

After the forward-looking assessment of the equity and liquidity positions, with reference to indications provided in Document no. 2 of 6 February 2009 and Document no. 4 of 3 March 2010, issued jointly by the Bank of Italy, Consob and ISVAP, and subsequent amendments, the Directors can reasonably expect that the Group will to continue operating as a going concern in the foreseeable future and therefore deemed it appropriate to prepare these Condensed Consolidated Half-Yearly Financial Statements on a going concern basis.

Scope and methods of consolidation

Investments in wholly-owned subsidiaries

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

(*) Type of relationship:

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

(**) Votes available in the ordinary shareholders' meeting, distinguishing between actual and potential.
(***) the associate Monte Paschi Banque S.A. is classified a as discontinued operation pursuant to IFRS 5

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

For further information on the methods of consolidation, reference should be made to the Notes to the 2023 Consolidated Financial Statements, Part A "Accounting Policies".

The changes in the scope of consolidation compared to the situation as at 31 December 2023 are attributable to exit of the vehicle SIENA LEASE 2016 2 S.r.l., wholly-owned by the Parent Company, already in liquidation and derecognised from the Register of Companies on 9 January 2024.

Also note that the vehicles in liquidation SIENA MORTGAGES 09-6 S.r.l. and SIENA MORTGAGES 10-7 were cancelled from the Register of Companies on 10 and 11 July 2024, respectively.

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. The breakdown of these aggregations and reclassifications are provided, with separate statements, in the annexes to this file, also in compliance with the requirements of Consob Communication no. 6064293 of 28 July 2006.

It should be noted that starting from 30 June 2024, in view of the existing negotiation with a potential buyer, the subsidiary Monte Paschi Banque S.A. (hereinafter MP Banque) was classified as a discontinued operations[10], and therefore valued taking into account the expected sale price, which is lower than its net book value, in accordance with IFRS 5. At the same date, the valuation of MP Banque in accordance with the aforementioned IFRS, resulted in the recognition of an impact of EUR -29.3 mln (gross of tax effect) recognised under Restructuring charges; excluding this effect, the subsidiary positively contributed approx. EUR 7.6 mln to Group profit. Therefore, note that as at 30 June 2024, for continuity with the published comments and to facilitate understanding of the economic and financial trends compared to the first quarter of 2024, as at 30 June and 31 December 2023, in the reclassified financial statements, costs and revenues as well as assets and liabilities referring to the consolidated contribution of the subsidiary MP Banque, though classified as a discontinued operation, are included on a line-by-line basis in the individual income statement and balance sheet items.

Lastly, note that the balance sheet and income statement figures for the first quarter of 2024 and the comparative figures for the first and third quarters of 2023 referring to the insurance associates AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni Vita S.p.A., are estimated by them using proxies or simplified calculation models, given the greater onerous nature of the accounting calculations under IFRS 17 and IFRS 9 compared to the valuations made under the previous accounting standards IFRS 4 and IAS 39.

Income statement data

- The item "**Net interest income**" includes the balance of items 10 "Interest income and similar revenues" and 20 "Interest expense and similar charges", and the portion relating to the subsidiary MP Banque equal to EUR 18.2 mln recognised in item 320 "Profit (loss) after tax from discontinued operations".
- The item "**Net fee and commission income**" includes the balance of financial statement item 40 "Fee and commission income", after deducting the cost of reimbursements to customers (EUR -1.2 mln), reported under "Other net provisions for risks and charges" and the balance of financial statement item 50 "Fee and commission expense". The aggregate also includes the portion relating to the subsidiary MP Banque equal to EUR 4.4 mln, recognised under item 320 "Profit (loss) after tax from discontinued operations".
- The item "**Dividends, similar income and gains (losses) on investments**" incorporates financial statement item 70 "Dividends and similar income" and the relevant portion of profits from investments in associates, equivalent to EUR 27.6 mln, included in financial statement item 250 "Gains (losses) on investments". The aggregate is shown net of the dividends earned on equity securities other than equity investments (EUR +4.4 mln), reclassified in item "Net Profit from Trading, the Fair Value Measurement of Assets/Liabilities and Net Gains on Disposals/Repurchases".
- The item "**Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases**" includes the values of items 80 "Net profit (loss) from trading", 100 "Gains/(losses) on disposal/repurchase" after deducting the contribution of loans to customers (EUR +0.8 mln) and 110 "Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss", net of the contribution from loans to customers (EUR -1.0 mln) and securities deriving from sale/securitisation transactions of non-performing loans (EUR -9.1 mln) posted to the reclassified item "Cost of customer credit". This aggregate also incorporates values relating to dividends received on equity securities other than equity investments (EUR +4.4 mln) and the portion relating to the subsidiary MP Banque for EUR +0.2 mln recognised under item 320 "Profit (Loss) after tax from discontinued operations".
- Item "**Net Profit (loss) from Hedging**" includes financial statement item 90 "Net Profit from Hedging".
- Item "**Other operating income/expenses**" includes the balance of item 230 "Other operating expenses/income", net of recoveries of indirect taxes and duties and other charges stated under the

[10] In particular in the "Condensed consolidated half yearly financial statements as at 30 June 2024, assets and liabilities are presented in the balance sheet items "Non-current assets held for sale and disposal group" and "Liabilities associated with disposal groups held for sale", without any restatement of comparative figures. With reference to income statements, the contribution of the subsidiary was presented in the reclassified income statement item "Profit (loss) from discontinued operations after tax" both for the first half of 2024 and for the previous period under comparison, which has been restated.

reclassified item “Other administrative expenses” (EUR 102.1 mln) and the portion relating to the subsidiary MP Banque for EUR -0.1 mln recognised in item 320 “Profit (loss) after tax from discontinued operations”.

- The item “**Personnel expenses**” includes the balance of financial statement item 190a “Personnel expenses” minus charges of EUR 8.8 mln, related to early retirements or access to the Solidarity Fund, and charges of EUR 1.2 mln related to closure of the Shanghai branch, both reclassified under “Restructuring costs/one-off charges”. The aggregate also includes the portion of the cost relating to the subsidiary MP Banque equal to EUR 4.8 mln, recognised under item 320 “Profit (loss) after tax from discontinued operations”.
- Item “**Other Administrative Expenses**” includes the balance of financial statement item 190b “Other Administrative Expenses”, reduced by the following cost items:
    - charges, amounting to EUR 75.4 mln, of which EUR 0.1 mln for the subsidiary MP Banque, introduced against banks under the Deposit Guarantee Systems (DGS), attributed to the reclassified item “Risks and charges associated with SRF, DGS and similar schemes”;
    - DTA fee, convertible into tax credit, for an amount of EUR 30.6 mln (posted to the reclassified item “DTA Fee”);
    - charges, amounting to EUR 1.8 mln, referring to branch closures - including the Shanghai branch - and other project initiatives included in the Business Plan commitments, recognised under the reclassified item “Restructuring costs/one-off charges”.

  The item also incorporates indirect taxes and other expenses recovered from customers (EUR 102.1 mln), recognised in the financial statements under item 230 “Other operating expenses/income” and the portion of the cost relating to the subsidiary MP Banque for EUR 7.0 mln, recognised under item 320 “Profit (loss) after tax from discontinued operations”.
- Item “**Net value adjustments to property, plant and equipment and intangible assets**” includes the values of the financial statement items 210 “Net Value Adjustments/recoveries on Property, Plant and Equipment” and 220 “Net Value Adjustments/recoveries on Intangible Assets”. Adjustments of EUR 0.3 mln referring to the closure of branches were separated from the aggregate, recognised under the reclassified item “Restructuring Costs/One-off Charges”. Also included is the portion of impairment losses relating to the subsidiary MP Banque for EUR -1.1 mln, recognised under item 320 “Profit (loss) after tax from discontinued operations”.
- The item “**Cost of customer credit**” includes the income statement components relating to loans to customers of items 100a “Gains/losses on disposal or repurchase of financial assets measured at amortised cost” (EUR +0.8 mln), 110b “Net profit (loss) on financial assets and liabilities mandatorily measured at fair value” (EUR -1.0 mln), 130a “Net impairment (losses)/reversals for credit risk on financial assets measured at amortised cost” (EUR -214.6 mln), 140 “Modification gains/losses” (EUR -4.9 mln) and 200a “Net provisions for risks and charges - commitments and guarantees issued” (EUR +24.5 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 -9.1 mln). The aggregate includes the portion of net adjustments relating to the subsidiary MP Banque for EUR -1.2 mln, recognised under item 320 “Profit (loss) after tax from discontinued operations”.
- The item “**Net impairment(losses)/reversals on securities and loans to banks**” includes the portion relating to securities (EUR +0.7 mln) and loans to banks (EUR -5.9 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”.
- The item “**Other Net provisions for risks and charges**” includes the balance of financial statement item 200 “Net provisions for risks and charges”, reduced by component relative to loans to customers of item 200a “Net provisions for risks and charges - commitments and guarantees given” (EUR +24.5 mln, of which EUR +0.4 mln relating to the subsidiary MP Banque recognised in item 320 “Profit (loss) after tax from discontinued operations”), which was restated under the specific item “Cost of customer credit”. The item also includes the cost for reimbursements to customers recognised as a reduction of “Fee and commission income” for EUR -1.2 mln.
- Item “**Other gains (losses) on equity investments**” includes the balance of item 250 “Gains (losses) on equity investments”, cleared of EUR 27.6 mln as the portion of profit of the insurance associates, reclassified under “Dividends, similar income and gains (losses) on investments”.
- Item “**Restructuring Costs/One-off Charges**” includes the following amounts:
    - costs for EUR 8.8 mln relating to early retirements or access to the Solidarity Fund accounted for in financial statements item 190a “Personnel expenses”;
    - charges, amounting to EUR 3.1 mln, referring to branch closures - including the Shanghai branch - and other initiatives included in the Business Plan commitments, under items 190a “Personnel

expenses" (EUR -1.2 mln), 190b "Other administrative expenses" (EUR -1.8 mln) and 210 "Net value adjustments/recoveries on property, plant and equipment" (EUR -0.3 mln);
  - charges of EUR 29.3 mln relating to the expected loss from disposal of the subsidiary MP Banque included in item 320 "Profit (loss) after tax from discontinued operations".

- Item "**Risks and charges associated with SRF, DGS and similar schemes**" includes charges related to contributions to deposit guarantee schemes, amounting to EUR 75.3 mln, and EUR 0.1 mln referring to the subsidiary MP Banque, both recognised under item 190b "Other administrative expenses".
- The item "**DTA fee**" includes charges relating to the fee on DTAs that can be converted into a tax credit recognised under item 190b "Other administrative expenses", for EUR 30.6 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".
- The item "**Income tax for the period**" includes the balance of item 300 "Income tax for the period from current operations" and the portion relating to the subsidiary MP Banque for EUR -1.0 mln recognised in item 320 "Profit (Loss) after tax from discontinued operations".
- The item "**Profit (loss) after tax from discontinued operations**" includes the balance of item 320 "Profit (loss) after tax from discontinued operations" which was fully cancelled. In detail, the EUR -29.3 mln referring to the expected loss from sale of the subsidiary MP Banque was restated to "Restructuring costs/One-off costs" and the subsidiary's profit for the period of EUR +7.6 mln was restated in the related individual income statement items.
- The "**Profit (loss) for the period**" includes the balance of item 330 "**Profit (loss) for the period**".

Balance sheet data

- The asset item "**Cash and cash equivalents**" includes item 10 "Cash and cash equivalents", supplemented by the portion of the subsidiary MP Banque for EUR 693 mln, recognised in item 120 "Non-current assets held for sale and disposal groups".

- Asset item "**Loans to central banks**" includes the portion relating to operations with central banks of financial statement item 40 "Financial assets measured at amortised cost". The aggregate also incorporates the portion referring to the subsidiary MP Banque, equal to EUR 8.7 mln and recognised under item 120 "Non-current assets held for sale and disposal groups".

- Asset item "**Loans to banks**" includes the portion relating to operations with banks of financial statement item 40 "Financial assets measured at amortised cost" and item 20 "Financial assets measured at fair value through profit or loss". The aggregate also incorporates the portion referring to the subsidiary MP Banque, equal to EUR 1.1 mln and recognised under item 120 "Non-current assets held for sale and disposal groups".

- Asset item "**Loans to Customers**" includes the portion relating to loans to customers in item 20 "Financial assets measured at fair value through profit or loss", item 40 "Financial assets measured at amortised cost", including EUR 283.2 mln referring to the subsidiary MP Banque and recognised in item 120 "Non-current assets held for sale and disposal groups".

- Asset item "**Securities assets**" includes the portion relating to securities in item 20 "Financial Assets measured at fair value through profit or loss", item 30 "Financial assets measured at fair value through other comprehensive income" and item 40 "Financial assets measured at amortised cost".

- The asset item "**Derivatives**" includes the portion relating to derivatives of financial statement items 20 "Financial Assets Measured at Fair Value through Profit or Loss" and 50 "Hedging Derivatives".

- The asset item "**Equity investments**" includes item 70 "Equity investments".

- Asset item "**Property, plant and equipment and intangible assets**" includes item 90 "Property, plant and equipment", item 100 "Intangible assets" and the amounts totalling EUR 65.1 mln relating to property, plant and equipment and intangible assets in item 120 "Non-current assets held for sale and disposal groups", of which EUR 19.6 mln referring to the subsidiary MP Banque.

- Asset item "**Tax assets**" includes item 110 "Tax assets" and the portion relating to the subsidiary MP Banque, equal to EUR 1.4 mln, recognised under 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 and amounting to EUR 9.7 mln, all of which referring to the subsidiary MP Banque.
- The liability item "**Due to customers**" includes item 10b "Financial liabilities measured at amortised cost - due to customers", the component relating to customer securities of item 10c "Financial liabilities measured at amortised cost - debt securities issued" and amounts in item 70 "Liabilities associated with disposal groups" for EUR 904.6 mln referring entirely to the subsidiary MP Banque.
- Liability item "**Securities Issued**" includes financial statement item 10c "Financial Liabilities Measured at Amortised Cost - Debt Securities Issued", excluding the component relating to customer securities, and item 30 "Financial Liabilities designated at Fair Value".
- Liability item "**Due to Central Banks**" includes the portion of financial statement 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) and amounts in item 70 "Liabilities associated with disposal groups" for EUR 0.6 mln referring entirely to the subsidiary MP Banque.
- Liability item "**On-Balance-Sheet Financial Liabilities Held for Trading**" includes the portion of financial statement item 20 "Financial Liabilities Held for Trading" net of the amounts relating to derivatives for trading.
- Liability item "**Derivatives**" includes financial statement item 40 "Hedging Derivatives" and the portion related to derivatives in financial statement item 20 "Financial Liabilities Held for Trading".
- Liability item "**Provision for specific use**" includes item 90 "Employee severance indemnities", item 100 "Provisions for risks and charges" and the amounts in item 70 "Liabilities associated with assets held for sale" equal to EUR 3.7 mln and referring entirely to the subsidiary MP Banque.
- Liability item "**Tax liabilities**" includes item 60 "Tax liabilities" and the amount in item 70 "Liabilities associated with assets held for sale" equal to EUR +1.0 mln, entirely attributable to the subsidiary MP Banque.
- Liability item "**Other liabilities**" includes item 50 "Change in value of macro-hedged financial liabilities", item 80 "Other liabilities" and amounts in item 70 "Liabilities associated with disposal groups" not restated under previous items (totalling EUR 55.1 mln and referring entirely to the subsidiary MP Banque).
- Liability item "**Group net equity**" includes item 120 "Valuation reserves", item 150 "Reserves", item 170 "Share Capital", item 200 "Profit (loss) for the period".

Reclassified income statement

Reclassified Consolidated Income Statement				
MONTEPASCHI GROUP	30 06 2024	30 06 2023	Change	
			Abs.	%
Net interest income	1,172.2	1,082.8	89.4	8.3%
Net fee and commission income	735.8	670.0	65.8	9.8%
Income from banking activities	**1,908.0**	**1,752.8**	**155.2**	**8.9%**
Dividends, similar income and gains (losses) on investments	40.2	53.1	(12.9)	-24.3%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	74.8	47.1	27.7	58.8%
Net profit (loss) from hedging	1.6	0.1	1.5	n.m.
Other operating income (expenses)	6.1	(1.9)	8.0	n.m.
Total Revenues	**2,030.7**	**1,851.2**	**179.5**	**9.7%**
Administrative expenses:	(840.6)	(827.3)	(13.3)	1.6%
a) personnel expenses	(608.2)	(574.4)	(33.8)	5.9%
b) other administrative expenses	(232.4)	(252.9)	20.5	-8.1%
Net value adjustments to property, plant and equipment and intangible assets	(84.4)	(86.5)	2.1	-2.4%
Operating expenses	**(924.9)**	**(913.8)**	**(11.1)**	**1.2%**
Pre-Provision Operating Profit	**1,105.8**	**937.4**	**168.4**	**18.0%**
Cost of customer credit	**(204.0)**	**(204.9)**	**0.9**	**-0.4%**
Net impairment (losses)/reversals on securities and loans to banks	**(4.7)**	**1.6**	**(6.3)**	**n.m.**
Net operating income	**897.1**	**734.1**	**163.0**	**22.2%**
Other net provisions for risks and charges	(14.8)	(2.4)	(12.4)	n.m.
Other gains (losses) on equity investments	(3.8)	(1.3)	(2.5)	n.m.
Restructuring costs / One-off costs	(41.4)	3.6	(45.0)	n.m.
Risks and charges associated to the SRF, DGS and similar schemes	(75.4)	(58.6)	(16.8)	28.7%
DTA Fee	(30.6)	(31.5)	0.9	-2.9%
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(19.3)	(28.8)	9.5	-33.0%
Gains (losses) on disposal of investments	(6.0)	0.2	(6.2)	n.m.
Profit (Loss) for the period before tax	**705.8**	**615.3**	**90.5**	**14.7%**
Income tax for the period	453.3	3.6	449.7	n.m.
Profit (Loss) after tax	**1,159.1**	**618.9**	**540.2**	**87.3%**
Net profit (loss) for the period including non-controlling interests	**1,159.1**	**618.9**	**540.2**	**87.3%**
Net profit (loss) attributable to non-controlling interests	(0.1)	(0.1)	-	0.0%
Parent company's net profit (loss) for the period	**1,159.2**	**619.0**	**540.2**	**87.3%**

Quarterly trend in reclassified consolidated income statement						
MONTEPASCHI GROUP	2024		2023			
	2°Q 2024	1°Q 2024	4°Q 2023	3°Q 2023	2°Q 2023	1°Q 2023
Net interest income	585.2	587.0	604.2	605.0	578.3	504.5
Net fee and commission income	370.5	365.3	335.3	316.6	338.3	331.7
Income from banking activities	**955.7**	**952.3**	**939.5**	**921.6**	**916.6**	**836.2**
Dividends, similar income and gains (losses) on investments	21.2	19.0	34.4	19.7	34.4	18.7
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	40.3	34.4	12.6	7.6	22.0	25.1
Net profit (loss) from hedging	2.0	(0.4)	(2.6)	(1.9)	(0.5)	0.6
Other operating income (expenses)	(1.3)	7.4	8.6	6.0	(0.2)	(1.7)
Total Revenues	**1,017.9**	**1,012.8**	**992.5**	**953.0**	**972.3**	**878.9**
Administrative expenses:	(420.9)	(419.7)	(440.6)	(399.2)	(406.2)	(421.1)
a) personnel expenses	(303.6)	(304.6)	(320.9)	(284.3)	(286.7)	(287.6)
b) other administrative expenses	(117.3)	(115.1)	(119.7)	(114.8)	(119.5)	(133.5)
Net value adjustments to property, plant and equipment and intangible assets	(42.0)	(42.4)	(44.4)	(44.8)	(43.0)	(43.5)
Operating expenses	**(462.9)**	**(462.0)**	**(485.0)**	**(444.0)**	**(449.2)**	**(464.6)**
Pre-Provision Operating Profit	**555.0**	**550.8**	**507.6**	**509.1**	**523.1**	**414.3**
Cost of customer credit	**(98.3)**	**(105.7)**	**(133.3)**	**(102.1)**	**(97.7)**	**(107.2)**
Net impairment (losses)/reversals on securities and loans to banks	**(3.9)**	**(0.8)**	**(2.9)**	**(1.9)**	**0.1**	**1.5**
Net operating income	**452.8**	**444.3**	**371.3**	**405.1**	**425.5**	**308.6**
Other net provisions for risks and charges	(10.8)	(4.0)	466.1	7.5	4.1	(6.5)
Other gains (losses) on equity investments	(3.8)	0.0	0.1	(1.8)	0.3	(1.6)
Restructuring costs / One-off costs	(33.7)	(7.7)	(13.3)	(13.1)	9.7	(6.2)
Risks and charges associated to the SRF, DGS and similar schemes	(0.4)	(75.0)	0.1	(75.2)	(0.2)	(58.4)
DTA Fee	(15.3)	(15.3)	(15.7)	(15.7)	(15.7)	(15.7)
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(19.3)	-	(24.3)	-	(28.9)	0.1
Gains (losses) on disposal of investments	0.1	(6.1)	-	0.2	0.2	-
Profit (Loss) for the period before tax	**369.6**	**336.2**	**784.3**	**306.9**	**395.0**	**220.3**
Income tax for the period	456.8	(3.5)	338.8	2.7	(11.8)	15.4
Profit (Loss) after tax	**826.4**	**332.7**	**1,123.1**	**309.6**	**383.2**	**235.7**
Net profit (loss) for the period including non-controlling interests	**826.4**	**332.7**	**1,123.1**	**309.6**	**383.2**	**235.7**
Net profit (loss) attributable to non-controlling interests	(0.1)	-	(0.1)	-	(0.1)	-
Parent company's net profit (loss) for the period	**826.5**	**332.7**	**1,123.2**	**309.6**	**383.3**	**235.7**

Revenue trends

As at 30 June 2024, the Group achieved total **Revenues** of **EUR 2,031 mln**, up 9.7% compared to the same period of last year.

This trend is mainly due to the growth in the primary net interest and other banking income, which increased in both Net interest income (+8.3%) and on Net fee and commission income (+9.8%). Growth was also recorded in Other income from banking and insurance business.

Revenues in the second quarter of 2024 were up compared to the previous quarter (+0.5%) due to the positive trend recorded by net fee and commission income and other revenue from banking, and to the substantial stability of net interest income.

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		Large Corp. & Investment Banking					
(EUR mln)	30/06/24	*Chg. % Y/Y	30/06/24	Chg. % Y/Y	30/06/24	* Chg. % Y/Y	30/06/24	Chg. % Y/Y	30/06/24	Chg. % Y/Y	30/06/24	Chg. % Y/Y
PROFIT AND LOSS AGGREGATES												
Net interest income	698.6	34.3%	30.0	26.5%	467.4	12.2%	86.5	32.0%	(110.4)	n.m.	1,172.2	8.3%
Net fee and commission income, of which:	480.5	13.4%	59.7	7.0%	205.5	4.5%	38.0	43.8%	(48.0)	47.3%	735.8	9.8%
Fee and commission income	*523.8*	*25.2%*	*60.1*	*6.6%*	*211.0*	*-15.6%*	*49.0*	*8.4%*	*4.5*	*-53.3%*	*848.5*	*8.8%*
Fee and commission expense	*(43.3)*	*n.m.*	*(0.4)*	*-32.4%*	*(5.6)*	*-89.6%*	*(11.0)*	*-41.3%*	*(52.5)*	*24.3%*	*(112.7)*	*2.8%*
Other revenue from banking and insurance business	23.5	-30.4%	5.3	-36.7%	11.1	0.1%	60.2	92.9%	16.5	4.1%	116.6	16.3%
Other operating expenses/income	(0.2)	-87.7%	(0.1)	-60.0%	0.4	n.m.	0.0	-98.5%	6.0	n.m.	6.1	n.m.
Total Revenue	1,202.5	23.2%	95.0	8.2%	684.4	10.0%	184.7	49.0%	(135.9)	n.m.	2.030.7	9.7%

** The economic values as at 30 June 2023, used to calculate the YoY changes, were restated compared to those published at their reporting date, in order to make the data comparable following introduction of the new Small Business service model, implemented at the end of April 2024.*

Net Interest Income, equal to **EUR 1,172 mln** as at 30 June 2024, was up compared to the same period of 2023 (+8.3%; EUR 89.4 mln). The growth was mainly driven by the higher contribution from relations with central banks, hedging derivatives and the securities portfolio. In particular, a net benefit of EUR 67 mln was recognised in relations with central banks as at 30 June 2024, compared to a net cost of EUR 60 mln in the corresponding period of 2023. This performance reflects, among other things, the change in the net position vis-à-vis the ECB from an average debit balance of EUR 3.2 bn as at 30 June 2023 to an average credit balance of EUR 4.2 bn as at 30 June 2024. The positive trends mentioned above were partly offset by the higher cost of bond issues, mainly as a result of the renewed use of the institutional market and in relations with customers, to an increase in cost of funding reflecting higher funding volumes and higher interest rate levels.

Net interest income in the second quarter of 2024 was essentially stable compared to the previous quarter (-0.3%, EUR -1.8 mln) mainly due to: (i) the decline in the contribution of customer deposits, mainly due to the growth in funding volumes and rates; (ii) higher interest expense on outstanding securities following the issue of an institutional senior bond in March and a covered bond in April and (iii) the positive performance in operations with central banks and trading books. In particular, in relations with central banks, the net benefit rose from EUR 21 mln in the first quarter of 2024 to EUR 45 mln in the second quarter of 2024. This trend reflects, among other things, the evolution of the average positive balances with the ECB, from EUR 2.7 bn in the first quarter of 2024 to EUR 5.6 bn in the second quarter of 2024.

Items	30 06 2024	30 06 2023	Chg. Y/Y		2°Q 2024	1°Q 2024	Chg. Q/Q	
			Abs.	%			Abs.	%
Loans to customers measured at amortised cost	1,049.4	1,172.3	(122.9)	-10.5%	511.0	538.4	(27.4)	-5.1%
Loans to Banks measured at amortised cost	53.5	28.4	25.1	88.4%	26.0	27.4	(1.4)	-5.1%
Loans to Central Banks	66.8	(60.1)	126.9	n.m.	45.5	21.4	24.1	n.m.
Government securities and other non-bank issuers at amortised cost	132.5	100.3	32.2	32.1%	65.1	67.4	(2.3)	-3.4%
Securities issued	(238.4)	(172.9)	(65.5)	37.9%	(123.0)	(115.4)	(7.6)	6.6%
Hedging derivatives	5.4	(64.6)	70.0	n.m.	4.3	1.1	3.2	n.m.
Trading portfolios	25.7	27.1	(1.4)	-5.2%	16.4	9.3	7.1	76.3%
Portfolios measured at fair value	3.7	3.7	-	0.0%	1.9	1.8	0.1	5.6%
Financial assets measured at fair value through other comprehensive income	21.0	23.6	(2.6)	-11.0%	11.1	9.9	1.2	12.1%
Other financial assets and liabilities	52.6	25.0	27.6	n.m.	26.9	25.7	1.2	4.7%
Net interest income	**1,172.2**	**1,082.8**	**89.4**	**8.3%**	**585.2**	**587.0**	**(1.8)**	**-0.3%**
of which: interest income on impaired financial assets	*50.7*	*36.9*	*13.8*	*37.4%*	*24.4*	*26.3*	*(1.9)*	*-7.2%*

Net fee and commission income, totalling **EUR 736 mln** as at 30 June 2024, recorded an increase compared to the same period of the previous year (+9.8%). The positive performance is mainly attributable to management/brokerage and advisory activities (+20.0%; EUR +60.4 mln) and, to a lesser extent, commercial banking activity (+1.5%; EUR +5.4 mln). In detail, in the first commissions area, the contribution of distribution and portfolio management increased (+31.3%; EUR 55.6 mln) and insurance products (+7.5%; EUR 7.5 mln). In the commercial banking area, commission income on guarantees (EUR +16.3 mln) and other net fee and commission income (EUR +6.6 mln) were partly offset by lower commission on current accounts (EUR -13.7 mln) in relation to the Bank's reduction of account maintenance costs applied to customers. The result for the second quarter of 2024 was an improvement on the previous quarter (+1.4%), due to the combined effect of higher income recorded from commercial banking (+5.7%, EUR 10.3 million) and the decrease in fees for management/brokerage and advisory activities (-2.8%, EUR -5.1 mln) which were affected by fewer placements of government securities.

Services / Amounts	30 06 2024	30 06 2023	Chg. Y/Y		2°Q 2024	1°Q 2024	Chg. Q/Q	
			abs.	%			abs.	%
Loans	122.7	120.9	1.8	1.5%	64.2	58.5	5.7	9.7%
Current accounts	108.1	121.8	(13.7)	-11.2%	54.1	54.0	0.1	0.2%
Payment services	60.2	61.8	(1.6)	-2.6%	30.7	29.5	1.2	4.1%
Debit cards and Credit cards	42.0	45.9	(3.9)	-8.5%	20.5	21.5	(1.0)	-4.7%
Guarantee issued and received	14.8	(1.5)	16.3	n.s.	8.1	6.7	1.4	20.9%
Other net fee and commissions	25.5	18.9	6.6	34.9%	14.2	11.3	2.9	25.7%
Fee from commercial banking activities	**373.3**	**367.9**	**5.4**	**1.5%**	**191.8**	**181.5**	**10.3**	**5.7%**
Portfolio management	233.4	177.8	55.6	31.3%	118.7	114.8	3.9	3.4%
Insurance product	107.7	100.2	7.5	7.5%	53.1	54.6	(1.5)	-2.7%
Financial advisors	(30.2)	(25.8)	(4.4)	17.1%	(15.3)	(14.9)	(0.4)	2.7%
Placement of securities and currency	40.2	40.3	(0.1)	-0.2%	16.0	24.2	(8.2)	-33.9%
Other brokerage/management and advisory fees	11.4	9.5	1.9	20.0%	6.3	5.2	1.1	21.2%
Brokerage/management and advisory activities	**362.5**	**302.1**	**60.4**	**20.0%**	**178.7**	**183.8**	**(5.1)**	**-2.8%**
Net fee and commission income	**735.8**	**670.0**	**65.8**	**9.8%**	**370.5**	**365.3**	**5.2**	**1.4%**

The opening balances of fee and commission income for each operating segment identified are indicated below.

SEGMENT REPORTING	Operating segments					
Primary segment	Retail banking	Wealth Management	Corporate banking	Large Corp. & Investment Banking	Corporate Center	Total Montepaschi Group
	30/06/24	30/06/24	30/06/24	30/06/24	30/06/24	30/06/24
Fee from commercial banking activities	213,452	6,341	193,047	31,186	2,540	446,566
Brokerage/management and advisory activities	310,324	53,770	17,993	17,848	1,981	401,915
Fee and commission income	**523,776**	**60,111**	**211,040**	**49,034**	**4,521**	**848,481**

Of the Group's **Fee and commission income** referring to the Commercial segments, 52.6% derives from traditional banking business and 47.4% from management/brokerage and advisory activities.

Specifically, of the fee and commission income generated by commercial banking activity, 48.1% was from Retail banking, 43.5% from Corporate banking, 7.0% from Large Corporate & Investment banking and 1.4% Wealth Management.

As regards management/brokerage and advisory activities, on the other hand, Retail banking accounts for 77.6%, Wealth Management for 13.4%, Corporate banking for 4.5% and Large Corporate & Investment banking for 4.5%.

Dividends, similar income and gains (losses) on equity investments amounted to **EUR 40 mln**, down by EUR 13 mln compared to 30 June 2023 relating to the reduced contribution of the insurance companies. The result for the second quarter of 2024 was up compared to the previous quarter (EUR +2 mln), due to the positive impact of dividend income collected from the Bank of Italy in April 2024 (EUR +8.5 mln), partially offset by the lower contribution of insurance companies.

Net profit (loss) from trading, the fair value measurement of assets/liabilities and net gains on disposal/repurchase as at 30 June 2024 amounted to **EUR 75 mln**, an increase compared to the values recorded in the same period of the previous year (EUR +28 mln). The second quarter trend was also positive, up compared to the previous quarter (EUR +6 mln). The analysis of the main aggregates shows the following:

- **Net profit from trading** was **EUR 83 mln**, compared to the EUR 49 mln recorded in the same period of the previous year (EUR +34 mln). The growth is mainly attributable to the greater contribution of market making activities which, in the first quarter of 2024, benefited from a favourable market context as well as the positive effects resulting from the early closure of some accounting hedges as part of the interest margin stabilisation strategy. The positive contribution of the second quarter fell by EUR 9 mln compared to the previous quarter.

- **Net profit (loss) from other assets/liabilities measured at fair value through profit or loss recorded a profit of EUR 4 mln**, up compared the final figure of EUR -2 mln for the same period of the previous year. The contribution for the second quarter of 2024 was also up compared to the previous quarter (EUR +1 mln).
- The **gains (losses) from disposal/repurchase** (excluding loans to customers at amortised cost) were negative for **EUR 12 mln**, compared to EUR +0.2 mln as at 30 June 2023, mainly due to the restructuring of the investment portfolio in support of net interest income. The contribution for the second quarter of 2024, positive for EUR 1 mln, was up from EUR -13 mln in the previous quarter.

Items	30 06 2024	30 06 2023	Chg. Y/Y		2°Q 2024	1°Q 2024	Chg. Q/Q	
			Abs.	%			Abs.	%
Financial assets held for trading	4.2	100.7	(96.5)	-95.9%	(30.1)	34.3	(64.4)	n.m.
Financial liabilities held for trading	24.9	(49.9)	74.8	n.m.	27.5	(2.6)	30.1	n.m.
Exchange rate effects	6.2	(0.3)	6.5	n.m.	1.7	4.5	(2.8)	-62.2%
Derivatives	47.3	(1.9)	49.2	n.m.	37.5	9.8	27.7	n.m.
Trading results	**82.6**	**48.6**	**34.0**	**70.0%**	**36.6**	**46.0**	**(9.4)**	**-20.4%**
Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss	3.8	(1.7)	5.5	n.m.	2.6	1.2	1.4	n.m.
Disposal / repurchase (excluding loans to customers measured at amortised cost)	(11.6)	0.2	(11.8)	n.m.	1.1	(12.8)	13.9	n.m.
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	**74.8**	**47.1**	**27.7**	**58.8%**	**40.3**	**34.4**	**5.9**	**17.2%**

The following items are also included in Revenues:

- **The net profit (loss) from hedging** was **EUR 2 mln**, compared to the essentially zero result achieved in the same period of the previous year. The contribution for the second quarter of 2024 was positive for EUR 2 mln (compared to EUR -0.4 mln in the previous quarter);
- **Other operating income/expenses** amounted to EUR 6 mln (compared to the EUR -2 mln in the same period last year). The contribution for the second quarter of 2024 was EUR -1 mln (contribution of EUR +7 mln in the previous quarter).

Operating expenses

As at 30 June 2024, **Operating expenses** amounted to **EUR 925 mln**, up compared to the first half of 2023 (+1.2%); the contribution of the second quarter of 2024 instead remained essentially stable compared to the previous quarter (+0.2%). A closer look at the individual aggregates reveals the following:

- **Administrative expenses** amounted to **EUR 841 mln**, up compared to the first half of 2023 (+1.6%), with a contribution in the second quarter of 2024 essentially in line with the previous quarter (+0.3%). A breakdown of the aggregate shows:
  - **Personnel expenses**, which amounted to EUR 608 mln, are higher than those recorded in the corresponding period of the previous year (+5.9%), as a consequence of the increased costs resulting from renewal of the banking industry National Collective Labour Agreement in November last year. The contribution of the second quarter of 2024 shows a slight decrease compared to the previous quarter (-0.3%);
  - **Other administrative expenses**, amounting to **EUR 232 mln**, were down compared to 30 June 2023 (-8.1%), also due to the implementation of a rigorous expenditure management process and the focus on cost optimisation actions. The contribution of the second quarter of 2024 was slightly higher than for the previous quarter (+1.9%), reflecting charges related to local taxes and project implementation.

- **Net adjustments to property, plant and equipment and intangible assets** amounted to **EUR 84 mln** as at 30 June 2024, down compared to 30 June 2023 (-2.4%); the contribution of the second quarter of 2024 was essentially stable compared to the previous quarter.

Type of transaction	30 06 2024	30 06 2023	Chg Y/Y		2°Q 2024	1°Q 2024	Chg. Q/Q	
			Abs.	%			Abs.	%
Wages and salaries	(434.1)	(410.9)	(23.2)	5.6%	(216.0)	(218.1)	2.1	-1.0%
Social-welfare charges	(118.4)	(114.0)	(4.4)	3.9%	(58.9)	(59.5)	0.6	-1.0%
Other personnel expenses	(55.7)	(49.5)	(6.2)	12.5%	(28.7)	(27.0)	(1.8)	6.3%
Personnel expenses	**(608.2)**	**(574.4)**	**(33.8)**	**5.9%**	**(303.6)**	**(304.6)**	**0.9**	**-0.3%**
Taxes	(105.0)	(103.3)	(1.7)	1.6%	(53.7)	(51.3)	(2.4)	4.7%
Furnishing, real estate and security expenses	(40.0)	(48.3)	8.3	-17.2%	(19.4)	(20.6)	1.2	-5.8%
General operating expenses	(83.6)	(91.9)	8.3	-9.0%	(42.0)	(41.6)	(0.4)	1.0%
Information technology expenses	(60.2)	(53.8)	(6.4)	11.9%	(30.6)	(29.5)	(1.1)	3.7%
Legal and professional expenses	(28.3)	(29.9)	1.6	-5.4%	(15.1)	(13.2)	(1.9)	14.4%
Indirect personnel costs	(2.6)	(2.0)	(0.6)	30.0%	(1.5)	(1.1)	(0.4)	36.4%
Insurance	(7.4)	(8.8)	1.4	-15.9%	(3.4)	(4.0)	0.6	-15.0%
Advertising, sponsorship and promotions	(1.1)	(4.2)	3.1	-73.8%	(0.6)	(0.5)	(0.1)	20.0%
Other	(6.3)	(6.3)	-	0.0%	(2.9)	(3.5)	0.6	-17.1%
Expenses recovery	102.1	95.6	6.5	6.8%	51.9	50.2	1.7	3.4%
Other administrative expenses	**(232.4)**	**(252.9)**	**20.5**	**-8.1%**	**(117.3)**	**(115.1)**	**(2.2)**	**1.9%**
Property, plant and equipment	(51.1)	(54.5)	3.4	-6.2%	(25.4)	(25.7)	0.3	-1.2%
Intangible assets	(33.3)	(32.0)	(1.3)	4.1%	(16.6)	(16.7)	0.1	-0.6%
Net value adjustments to property, plant and equipment and intangible assets	**(84.4)**	**(86.5)**	**2.1**	**-2.4%**	**(42.0)**	**(42.4)**	**0.4**	**-0.9%**
Operating expenses	**(924.9)**	**(913.8)**	**(11.1)**	**1.2%**	**(462.9)**	**(462.0)**	**(0.9)**	**0.2%**

As a result of these trends, the Group's **Gross operating income** amounted to **EUR 1,106 mln,** up 18% compared to 30 June 2023 (EUR 937 mln). The contribution for the second quarter (EUR 555 mln) was also up compared to the previous quarter (EUR 551 mln).

Cost of Customer Credit

As at 30 June 2024, the Group recognised a **Cost of Customer Credit** equal to **EUR 204 mln**, essentially stable compared with EUR 205 mln recorded in the corresponding period of the previous year. The contribution of the second quarter of 2024 shows a decrease compared to the previous quarter (-7.0%, EUR -7.4 mln), linked to reduced default flows recorded in the second quarter.

As at 30 June 2024, the ratio of the annualised Cost of customer credit to the sum of loans to customers and the value of securities from sales/securitisations of non-performing loans result in an improving trend, with a **Provisioning rate** of **52 bps** (54 bps as at 31 March 2024 and 57 bps as at 31 December 2023).

Items	30 06 2024	30 06 2023	Chg. Y/Y		2°Q 2024	1°Q 2024	Chg. Q/Q	
			Abs.	%			Abs.	%
Loans to customers measured at amortised cost	(223.7)	(195.9)	(27.8)	14.2%	(104.4)	(119.3)	14.9	-12.5%
Modification gains/(losses)	(4.9)	(0.3)	(4.6)	n.m.	(2.7)	(2.2)	(0.5)	22.7%
Gains/(losses) on disposal/repurchase of loans to customers measured at amortised cost	0.8	(0.2)	1.0	n.m.	0.8	-	0.8	-
Net change of Loans to customers mandatorily measured at fair value	(1.0)	(0.6)	(0.4)	66.7%	(0.5)	(0.5)	-	0.0%
Net provisions for risks and charges on commitments and guarantees issued	24.8	(7.9)	32.7	n.m.	8.5	16.3	(7.8)	-47.9%
Cost of customer credit	**(204.0)**	**(204.9)**	**0.9**	**-0.4%**	**(98.3)**	**(105.7)**	**7.4**	**-7.0%**

The **Net operating income** of the Group as at 30 June 2024 stood at **EUR 897 mln**, compared to EUR 734 mln in the first half of 2023. The contribution for the second quarter of 2024 was EUR 453 mln, up from EUR 444 mln in the previous quarter.

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

The **Profit (Loss) for the Period** included the following items:

- **Net provisions for risks and charges** equal to **EUR -15 mln** in the first half of 2024, compared to EUR -2 mln recognised in the same period of the previous year. The contribution for the second quarter of 2024 was EUR -11 mln, compared to EUR -4 mln in the previous quarter.
- **Other gains (losses) on equity investments** equal to **EUR -4 mln** were entirely recognised in the second quarter, compared to a loss of EUR 1 mln recognised as at 30 June 2023.
- **Restructuring charges/One-off costs** amounted to **EUR -41 mln**, compared with the positive contribution of EUR 4 mln in the first half of 2023. The first half of 2024 includes the expected impact of the disposal of the subsidiary MP Banque for EUR -29.3 mln, recognised in the second quarter. The result for the second quarter of 2024 was EUR -34 mln, up compared to EUR -8 mln in the previous quarter, as a result of the aforementioned transaction.
- **Risks and charges associated with SRF, DGS and similar schemes**, equal to **EUR -75 mln**, were recognised in the first quarter and consisted of the 2024 contribution to the deposit guarantee scheme (DGS) for the Group's Italian banks which, in the previous year, was recognised in the third quarter. In the corresponding period of 2023, the contribution of EUR -59 mln was recorded for the Single Resolution Fund (SRF), not payable in the current year[11].
- **DTA fee**, amounting to **EUR -31 mln**, essentially unchanged compared to the same period of the previous year; the contribution for the second quarter of 2024 was also in line with the previous quarter. This amount,

[11] The Articles of Association of the Interbank Deposit Protection Fund (FITD), in line with the provisions of the DGS Directive, require the Fund to allocate available funds until the target-level is reached, i.e. 0.8% of total protected deposits by 3 July 2024. To allow achievement of the target level by the legal deadline, as an exception measure the FITD called for payment of the 2024 contribution by 2 July 2024. With regard to the annual contribution payable to the Single Resolution Fund, the Single Resolution Board (SRB) announced that no contribution to the European banking system will be required in 2024, unless there specific circumstances or resolution actions arise that call for recourse to the Single Resolution Fund.

determined according to the criteria set forth in Italian Law Decree 59/2016, converted into Law no. 119 of 30 June 2016, represents the fee as at 30 June 2024 on DTAs (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** were equal to **EUR -19 mln** (all recognised in the second quarter of 2024) as a result of the half-yearly update to property valuations, compared to the loss of EUR -29 mln recorded in the same period of 2023.
- **Gains (losses) on disposal of investments**, equal to EUR -6 mln as at 30 June 2024 due to finalisation of the sale of a property in the first quarter, against the near-zero result for the same period of the previous year.

As a result of the trends highlighted above, the Group's **Profit for the period before tax** amounted to **EUR 706 mln**, up compared to the Pre-tax profit of EUR 615 mln recorded in the corresponding period of 2023. The result for the second quarter of 2024 was EUR 370 mln, up EUR 33 mln compared to the previous quarter.

Income tax for the period recorded a positive contribution of **EUR 453 mln** (a positive EUR 4 mln as at 30 June 2023), mainly attributable to the revaluation of DTAs after the update to income projections for the Group in the new 2024-2028 Business Plan, net of tax relating to profit for the first half of the year.

As a result of the trends described above, the **Parent Company's profit (loss) for the period amounted to EUR 1,159 mln** as at 30 June 2024, almost doubled compared to a profit of EUR 619 mln in the first half of 2023. The result for the second quarter, equal to EUR 827 mln, was up compared to the previous quarter (EUR 333 mln).

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

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

	Shareholders' equity	Net profit (loss) for the period
Parent Company's net equity	10,479.3	1,176.2
of which Parent Company's valuation reserves	*(2.7)*	-
Impact of line-by-line consolidation of subsidiaries	(16.3)	(2.5)
Impact of consolidation of jointly controlled entities and associates	121.3	23.8
Reversal of dividends from subsidiaries	-	(35.6)
Reversal of written-down equity investments	193.1	-
Other adjustments	13.7	(2.8)
Subsidiaries' and associates' valuation reserves	4.0	-
Consolidated balance	**10,795.0**	**1,159.2**
of which valuation reserves	*1.3*	

Reclassified balance sheet

The (i) reclassified balance sheet as at 30 June 2024 compared with the balances in the financial statements as at 31 December 2023 and (ii) the statement of its quarterly evolution starting from the first quarter of the previous year are provided below.

Reclassified Consolidated Balance Sheet

Assets	30 06 2024	31 12 2023	Chg abs.	Chg %
Cash and cash equivalents	17,692.0	14,317.3	3,374.7	23.6%
Loans to central banks	566.4	526.8	39.6	7.5%
Loans to banks	2,670.9	2,582.2	88.7	3.4%
Loans to customers	77,974.7	76,815.6	1,159.1	1.5%
Securities assets	18,398.6	17,276.9	1,121.7	6.5%
Derivatives	2,909.0	2,776.3	132.7	4.8%
Equity investments	708.1	726.7	(18.6)	-2.6%
Property, plant and equipment/Intangible assets	2,356.0	2,482.7	(126.7)	-5.1%
of which: goodwill	*7.9*	*7.9*	-	*0.0%*
Tax assets	2,523.8	2,150.9	372.9	17.3%
Other assets	2,901.0	2,958.3	(57.3)	-1.9%
Total assets	**128,700.5**	**122,613.7**	**6,086.8**	**5.0%**

Liabilities	30 06 2024	31 12 2023	Chg abs.	Chg %
Direct funding	96,521.6	90,639.0	5,882.6	*6.5%*
a) Due to customers	86,180.1	80,558.4	5,621.7	7.0%
b) Securities issued	10,341.5	10,080.6	260.9	*2.6%*
Due to central banks	12,009.7	13,148.2	(1,138.5)	-8.7%
Due to banks	1,114.1	1,350.6	(236.5)	-17.5%
On-balance-sheet financial liabilities held for trading	2,932.7	1,823.2	1,109.5	60.9%
Derivatives	1,353.6	1,361.7	(8.1)	*-0.6%*
Provisions for specific use	934.8	1,050.3	(115.5)	-11.0%
a) Provision for staff severance indemnities	70.1	72.0	(1.9)	-2.6%
b) Provision related to guarantees and other commitments given	129.5	154.3	(24.8)	-16.1%
c) Pension and other post-retirement benefit obligations	3.2	3.4	(0.2)	-5.9%
d) Other provisions	732.0	820.6	(88.6)	-10.8%
Tax liabilities	5.9	9.1	(3.2)	-35.2%
Other liabilities	3,032.7	3,252.4	(219.7)	-6.8%
Group net equity	10,795.0	9,978.5	816.5	8.2%
a) Valuation reserves	1.3	27.9	(26.6)	-95.3%
d) Reserves	2,181.0	445.3	1,735.7	n.m.
f) Share capital	7,453.5	7,453.5	-	0.0%
h) Net profit (loss) for the period	1,159.2	2,051.8	(892.6)	-43.5%
Non-controlling interests	0.4	0.7	(0.3)	-42.9%
Total Liabilities and Shareholders' Equity	**128,700.5**	**122,613.7**	**6,086.8**	**5.0%**

Reclassified Consolidated Balance Sheet - Quarterly Trend						
Assets	**30 06 2024**	**31 03 2024**	**31 12 2023**	**30 09 2023**	**30 06 2023**	**31 03 2023**
Cash and cash equivalents	17,692.0	16,003.5	14,317.3	13,514.5	11,769.1	14,512.4
Loans to central banks	566.4	832.4	526.8	522.6	544.1	656.4
Loans to banks	2,670.9	2,313.0	2,582.2	2,270.1	2,237.9	2,125.8
Loans to customers	77,974.7	78,422.9	76,815.6	77,981.6	76,056.0	77,755.6
Securities assets	18,398.6	18,175.7	17,276.9	18,323.3	19,589.7	18,652.3
Derivatives	2,909.0	2,734.6	2,776.3	3,122.8	3,023.6	3,215.9
Equity investments	708.1	739.1	726.7	689.1	677.3	772.0
Property, plant and equipment/Intangible assets	2,356.0	2,423.1	2,482.7	2,499.6	2,495.8	2,567.1
of which: goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Tax assets	2,523.8	2,153.0	2,150.9	1,922.4	2,065.6	2,219.7
Other assets	2,901.0	2,978.0	2,958.3	2,346.4	2,342.0	1,808.8
Total assets	**128,700.5**	**126,775.3**	**122,613.7**	**123,192.4**	**120,801.1**	**124,286.0**

Liabilities	**30 06 2024**	**31 03 2024**	**31 12 2023**	**30 09 2023**	**30 06 2023**	**31 03 2023**
Direct funding	96,521.6	92,718.1	90,639.0	89,414.6	84,142.3	84,067.0
a) Due to customers	86,180.1	83,204.1	80,558.4	79,494.9	74,726.7	74,708.3
b) Securities issued	10,341.5	9,514.0	10,080.6	9,919.7	9,415.6	9,358.7
Due to central banks	12,009.7	11,629.3	13,148.2	13,105.6	15,283.4	19,317.2
Due to banks	1,114.1	1,304.4	1,350.6	1,790.8	1,897.7	1,884.6
On-balance-sheet financial liabilities held for trading	2,932.7	5,164.3	1,823.2	3,614.6	2,859.9	3,276.3
Derivatives	1,353.6	1,396.7	1,361.7	1,493.9	1,554.5	1,608.7
Provisions for specific use	934.8	1,012.1	1,050.3	1,501.9	1,523.3	1,554.2
a) Provision for staff severance indemnities	70.1	72.0	72.0	67.7	67.7	69.9
b) Provision related to guarantees and other commitments given	129.5	138.0	154.3	152.6	148.6	152.8
c) Pension and other post-retirement benefit obligations	3.2	3.3	3.4	3.5	3.7	3.8
d) Other provisions	732.0	798.8	820.6	1,278.1	1,303.3	1,327.7
Tax liabilities	5.9	9.9	9.1	8.3	7.0	6.9
Other liabilities	3,032.7	3,232.8	3,252.4	3,454.9	5,032.7	4,441.3
Group net equity	10,795.0	10,307.1	9,978.5	8,807.1	8,499.5	8,128.9
a) Valuation reserves	1.3	25.8	27.9	(15.8)	(18.4)	7.2
d) Reserves	2,181.0	2,495.1	445.3	440.8	445.4	432.5
f) Share capital	7,453.5	7,453.5	7,453.5	7,453.5	7,453.5	7,453.5
h) Net profit (loss) for the period	1,159.2	332.7	2,051.8	928.6	619.0	235.7
Non-controlling interests	0.4	0.6	0.7	0.7	0.8	0.9
Total Liabilities and Shareholders' Equity	**128,700.5**	**126,775.3**	**122,613.7**	**123,192.4**	**120,801.1**	**124,286.0**

Customer funding

As at 30 June 2024, the Group's **Total funding** volumes amounted to **EUR 196.4 bn**, highlighting an increase of EUR 3.6 bn compared to 31 March 2024 in Direct funding (EUR +3.8 bn). Indirect funding was essentially stable (EUR -0.2 bn).

The aggregate was up also compared to 31 December 2023 (EUR +8.9 bn), due to the increase in Direct Funding (EUR +5.9 bn) and Indirect Funding (EUR +3.0 bn).

The market share[12] of the Group on direct funding stood at 3.39% (figure updated to May 2024), in line with December 2023 (3.39%), while the market share on demand deposits was 4.69%, this also essentially in line with December 2023 (4.67%).

Background

In the first five months of 2024, direct funding remained essentially unchanged (+0.17% in May compared to December 2023) despite the reduction (EUR -18.5 bn) in deposits from Italian residents in the same period.
Funding was supported by bonds which, in the early months of the year, showed a significant expansion of +2.1% in May compared to the end of the previous year (+18.8% growth YoY) while Eurosystem funding reduced against the reimbursement of a further EUR 85 bn obtained through TLTRO III transactions and the decrease in overnight deposits with the ECB.

The trend in funding is characterised by a redistribution of volumes to more costly funding sources. Funding performance is influenced, on the one hand, by the growth in deposits in the production sector (non-financial companies and family businesses), which in May 2024 recorded an increase of +3.9% compared to volumes for the same period of the previous year (but remain essentially unchanged compared to December 2023 volumes), and on the other hand by a thinning of deposits from consumer households which reduce savings by -1.5% compared to the year-end balances and -2.6% if measured over 12 months. The negative balance of deposits on the entire private-non-financial sector is offset by the growing bond component.
With reference to the types of funding, while the dynamics of current accounts payable were negative (-2.5% in May compared to the figure at the end of 2023), deposits with a fixed term rose further (+4.3% compared to the figure at the end of 2023 and +18.8% YoY) and deposits redeemable with notice essentially remained stable.
In May, the interest rate on deposits of non-financial companies and households stood at around 1.05%, gradually increasing (+8 bps since last December): the rate on current accounts shows a similar trend with an increase of 4 bps on the year-end figure and, in May, stood at a value close to 0.57%, while that on fixed-term deposits increased by a further 16 bps to reach 3.48% in May. As regards bonds, the average rate on balances was up to approx. 2.86% (+13 bps) from 2.72% at the end of 2023.

On the asset management market, the first five months of the year showed negative net inflows of EUR -11.4 bn. Funds recorded a negative net funding balance of EUR -7.5 bn, while retail asset management showed positive net inflows of EUR +3.4 bn. At category level, savers mainly focused their choices on bond funds (EUR +24.5 bn in net inflows from January to May); while equity funds (EUR -10.3 bn), balanced funds (EUR -9.4 bn) and flexible funds (EUR -9.9 bn) were divested. Total assets under management at the end of May stood at EUR 2,334 bn, essentially in line with the first quarter of the year. For the life insurance market, in the first five months of the year, new business was recorded for EUR 36.7 bn, compared to EUR 32.4 bn in the same period of the previous year, showing a growth of about 13%. In the distribution channel of bank and post office branches, growth was recorded in the first five months of 2024 in the placement of traditional products (+5% YoY) and of classic units (+20%), while hybrid solutions, which have been shrinking for two years now, recorded -3.3% YoY. With reference to the placement channels for life insurance products, in the first five months of the year bank and post office branches brokered a turnover of 67.4%. The performance was also positive for the financial advisors channel (15.2% YoY) and the agency channel (11.6% YoY).

Customer Funding

					Chg. Q/Q		Chg 31/12		Chg. Y/Y	
	30/06/24	31/03/24	31/12/23	30/06/23	Abs.	%	Abs.	%	Abs.	%
Direct funding	96,521.6	92,718.1	90,639.0	84,142.3	3,803.5	4.1%	5,882.6	6.5%	12,379.3	14.7%
Indirect funding	99,878.7	100,085.9	96,844.9	94,704.3	(207.2)	-0.2%	3,033.8	3.1%	5,174.4	5.5%
Total funding	**196,400.3**	**192,804.0**	**187,483.9**	**178,846.6**	**3,596.3**	**1.9%**	**8,916.4**	**4.8%**	**17,553.7**	**9.8%**

Volumes of Direct funding stood at **EUR 96.5 bn**, up compared to the end of March 2024 (EUR +3.8 bn). There was a general increase in all segments: current accounts (EUR +2.2 bn), term deposits (EUR +0.4 bn),

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

repo agreements (EUR +0.4 bn) and bonds (EUR +0.8 bn), after the issue of a covered bond in April, while other forms of funding remained essentially stable.

The aggregate also increased compared to 31 December 2023 (EUR +5.9 bn). The growth, also in this case, affected all segments: current accounts (EUR +1.2 bn), term deposits (EUR +1.8 bn), repo agreements (EUR +2.6 bn) and bonds (EUR +0.3 bn), while other forms of funding remained essentially stable.

Direct funding

Type of transaction	30/06/24	31/03/24	31/12/23	30/06/23	Chg. Q/Q		Chg. 31.12		Chg. Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Current accounts	66,640.1	64,458.6	65,446.3	63,005.5	2,181.5	3.4%	1,193.8	1.8%	3,634.6	5.8%
Time deposits	7,714.8	7,353.0	5,947.6	4,761.9	361.8	4.9%	1,767.2	29.7%	2,952.9	62.0%
Reverse repurchase agreements	9,179.2	8,769.3	6,565.1	4,394.1	409.9	4.7%	2,614.1	n.m.	4,785.1	n.m.
Bonds	10,341.6	9,514.0	10,080.6	9,415.6	827.6	8.7%	261.0	2.6%	926.0	9.8%
Other types of direct funding	2,645.9	2,623.2	2,599.4	2,565.2	22.7	0.9%	46.5	1.8%	80.7	3.1%
Total	**96,521.6**	**92,718.1**	**90,639.0**	**84,142.3**	**3,803.5**	**4.1%**	**5,882.6**	**6.5%**	**12,379.3**	**14.7%**

Indirect funding amounted to approx. **EUR 99.9 bn**, essentially stable compared to 31 March 2024 (EUR -0.2 bn), with an increase in assets under management (EUR +0.4 bn) and a decline in assets under custody (EUR -0.7 bn). Asset management benefited from the positive market effect, while the trend for assets under custody, despite the net inflows recorded again in the second quarter, is attributable to a negative market effect.

Compared to 31 December 2023, indirect funding saw an increase of EUR 3.0 bn, due to the growth in assets under custody (EUR +1.4 bn), recorded mainly on the government securities component, and the growth in assets under management (EUR +1.7 bn), linked mainly to a positive market effect.

Indirect Funding

	30/06/24	31/03/24	31/12/23	30/06/23	Chg. Q/Q		Chg. 31/12		Chg. Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Assets under management	58,554.5	58,111.6	56,887.8	56,867.1	442.9	0.8%	1,666.7	2.9%	1,687.4	3.0%
Funds	*28,235.3*	*27,690.4*	*26,745.5*	*26,486.0*	*544.8*	*2.0%*	*1,489.7*	*5.6%*	*1,749.2*	*6.6%*
Individual Portfolio under Management	*5,302.3*	*5,155.1*	*4,961.0*	*4,332.4*	*147.2*	*2.9%*	*341.3*	*6.9%*	*969.9*	*22.4%*
Bancassurance	*25,017.0*	*25,266.0*	*25,181.3*	*26,048.7*	*(249.1)*	*-1.0%*	*(164.3)*	*-0.7%*	*(1,031.8)*	*-4.0%*
Assets under custody	41,324.2	41,974.3	39,957.1	37,837.1	(650.1)	-1.5%	1,367.1	3.4%	3,487.0	9.2%
Government securities	*18,977.6*	*18,743.5*	*18,055.4*	*15,888.3*	*234.1*	*1.2%*	*922.2*	*5.1%*	*3,089.3*	*19.4%*
Others	*22,346.6*	*23,230.8*	*21,901.7*	*21,948.8*	*(884.2)*	*-3.8%*	*444.9*	*2.0%*	*397.8*	*1.8%*
Total funding	**99,878.7**	**100,085.9**	**96,844.9**	**94,704.3**	**(207.2)**	**-0.2%**	**3,033.8**	**3.1%**	**5,174.4**	**5.5%**

Loans to customers

As at 30 June 2024, the Group **Loans to customers** reached **EUR 78.0 bn**, down compared to 31 March 2024 (EUR -0.4 bn), especially on mortgages (EUR -0.5 bn) which mainly include instalments falling due. The other components were essentially stable.

The aggregate was up (EUR +1.2 bn) compared to 31 December 2023. The increase in other loans (EUR +0.4 bn) and repurchase agreements (EUR +1.0 bn) more than offset the decrease in mortgages (EUR -0.3 bn) and current accounts (EUR -0.1 bn). Non-performing loans were essentially stable (EUR +0.1 bn).

The Group's market share[13] was 4.37% (updated to May 2024), up from 4.33% in December 2023.

Background

In the first few months of 2024, the negative trend in bank loans to ordinary customers continued, with a drop in volumes that reached -1.95% in May compared to December 2023 (-2.1% YoY). Loans to the private sector (net of repurchase agreements with central counterparties and adjusted for exposures sold and derecognised) recorded a negative change close to -1.4% in May compared to the figure at the end of 2023. The decrease in loans to the production sector was more limited, recording -0.8% in May compared to last December (-3.8% YoY). The trend in the production sector is due to the lower financial requirements resulting from the slowing economy and, above all, to the use of internal funding sources. In fact, the use of liquidity by companies continues, thereby limiting the use of short-term loans.

In the first few months of the year, loans to households continued the negative growth already recorded in 2023, with a decrease of -0.9% in May compared to December (-1.8% decrease YoY). Specifically, we are witnessing the pressure of certain conflicting phenomena: on the one hand, the stagnation of home purchase mortgages, which are affected by real estate market uncertainties despite the drop in interest rates; on the other hand, the positive component of consumer credit (the only one recording growth), supported by the good performance of household spending on durable goods. Lastly, note the closure of a number of debt positions of households to banks, due to use of the increased liquidity.

With regard to interest rates, there has been a slight increase as concerns the stock of loans to non-financial companies (5.36% in May; +5 bps since December 2023) as well as to households (4.28% in May, +4 bps since December). On new business transactions, the average rate decreased by more than 7 bps from the values at the end of 2023, standing at 5.38% in May compared to 5.45% in December. The rate on loans for the purchase of homes decreased for new household transactions, to stand at 3.60% in May (approximately -81 bps compared to December), whilst it increased for consumer credit, which now exceeds 8.96% (+46 bps compared to December).

In the first few months of the year, the stock of bad loans in bank financial statements for residents in Italy recorded an increase of +4% YoY (including bad loans sold and derecognised in line with the loan adjustment methodology applied in the European System of Central Banks (ESCB).

It should be noted that as at 30 June 2024, the outstanding exposures subject to financing under public guarantees schemes amounted to EUR 17.2 bn (EUR 17.6 bn as at 31 December 2023), of which EUR 5.1 bn were granted to retail customers. Compared to overall guaranteed exposures, non-performing loans as at 30 June 2024 amounted to EUR 0.9 bn (EUR 0.8 bn as at 31 December 2023). With regard to specific guaranteed loans in compliance with the so-called "Liquidity" Law Decree no. 23 of 8 April 2020, the Group disbursed loans for an amount of EUR 11.5 bn, having a residual exposure, as at 30 June 2024, of EUR 6.2 bn., of which EUR 0.5 bn classified as non-performing loans.

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

Loans to customers										
Type of transaction	30/06/24	31/03/24	31/12/23	30/06/23	Chg. Q/Q		Chg. 31.12		Chg. Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Current accounts	2,634.4	2,668.4	2,755.7	3,072.7	(34.0)	-1.3%	(121.3)	-4.4%	(438.3)	-14.3%
Mortgages	51,578.9	52,047.0	51,837.6	53,330.0	(468.1)	-0.9%	(258.7)	-0.5%	(1,751.1)	-3.3%
Other forms of lending	14,658.9	14,628.1	14,218.7	14,340.7	30.8	0.2%	440.2	3.1%	318.2	2.2%
Repurchase agreements	7,225.3	7,241.3	6,230.0	3,657.1	(16.0)	-0.2%	995.3	16.0%	3,568.2	97.6%
Non-performing loans	1,877.2	1,838.1	1,773.6	1,655.5	39.1	2.1%	103.6	5.8%	221.7	13.4%
Total	**77,974.7**	**78,422.9**	**76,815.6**	**76,056.0**	**(448.2)**	**-0.6%**	**1,159.1**	**1.5%**	**1,918.7**	**2.5%**
Stage 1	*65,936.8*	*66,929.3*	*65,325.6*	*64,123.6*	*(992.5)*	*-1.5%*	*611.2*	*0.9%*	*1,813.2*	*2.8%*
Stage 2	*9,975.2*	*9,458.5*	*9,594.2*	*10,118.6*	*516.7*	*5.5%*	*381.0*	*4.0%*	*(143.4)*	*-1.4%*
Stage 3	*1,873.3*	*1,834.5*	*1,769.7*	*1,651.8*	*38.8*	*2.1%*	*103.6*	*5.9%*	*221.5*	*13.4%*
Purchased or originated credit impaired financial assets	*2.7*	*2.7*	*2.8*	*3.2*	*-*	*0.0%*	*(0.1)*	*-3.6%*	*(0.5)*	*-15.6%*
Performing loans measured at fair value	*184.3*	*196.0*	*121.2*	*156.9*	*(11.7)*	*-6.0%*	*63.1*	*52.1%*	*27.4*	*17.5%*
Non-performing loans measured at fair value	*2.4*	*1.9*	*2.1*	*1.9*	*0.5*	*26.3%*	*0.3*	*14.3%*	*0.5*	*26.3%*

Loans to customers measured at amortised cost	30 06 2024			31 03 2024			31 12 2023			Chg. Q/Q		Chg. 31/12	
	Stage 1	Stage 2	**Total loans to customers measured at amortised cost**	Stage 1	Stage 2	**Total loans to customers measured at amortised cost**	Stage 1	Stage 2	**Total loans to customers measured at amortised cost**	Stage 1	Stage 2	Stage 1	Stage 2
Gross exposure	66,038.4	10,348.3	**80,118.2**	67,028.5	9,832.1	**80,493.5**	65,431.2	9,962.7	**78,871.1**				
Adjustments	101.6	373.1	**2,330.2**	99.2	373.6	**2,268.5**	105.6	368.5	**2,178.8**				
Net exposure	65,936.8	9,975.2	**77,788.0**	66,929.3	9,458.5	**78,225.0**	65,325.6	9,594.2	**76,692.3**				
Coverage ratio	*0.2%*	*3.6%*	***2.9%***	*0.1%*	*3.8%*	***2.8%***	*0.2%*	*3.7%*	***2.8%***	*0.1%*	*-0.2%*	*0.0%*	*-0.1%*
% on Loans to customers measured at amortised cost	*84.8%*	*12.8%*	***100.0%***	*85.6%*	*12.1%*	***100.0%***	*85.2%*	*12.5%*	***100.0%***	*-0.8%*	*0.7%*	*-0.4%*	*0.3%*

The gross exposure of loans classified in stage 1, equal to EUR 66.0 bn as at 30 June 2024, recorded a decrease compared to 31 March 2024 (EUR 67.0 bn) but was up compared to 31 December 2023 (EUR 65.4 bn). The decrease compared to the previous quarter is attributable to the flow of maturities in the period among business customers and to the migration of approximately EUR 0.5 bn in loans from stage 1 to stage 2 following i) the extension of the criteria for classifying high-risk position within the "Proactive management" portfolio and ii) the stabilisation of certain indicators of significant credit risk increases.

Positions classified in stage 2, whose gross exposure amounted to EUR 10.3 bn as at 30 June 2024, were up from EUR 9.8 bn as at 31 March 2024 and EUR 10.0 bn as at 31 December 2023 as a result of the above-mentioned factors.

The coverage level of performing loans remained essentially stable at 2.9% (2.8% as at 31 March 2024).

Non-performing exposures of loans to customers

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

The Group's **Total non-performing loans to customers** as at 30 June 2024 were equal to **EUR 3.7 bn** in terms of gross exposure, up slightly (EUR +0.1 bn) compared to 31 March 2024 and 31 December 2023 (EUR +0.3 bn). In particular:

- the gross exposure in terms of bad loans, amounting to EUR 1.5 bn, was essentially stable compared to 31 March 2024 and up slightly on 31 December 2023 (EUR 1.4 bn);
- the gross unlikely to pay loan exposure, equal to EUR 2.1 bn, was stable compared to 31 March 2024 and up slightly on 31 December 2023 (EUR 2.0 bn);
- the gross non-performing past due loan exposure, amounting to EUR 89.8 mln, was up from EUR 78.7 mln as at 31 March 2024, but down on the EUR 131.1 mln as at 31 December 2023.

As at 30 June 2024, the Group's **net exposure in terms of non-performing loans to customers** was equal to **EUR 1.9 bn**, up slightly on the EUR 1.8 bn as at 31 March 2024 and compared to 31 December 2023.

Loans to customers		Bad loans	Unlikely to pay	Non-performing Past due Loans	**Total Non-performing loans to customers**	Performing loans	**Total**
30 06 2024	Gross exposure	1,534.6	2,113.8	89.8	**3,738.2**	76,572.2	**80,310.4**
	Adjustments	1,035.4	804.9	20.7	**1,861.0**	474.7	**2,335.7**
	Net exposure	499.2	1,308.9	69.1	**1,877.2**	76,097.5	**77,974.7**
	Coverage ratio	*67.5%*	*38.1%*	*23.1%*	***49.8%***	*0.6%*	***2.9%***
	% on Loans to customers	*0.6%*	*1.7%*	*0.1%*	***2.4%***	*97.6%*	***100.0%***
31 03 2024	Gross exposure	1,459.5	2,100.8	78.7	**3,639.0**	77,057.5	**80,696.5**
	Adjustments	989.3	794.8	16.8	**1,800.9**	472.7	**2,273.6**
	Net exposure	470.2	1,306.0	61.9	**1,838.1**	76,584.8	**78,422.9**
	Coverage ratio	*67.8%*	*37.8%*	*21.3%*	***49.5%***	*0.6%*	***2.8%***
	% on Loans to customers	*0.6%*	*1.7%*	*0.1%*	***2.3%***	*97.7%*	***100.0%***
31 12 2023	Gross exposure	1,383.4	1,970.4	131.1	**3,484.9**	75,516.1	**79,001.0**
	Adjustments	941.6	741.3	28.4	**1,711.3**	474.1	**2,185.4**
	Net exposure	441.8	1,229.1	102.7	**1,773.6**	75,042.0	**76,815.6**
	Coverage ratio	*68.1%*	*37.6%*	*21.7%*	***49.1%***	*0.6%*	***2.8%***
	% on Loans to customers	*0.6%*	*1.6%*	*0.1%*	***2.3%***	*97.7%*	***100.0%***
30 06 2023	Gross exposure	1,439.5	1,864.6	109.9	**3,414.0**	74,848.8	**78,262.8**
	Adjustments	961.6	772.9	24.0	**1,758.5**	448.3	**2,206.8**
	Net exposure	477.9	1,091.7	85.9	**1,655.5**	74,400.5	**76,056.0**
	Coverage ratio	*66.8%*	*41.5%*	*21.8%*	***51.5%***	*0.6%*	***2.8%***
	% on Loans to customers	*0.6%*	*1.4%*	*0.1%*	***2.2%***	*97.8%*	***100.0%***

As at 30 June 2024, the **coverage ratio of non-performing loans to customers** was **49.8%**, up compared to 31 March 2024 when it was 49.5%. In particular, the coverage ratio of bad loans went from 67.8% to 67.5%, the coverage ratio of unlikely to pay exposures rose from 37.8% to 38.1% and, lastly, that of non-performing past due loans increased from 21.3% to 23.1%.

The coverage ratio of non-performing loans to customers is higher than at 31 December 2023, when it was 49.1%. At individual administrative status level, the changes refer to unlikely to pay exposures (coverage of which rose from 37.6% to 38.1%) and the coverage ratio of non-performing past due loans (from 21.7% to 23.1%). The coverage ratio of bad loans recorded a slight decrease, however (from 68.1% to 67.5%)

Change in gross exposures

Abs./%		Bad loans	Unlikely to pay	Non-performing past due exposures	**Total Non-performing loans to customers**	Performing loans	**Total**
Q/Q	abs.	75.1	13.0	11.1	**99.2**	(485.3)	**(386.1)**
	%	5.1%	0.6%	14.1%	**2.7%**	-0.6%	**-0.5%**
31.12	abs.	151.2	143.4	(41.3)	**253.3**	1,056.1	**1,309.4**
	%	10.9%	7.3%	-31.5%	**7.3%**	1.4%	**1.7%**
Y/Y	abs.	95.1	249.2	(20.1)	**324.2**	1,723.4	**2,047.6**
	%	6.6%	13.4%	-18.3%	**9.5%**	2.3%	**2.6%**

Changes in coverage ratios

	Bad loans	Unlikely to pay	Non-performing past due exposures	**Total Non-performing loans to customers**	Performing loans	**Total**
Q/Q	*-0.3%*	*0.2%*	*1.7%*	***0.3%***	*0.0%*	***0.1%***
31.12	*-0.6%*	*0.5%*	*1.4%*	***0.7%***	*0.0%*	***0.1%***
Y/Y	*0.7%*	*-3.4%*	*1.2%*	***-1.7%***	*0.0%*	***0.1%***

Trend of non-performing loans to customers	30 06 2024		2°Q 2024		1°Q 2024		30 06 2023		Chg. 2°Q 2024/ 1°Q 2024 Total Non-performing loans to customer		Chg..Y/Y Total Non-performing loans to customer	
	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Abs.	%	Abs.	%
Gross exposure, opening balance	**3,484.9**	***1,383.4***	**3,639.0**	***1,459.5***	**3,484.9**	***1,383.4***	***4,104.7***	***1,740.6***	**154.1**	**4.4%**	**(619.8)**	**-15.1%**
Increases from performing loans	653.8	*25.8*	309.9	*20.6*	343.9	*5.2*	441.1	*16.6*	(34.0)	-9.9%	212.7	48.2%
Transfers to performing loans	(104.9)	*(0.3)*	(32.7)	*(0.3)*	(72.2)	-	(118.0)	-	39.5	-54.7%	13.1	-11.1%
Collections (including gains on disposals)	(299.1)	*(48.9)*	(179.5)	*(20.9)*	(143.7)	*(28.0)*	(297.4)	*(39.9)*	(35.8)	24.9%	(25.8)	8.7%
Write-offs (including loss on disposal)	(48.5)	*(31.3)*	(22.0)	*(8.9)*	(26.5)	*(22.4)*	(42.6)	*(28.4)*	4.5	-17.0%	(5.9)	13.8%
+/- Other changes	52.0	*205.9*	23.5	*84.6*	52.6	*121.3*	(673.8)	*(249.4)*	(29.1)	-55.3%	749.9	n.s.
Gross exposure, closing balance	**3,738.2**	***1,534.6***	**3,738.2**	***1,534.6***	**3,639.0**	***1,459.5***	**3,414.0**	***1,439.5***	**99.2**	**2.7%**	**324.2**	**9.5%**
Opening balance of overall adjustments	**(1,711.3)**	**(941.6)**	**(1,800.9)**	**(989.3)**	**(1,711.3)**	***(941.6)***	**(1,967.2)**	***(1,108.6)***	**(89.6)**	**5.2%**	**255.9**	**-13.0%**
Adjustments / write-backs	(197.3)	*(46.1)*	(89.0)	(18.8)	(108.3)	(27.3)	(200.4)	*(66.9)*	19.3	-17.8%	3.1	-1.5%
+/- Other changes	47.6	*(47.7)*	28.9	*(27.3)*	18.7	*(20.4)*	409.1	*213.9*	10.2	54.5%	(361.5)	-88.4%
Closing balance of overall adjustments	**(1,861.0)**	***(1,035.4)***	**(1,861.0)**	***(1,035.4)***	**(1,800.9)**	***(989.3)***	**(1,758.5)**	***(961.6)***	**(60.1)**	**3.3%**	**(102.5)**	**5.8%**
Net exposure, closing balance	**1,877.2**	***499.2***	**1,877.2**	***499.2***	**1,838.1**	***470.2***	**1,655.5**	***477.9***	**39.1**	**2.1%**	**221.7**	**13.4%**

Other Financial Assets/Liabilities

As at 30 June 2024, the Group's **Securities assets** amounted to **EUR 18.4 bn**, up compared to 31 March 2024 (EUR +0.2 bn) primarily in relation to the increase in securities transactions with customers at amortised cost (EUR +0.2 bn), while other components were essentially stable. It should be noted that the market value of the securities included in Loans to customers and banks at amortised cost was equal to EUR 9,593.0 mln and EUR 629.1 mln (with implicit capital losses of EUR 610.7 mln and EUR 74.6 mln, respectively).

The aggregate increased compared to 31 December 2023 (EUR +1.1 bn), especially in relation to the growth recorded in the trading component (EUR +1.0 bn). The amortised cost component was also up slightly (EUR +0.2 bn), while other components were essentially stable.

On-balance-sheet financial liabilities held for trading were equal to **EUR 2.9 bn** as at 30 June 2024 and were down compared to 31 March 2024 (EUR 5.2 bn) but up on the value recorded as at 31 December 2023 (EUR 1.8 bn).

As at 30 June 2024, the **Net position in derivatives, a positive EUR 1.6 bn**, was up compared to 31 March 2024 (positive for EUR 1.3 bn) and to 31 December 2023 (positive for EUR 1.4 bn).

Items	30/06/24	31/03/24	31/12/23	30/06/23	Chg. Q/Q		Chg. 31.12		Chg. Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Securities assets	18,398.6	18,175.7	17,276.9	19,589.7	222.9	1.2%	1,121.7	6.5%	(1,191.1)	-6.1%
Financial assets held for trading	*4,815.6*	*4,803.3*	*3,810.6*	*5,329.1*	*12.3*	*0.3%*	*1,005.0*	*26.4%*	*(513.5)*	*-9.6%*
Financial assets mandatorily measured at fair value	*228.6*	*228.6*	*245.5*	*308.1*	*0.0*	*0.0%*	*(16.9)*	*-6.9%*	*(79.5)*	*-25.8%*
Financial assets measured at fair value through other comprehensive income	*2,447.0*	*2,411.7*	*2,477.3*	*3,675.1*	*35.3*	*1.5%*	*(30.3)*	*-1.2%*	*(1,228.1)*	*-33.4%*
Financial assets held for sale	*0.0*	*0.0*	*0.4*	*0.0*	*0.0*	*n.m.*	*(0.4)*	*-100.0%*	*0.0*	*n.m.*
Loans to customers measured at amortised cost	*10,203.7*	*10,049.9*	*10,061.2*	*9,607.2*	*153.8*	*1.5%*	*142.5*	*1.4%*	*596.5*	*6.2%*
Loans to banks measured at amortised cost	*703.7*	*682.2*	*681.9*	*670.2*	*21.5*	*3.2%*	*21.8*	*3.2%*	*33.5*	*5.0%*
On-balance-sheet financial liabilities held for trading	(2,932.7)	(5,164.3)	(1,823.2)	(2,859.9)	2,231.6	-43.2%	(1,109.5)	60.9%	(72.8)	2.5%
Net positions in Derivatives	1,555.4	1,337.9	1,414.6	1,469.1	217.5	16.3%	140.8	10.0%	86.3	5.9%
Other financial assets and liabilities	**17,021.3**	**14,349.3**	**16,868.3**	**18,198.9**	**2,672.0**	**18.6%**	**(1,330.6)**	**-7.3%**	**(1,177.6)**	**-6.5%**

Items	30 06 2024		31 03 2024		31 12 2023		30 06 2023	
	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	17,898.5	-	17,623.3	-	16,677.9	-	18,939.6	-
Equity instruments and Units of UCITS	500.1	-	552.4	-	599.0	-	650.1	-
Loans	-	2,932.7	-	5,164.3	-	1,823.2	-	2,859.9
Total	**18,398.6**	**2,932.7**	**18,175.7**	**5,164.3**	**17,276.9**	**1,823.2**	**19,589.7**	**2,859.9**

Interbank position

As at 30 June 2024, the Group's n**et interbank position** stood at EUR **7.2 bn in loans**, a marked increase compared to net interbank loans for EUR 5.6 bn and EUR 2.2 bn as at 31 March 2024 and 31 December 2023, respectively. The change compared to the first quarter (EUR +1.6 bn) is mainly attributable to operations with central banks (EUR +1.4 bn), which were mainly affected by: (i) maturity at the end of June 2024 of the final TLTRO tranche of EUR 3 bn, (ii) access during the period to MRO and LTRO auctions for approximately EUR 3.5 bn (which led to a total of MRO and LTRO auctions in place as at 30 June 2024 of EUR 12 bn) and, lastly, (iii) the increase in liquidity deposited with central banks (EUR +2 bn).

The change compared to the end of the previous year (EUR +5.0 bn) also refers to the evolution of operations with central banks. In detail, the trend in the first half year of the year was characterised by: (i) maturities of TLTRO tranches for EUR 5.5 bn, (ii) access to MRO and LTRO auctions for around EUR 4.5 bn and (ii) the increase in the deposit facility of EUR 3.9 bn.

Interbank balances										
					Chg. Q/Q		Chg. 31.12		Chg. Y/Y	
	30/06/24	31/03/24	31/12/23	30/06/23	Abs.	%	Abs.	%	Abs.	%
Loans to banks	2,670.9	2,313.0	2,582.2	2,237.9	357.9	15.5%	88.7	3.4%	433.0	19.3%
Deposits from banks	1,114.1	1,304.4	1,350.6	1,897.7	(190.3)	-14.6%	(236.5)	-17.5%	(783.6)	-41.3%
Demand deposits with banks (cash)	1,315.7	1,684.3	1,701.6	905.2	(368.6)	-21.9%	(385.9)	-22.7%	410.5	45.3%
Net position with banks	**2,872.5**	**2,692.9**	**2,933.2**	**1,245.4**	**179.6**	**6.7%**	**(60.7)**	**-2.1%**	**1,627.1**	**n.m.**
Loans to central banks	566.4	832.4	526.8	544.1	(266.0)	-32.0%	39.6	7.5%	22.3	4.1%
Deposits from central banks	12,009.7	11,629.3	13,148.2	15,283.4	380.4	3.3%	(1,138.5)	-8.7%	(3,273.7)	-21.4%
Demand deposits with Central banks (cash)	15,764.5	13,730.6	11,907.5	10,248.4	2,033.9	14.8%	3,857.0	32.4%	5,516.1	53.8%
Net position with central banks	**4,321.2**	**2,933.7**	**(713.9)**	**(4,490.9)**	**1,387.5**	**47.3%**	**5,035.1**	**n.m.**	**8,812.1**	**n.m.**
Net interbank position	**7,193.7**	**5,626.6**	**2,219.3**	**(3,245.5)**	**1,567.1**	**27.9%**	**4,974.4**	**n.m.**	**10,439.2**	**n.m.**

As at 30 June 2024, the operating liquidity position showed an **unencumbered Counterbalancing Capacity equal to approx. EUR 33.4 bn**, up compared to 31 March 2024 (EUR 29.6 bn) and to 31 December 2023 (EUR 29.8 bn).

Other assets

The item Other assets includes the value of diamonds, for EUR 62.8 mln, involved in the action taken by the Parent Company in 2018, that envisaged the payment to customers of a consideration up to an amount equal to the amount the latter originally paid to Diamond Private Investment to purchase the stones, with their simultaneous transfer to the Bank and finalisation of an appropriate transaction.

The aggregate also includes tax credits related to the "Rilancio" Law Decree no. 34/2020, which 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"). In detail, as at 30 June 2024, the nominal value of the total tax credits purchased amounted to EUR 2,950.5 mln (EUR 2,622.9 mln as at 31 March 2024 and EUR 2,279.4 mln as at 31 December 2023). Taking into account the credits offset to date, totalling EUR 1,106.0 mln, the residual nominal amount as at 30 June 2024 came to EUR 1,844.0 mln. The corresponding carrying amount, shown in the balance sheet item "Other Assets" at amortised cost, which takes into account the acquisition price and the net accruals amounting to EUR 1,627.8 mln as at 30 June 2024 (EUR 1,616.7 mln as at 31 March 2024 and EUR 1,660.3 mln as at 31 December 2023).

It should also be noted that, as at 30 June 2024, the Parent Company had received requests for the sale of these receivables for a total of approximately EUR 849 mln, currently being assessed/processed. The total amount of receivables purchased, taking into account the transfer requests in progress - the latter suitably adjusted to factor in the impact of cases abandoned and/or rejected by the Bank - is in line with the estimated total tax capacity, i.e. the tax/contribution payments that the Group plans to make and that are available for offsetting against tax credits from "Building Bonuses".

The aforementioned valuation also takes into account the significant decrease in the estimated prospective "Tax Capacity" caused by changes to the rules underlying the use of tax credits purchased introduced by Italian Law no. 67 of 23 May 2024, which converted Italian Decree Law no. 39/2024 (the tax benefits decree) into law, with amendments. In detail, from 1 January 2025, banks, financial intermediaries and insurance companies will no longer be able to offset tax credits generated by building bonuses against payments due as social security contributions and insurance premiums against accidents in the workplace and occupational diseases.

Lastly, note that the decree also introduced the obligation to allocate over 6 years portions/instalments usable from 2025 for Superbonus, Bonus Barriere and Sismabonus tax credits, with consequent extension of the recovery period. The instalments of credits resulting from the new allocation cannot be transferred to other parties or divided further. The measure in question does not apply if the consideration applied for the instalment purchases is equal to or greater than 75% of the total corresponding deductions.

With respect to this measure, there were no impacts on the Group as the prices applied to purchase related tax credits have always been fully compatible with the envisaged exemption.

Shareholders' equity

As at 30 June 2024, the **Shareholders' equity of the Group and non-controlling interests** was **EUR 10.8 bn,** up by around EUR 488 mln compared to 31 March 2024, mainly due to the positive result recorded in the quarter and partly offset by the 2023 dividend distribution arranged in May 2024 for approximately EUR 315 mln.

Compared to 31 December 2023, the shareholders' equity of the Group and non-controlling interests increased by around EUR 816 mln, also in this case attributable to the combined effect of the economic result achieved in the first half of 2024 and the 2023 dividend distributed.

Reclassified Consolidated Balance Sheet										
Equity	30/06/24	31/03/24	31/12/23	30/06/23	Chg. Q/Q		Chg. 31/12		Chg. Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Group Net Equity	10,795.0	10,307.1	9,978.5	8,499.5	487.9	4.7%	816.5	8.2%	2,295.5	27.0%
a) Valuation reserves	1.3	25.8	27.9	(18.4)	(24.5)	-95.0%	(26.6)	-95.3%	19.7	n.m.
d) Reserves	2,181.0	2,495.1	445.3	445.4	(314.1)	-12.6%	1,735.7	n.m.	1,735.6	n.m.
f) Share capital	7,453.5	7,453.5	7,453.5	7,453.5	-	0.0%	-	0.0%	-	0.0%
h) Net profit (loss) for the period	1,159.2	332.7	2,051.8	619.0	826.5	n.m.	(892.6)	-43.5%	540.2	87.3%
Non-controlling interests	0.4	0.6	0.7	0.8	(0.2)	-33.3%	(0.3)	-42.9%	(0.4)	-50.0%
Shareholders' equity of the Group and Non-controlling interests	**10,795.4**	**10,307.7**	**9,979.2**	**8,500.3**	**487.7**	**4.7%**	**816.2**	**8.2%**	**2,295.1**	**27.0%**

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 2022 and also taking into account the information received after that date, with the submission in December 2023 of the 2023 SREP Decision, the ECB asked the Parent Company to maintain, effective 1 January 2024, 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 1.15%, to be fully met from 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 (CCB) is 2.5%, and that as of 1 January 2024, the Group is no longer required to comply with the O-SII Buffer as it has not been identified for the year 2024 by the Bank of Italy as a systemically important institution authorised in Italy.

Accordingly, the Group must meet the following requirements at consolidated level as at 30 June 2024:

- CET1 Ratio of 8.57%;
- Tier 1 Ratio of 10.58%;
- Total Capital Ratio of 13.27%.

These ratios include, in addition to P2R, 2.5% as Capital Conservation Buffer and 0.021% as Countercyclical Capital Buffer (CCyB)[14].

It should be noted that, on 26 April 2024, the Bank of Italy announced its decision on the activation of a Systemic Risk Buffer (SyRB) for all authorised banks and banking groups in Italy. The reserve will be equal to 1% of the weighted exposures for credit and counterparty risk to Italian residents and must consist of Common Equity Tier 1 capital (CET 1). The target rate of 1% must be achieved gradually by establishing a reserve equal to 0.5% of the relevant exposures by 31 December 2024 and the remaining 0.5% by 30 June 2025. The SyRB must be applied at both consolidated and separate levels.

Therefore, in addition to the CCB and the CCyB, the MPS Group will have to comply on a consolidated basis with an SyRB of 0.5% from 31 December 2024 and 1% from 30 June 2025.

[14] Calculated considering the exposure as at 30 June 2024 in the various countries in which MPS Group operates and the requirements established by the competent national authorities.

As at **30 June 2024**, the Group's capital on a transitional basis was as shown in the following table:

Categories / Values	30 06 2024	31 12 2023	Chg. 31 12 2023	
			Abs.	%
OWN FUNDS				
Common Equity Tier 1 (CET1)	8,720.7	8,726.7	(6.0)	-0.07%
Tier 1 (T1)	8,720.7	8,726.7	(6.0)	-0.07%
Tier 2 (T2)	1,609.1	1,680.4	(71.3)	-4.24%
Total capital (TC)	10,329.8	10,407.1	(77.3)	-0.74%
RISK-WEIGHTED ASSETS				
Credit and Counterparty Risk	36,065.9	36,047.8	18.1	0.05%
Credit valuation adjustment risk	333.0	398.2	(65.2)	-16.37%
Market risks	2,033.4	2,121.1	(87.7)	-4.13%
Operational risk	9,833.6	9,531.9	301.7	3.17%
Total risk-weighted assets	**48,265.9**	**48,099.0**	**166.9**	**0.35%**
CAPITAL RATIOS				
CET1 capital ratio	**18.07%**	**18.14%**	**-0.07%**	
Tier1 capital ratio	**18.07%**	**18.14%**	**-0.07%**	
Total capital ratio	**21.40%**	**21.64%**	**-0.23%**	

Compared to 31 December 2023, the CET1 recorded a decrease of EUR -6 mln.

This change is mainly attributable to the inclusion in CET1 of a portion of the profit (loss) for the period as at 30 June 2024, to the increase in deductions related to DTAs (Deferred Tax Assets that are based on future profitability and do not arise from temporary differences), the decrease in deductions from intangible assets (software) and the decrease in the sterilisation of the IFRS 9 impact related to the first-time application of the accounting standard as required by Regulation (EU) 2017/2935, attributable to the change in the filter from 50% to 25%.

Tier 2 fell by EUR -71 mln compared to the end of December 2023, due for EUR -75 mln to the amortisation of Tier 2 subordinated instruments, partly counterbalanced by an increase of EUR +4 mln 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 -77 mln.

Risk-Weighted Assets increased by EUR 0.2 bn. In particular, there was a slight decrease in RWA relating to market risk (EUR -0.1 bn) and an increase in operational risk (EUR 0.3 bn), while credit risk and CVA risk remained essentially stable.

As at 30 June 2024, on a consolidated basis, the Parent Company met all capital requirements, including those related to P2G.

As at 30 June 2024, on a transitional basis, the Group recorded a leverage ratio of *6.7%*, higher than the regulatory minimum of 3%.

MREL Capacity

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

With the letter of 20 December 2023, the Parent Company received from the Bank of Italy, in its capacity as Resolution Authority, the decision SRB/EES/2023RPC/103 of the Single Resolution Committee on the calculation of the minimum requirement for own funds and eligible liabilities ("2023 MREL Decision").

From 1 January 2024, the Parent Company must comply on a consolidated basis with an MREL of 24.07% in terms of TREA ("Total Risk Exposure Amount"), to which the Combined Capital Reserve Requirement (CBR) of 2.52% must be added, as well as 6.05% in terms of LRE ("Leverage Ratio Exposure"). To these must be added the additional subordinated MREL requirements, to be met with own funds and subordinated instruments, equal to 14.71% of TREA, to which the CBR must be added, and 6.05% of LRE.

As at 30 June 2024, the Group values were higher than the requirements:

- an MREL capacity of 27.57% in terms of TREA and 10.21% in terms of LRE; and
- an MREL subordination capacity of 21.85% in terms of TREA and 8.09% in terms of LRE.

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

Disclosure on Fair Value

The methodologies used to calculate fair values have not changed compared to 2023 and therefore reference should be made, for a comprehensive reading, to the information provided in section A.4 "Information on Fair Value" in the Consolidated Explanatory Notes as at 31 December 2023.

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

Asset and liabilities measured at fair value	30 06 2024				31 12 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Financial assets measured at fair value through profit or loss of which:	4,537.0	2,606.8	412.5	7,556.3	3,525.5	2,360.1	366.0	6,251.6
a) Financial assets held for trading	4,536.8	2,604.2	-	7,141.0	3,525.3	2,357.5	-	5,882.8
c) Other financial assets mandatorily measured at fair value	0.2	2.6	412.5	415.3	0.2	2.6	366.0	368.8
2. Financial assets measured at fair value through other comprehensive income	1,787.9	442.1	217.0	2,447.0	1,729.7	530.7	216.8	2,477.2
3. Hedging derivatives	-	583.7	-	583.7	-	704.1	-	704.1
4. Property, plant and equipment	-	-	1,764.3	1,764.3	-	-	1,816.9	1,816.9
Total assets	**6,324.9**	**3,632.6**	**2,393.8**	**12,351.3**	**5,255.2**	**3,594.9**	**2,399.7**	**11,249.8**
1. Financial liabilities held for trading	2,934.6	1,045.9	2.1	3,982.6	1,823.2	1,028.7	2.9	2,854.8
2. Financial liabilities designated at fair value	-	113.8	-	113.8	-	111.3	-	111.3
3. Hedging derivatives	-	303.7	-	303.7	-	330.2	-	330.2
Total liabilities	**2,934.6**	**1,463.4**	**2.1**	**4,400.1**	**1,823.2**	**1,470.2**	**2.9**	**3,296.3**

During the first half of 2024, there was: (i) a downgrading from fair value level 1 to level 2 of certain financial instruments for approximately EUR 11 mln and (ii) an improvement in the fair value level from level 2 to level 1 of the hierarchy, for certain bonds, for approximately EUR 2 mln. These changes were essentially due to respective worsening and improvement of the liquidity conditions of the securities (measured in terms of bid-ask spread of the listed price), leading to a level transfer in accordance with the Group's policy on the valuation of financial instruments.

The Group calculates the Credit/Debit Value Adjustment on all positions in OTC derivatives with non-collateralised institutional and commercial counterparties to include counterparty risk in the fair value measurement. The methodology is based on the calculation of expected operational loss linked to counterparty rating and estimated on a position's duration, and is included in the exposure value via add-ons. The impact of the CVA as at 30 June 2024 amounted to EUR -2.3 mln.

The Group calculates the value adjustment of OTC derivatives in a mirror image fashion and on the same perimeter to take into account its credit worthiness (DVA). As at 30 June 2024, the DVA totalled EUR 5.6 mln.

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

30 06 2024

	Financial assets measured at fair value through profit or loss		Financial assets measured at fair value through other comprehensive income	Property, plant and equipment
	Total	of which: c) Other financial assets mandatorily measured at fair value		
1. Opening balances	**366.0**	**366.0**	**216.8**	**1,816.9**
2. Increases	**79.5**	**79.5**	**0.3**	**7.6**
2.1 Purchase	-	-	-	-
2.2 Profits charged to:	3.7	3.7	0.3	1.8
2.2.1 Income statement	3.7	3.7	-	1.6
- of which capital gains	3.7	3.7	-	1.6
2.2.2 Equity	-	-	0.3	0.2
2.3 Transfers from other levels	-	-	-	-
2.4 Other increases	75.8	75.8	-	5.8
3. Decreases	**33.0**	**33.0**	**0.1**	**60.1**
3.1 Sales	-	-	0.1	0.3
3.2 Repayments	18.1	18.1	-	-
3.3 Losses charged to:	14.1	14.1	-	36.1
3.3.1 Income statement	14.1	14.1	-	21.6
- of which capital losses	14.1	14.1	-	21.6
3.3.2 Equity	-	-	-	14.6
3.4 Transfers to other levels	-	-	-	-
3.5 Other decreases	0.8	0.8	-	23.7
4. Closing balance	**412.5**	**412.5**	**217.0**	**1,764.3**

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

- "2.2.1 Profit charged to the income statement" of approximately EUR 3.7 mln refers to revaluations of loans (EUR 0.3 mln) and of certain UCITS units (EUR 3.4 mln);
- "2.4 Other increases" for EUR 75.8 mln mainly refer to new disbursements (EUR 73.0 mln) classified in the portfolio of other assets mandatorily measured at fair value as the characteristics of the contractual flows are not consistent with a Basic Lending Agreement according to IFRS 9;
- "3.2 Repayments" for EUR 18.1 mln, includes approximately EUR 9.1 mln as the partial reimbursement of UCITS units held and EUR 8.3 mln for reimbursements on credit positions;
- "3.3.1 Losses charged to the income statement" equal to EUR 14.1 mln refer entirely to write-downs carried out during the first half of the year, of which: EUR 1.3 mln on non-performing loans, EUR 3.9 mln on notes for the Siena NPL securitisation transaction and EUR 8.9 mln on UCITS units;
- "3.5 Other decreases" for approximately EUR 0.8 mln refer to credit positions reclassified in the portfolio at amortised cost following the termination of previous contractual clauses not consistent with the SPPI test that had led to their classification as other assets mandatorily measured at fair value.

Property, plant and equipment measured at fair value on a recurring basis consisted of property assets for business and for investment use. The main amounts reported are shown below:

- "2.2.1 Profit charged to the income statement - of which capital gains" amounting to approximately EUR 1.6 mln, refer for EUR 1.4 mln to write-backs on properties classified under IAS 16 that were previously written-down in the Income Statement, and for EUR 0.2 mln to revaluations of properties classified under IAS 40 following appraisals carried out as at 30 June 2024;

- "2.2.2 Shareholders' equity", equal to approximately EUR 0.2 mln, refers entirely to revaluations carried out in 2024 on properties classified under IAS 16;
- "2.4 Other increases", equal to approximately EUR 5.8 mln, refer for EUR 2.1 mln to improvements and incremental expenses incurred on owned assets and for EUR 3.4 mln to properties deriving from non-surrender of leased assets and the termination of non-performing finance leases;
- "3.1 Sales" for about EUR 0.3 mln refer to the sale of a IAS 40-classified property finalised in the first half of the year;
- "3.3.1 Losses charged to the income statement - of which capital losses" amounted to approximately EUR 21.6 mln, with EUR 13.7 mln and EUR 7.9 mln related to properties classified under IAS 40 and IAS 16, respectively;
- "3.3.2 Losses charged to equity" equal to approximately EUR 14.6 mln refer entirely to write-downs on properties classified under IAS 16 subject to a previous revaluation recognised in the OCI reserve;
- "3.5 Other decreases" of approximately EUR 23.7 mln refer to: i) the depreciation charge relating to properties classified under IAS 16 for EUR 13.3 mln; ii) properties transferred during the year to properties held for sale for EUR 3.1 mln; and iii) the value of real estate assets owned by the subsidiary Monte Paschi Banque S.A., classified as a discontinued operation pursuant to IFRS 5, for EUR 6.7 mln.

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

30 06 2024

	Financial liabilities held for trading
1. Opening balances	**2.9**
2. Increases	**2.0**
2.1 Issues	-
2.2 Losses posted to	2.0
2.2.1 Income statemet	2.0
- of which capital losses	-
2.2.2 Equity	X
2.3 Transfers from other levels	-
2.4 Other increases	-
3. Decreases	**2.8**
3.1 Redemptions	-
3.2 Repurchases	-
3.3 Profits posted to:	2.8
3.3.1 Income statement	2.8
- of which capital gains	0.7
3.3.2 Equity	X
3.4 Transfers from other levels	-
3.5 Other decreases	-
4. Closing balance	**2.1**

Information on "day one profit/loss"

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

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

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

Items	Fair value Level 2 as at 30 06 2024							Type	Valuation techniques	Inputs used
	Financial assets held for trading	Other financial assets mandatorily measured at fair value	Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Financial liabilities held for trading	Financial liabilities measured at fair value	Hedging derivatives			
Debt securities	288.8	2.6	429.7	X	-	113.8	X	Bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves
								Structured Bonds	Discounted cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves + inputs necessary to measure optional component
								Notes	Discounted Cash Flow	Interest rate curve, CDS curve, Basi (yield)
								Notes	Market price	Market price
Equity instruments	1.9	-	12.3	X	X	X	X	Share/equity instruments	Market price	Market price, recent transactions, appraisals, manager reports
								Equity instruments	Discounted cash flow	Share price, beta sector, free risk rate
								Equity instruments	Net asset adjusted	Carrying Amount Asset/Liabilities
Units of UCITS	-	-	X	X	X	X	X	Private Equity Funds	Nav Investor report	Manager reports, data sheet held in portfolio
Financial derivatives	2,313.5	X	X	583.7	946.5	X	303.7	IRS/Asset/Currency Swaps	Discounted Cash Flow	Interest rate curve, CDS Curve, Basi(yield), Inflation Curve, Foreign exchange rates and correlation
								Equity swaps	Discounted Cash Flow	Share price, Interest rate curve, Foreign exchange rates
								Forex Singlename Plain	Option Pricing Model	Interest rate curve, Foreign exchange rates, Forex volatility
								Forex Singlename Exotic	Option Pricing Model	Interest rate curve, Foreign exchange rates, Forex volatility (Surface)
								Equity Singlename Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility
								Equity Singlename Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface), Model inputs
								Equity Multiname Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility, Quanto correlation, Equity/Equity correlation
								Equity Multiname Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface), Model inputs, Quanto correlation, Equity/Equity correlation
								Plain rate	Option Pricing Model	Interest rate curve, inflation curves, bond prices, foreign exchange rates, Rate volatility, rate correlations
								Currency transactions	Market price*	Market price, Swap Point
Credit derivatives					99.3			Default swaps	Discounted Cash Flow	CDS curves, Interest rate curves
Total assets	2,604.2	2.6	442.0	583.7	X	X	X			
Total liabilities	X	X	X	X	1,045.8	113.8	303.7			

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

Items	Fair value Level 3 as at 30 06 2024			Type	Valuation Techniques	Unobservable inputs	Range (weighted average)
	Other financial assets mandatorily measured at fair value	Financial assets measured at fair value through other comprehensive income	Financial liabilities held for trading				
Debt securities	56.9	-	-	Notes	Discounted Cash Flow	Discount rate	11.79%
				Participating financial instruments	Credit Model	Fair value asset	0-17.9 EUR/mln.
Equity instruments	1.3	217.7	X	Investments	Discounted Cash Flow	Liquidity base/Equity Risk Premium/Beta	20%/8%/0.4
				Investments	Cost/Net Equity	Fair value asset	0-12.7 EUR/mln.
Loans	186.8	-	X	Loans	Discounted Cash Flow	NPE spread	1.92% - 2.13%
				Loans	Discounted Cash Flow	LGD	0.02% /93.46%
				Loans	Discounted Cash Flow	PD	0.07% / 41.74%
				Loans	Discounted Cash Flow	PE spread	0.04% / 1.36%
Units of UCITS.	167.5	X	X	Closed-end Fund	External prices	Fair value asset	6.5 EUR/mln.
				Real estate closed-end funds	External prices (Management reports)	Fair value asset	8.5 EUR/mln.
				Private Equity Funds	Nav Investor report	Management reports, Technical data sheet	0.28-15.90 EUR/mln.
				Alternative Investment Funds	Discounted Cash Flow	Discount rate	8.96%- 11.18%
Financial derivatives	X	X	2.1	IR/Asset/Currency Swaps	Discounted Cash Flow	Surrender Rate	No dynamics/stochastic volatility
Total assets	412.5	217.1	X				
Total liabilities	X	X	2.1				

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

The column "Other financial assets mandatorily measured at fair value" under the "Debt securities" category includes the mezzanine tranche of the "Siena NPL" securitisation for a total of approximately EUR 34.4 mln, measured using the Discounted Cash Flow method with discounting of future flows based on expected recoveries and the WACC model. For this position, the change in the discount rate (+/-1%) and forecast distributions (+/-10%) would result in ranges of values of EUR 32.6 – 34.3 mln and EUR 39.7 – 24.8 mln, respectively.

Also worth mentioning in this category are approximately EUR 18.6 mln relating to some equity investments acquired by the Group under credit restructuring agreements which the sensitivity analysis was not carried out as the unit value of the individual exposures is below the minimum materiality threshold established by the Group.

The "Other Financial assets mandatorily measured at fair value" column also includes loans (EUR 186.8 mln) that are mandatorily measured at fair value. The unobservable parameters are Probability of Default (PD), Loss Given Default (LGD) and the different spreads for performing and non-performing assets. The change in these parameters, of 10%, 5%, 1% and 1%, respectively, would have an impact on fair value of approximately EUR -7.3 mln.

The majority of the UCITS units refers, for EUR 109.4 mln, to units of funds received in exchange for the sale of non-performing loans (Back2bonis, IDEA CCR I, II and Nuova Finanza, Efesto, Clessidra).The change in the discount rate (+/-1%) and forecast distributions (+/-10%) would result in ranges of values of EUR 107.1 – 111.8 mln and EUR 120.5 – 98.3 mln, respectively.

The category of UCITS units also contains the total contributions made from June 2016 onwards to the Italia Recovery Fund (formerly Atlante due) for a carrying amount of EUR 6.5 mln calculated on the basis of the latest available NAV.

Lastly, the UCITS category also includes private equity funds and closed-end real estate funds for EUR 51.6 mln for which it was not possible to carry out any quantitative analysis of the sensitivity of the fair value with respect to the change in unobservable inputs, as the fair value is the result of a model whose inputs are specific to the entity being measured and for which the information necessary for a sensitivity analysis is not available.

The "Financial assets measured at fair value through other comprehensive income" accounting portfolio includes the equity investment in Bank of Italy (EUR 187.5 mln), measured using the Discounted Cash Flow method. The equity investment was measured with the methodology identified by the Committee of Experts in the document "Revaluation of shareholdings in the Bank of Italy". This document not only details the valuation techniques adopted to reach the end result, but identified the following entity-specific parameters: the market beta, equity risk premium, and the cash flow base. The valuation of that equity investment also confirms in market transactions carried out in recent years by certain banks. The range of possible values that can be assigned to these parameters cause the following changes in value: roughly EUR -9 mln for every 100 bps increase in the equity risk premium, roughly EUR -15 mln for every 10 p.p. increase in the market beta, and roughly EUR -16 mln for every 10 p.p. increase in the cash flow base.

This category also includes equity securities representing all equity investments designated at fair value that could not be measured according to a market-based model. These positions amount to approximately EUR 29.5 mln. For these positions, a sensitivity analysis was not carried out for the same reasons indicated above with reference to UCITS.

Financial liabilities held for trading include financial derivatives (approximately EUR 2.1 mln) included for the correct management of the lapse risk inherent in commission flows deriving from the placement of certain unit-linked policies. Also for these positions, no sensitivity analysis was carried out as they are not considered material by the Group.

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

Financial asset/liabilities not measured at fair value or measured at fair value on a non -recurring basis	30 06 2024		31 12 2023	
	Book value	Total Fair value	Book value	Total Fair value
1. Financial assets measured at amortised cost	91,932.6	90,778.7	90,544.4	90,087.2
3. Non-current assets held for sale and disposal groups	45.5	45.5	76.2	76.2
Total Assets	**91,978.1**	**90,824.2**	**90,620.6**	**90,163.4**
1. Financial liabilities measured at amortised costs	109,531.6	109,766.1	105,026.5	105,183.9
Total Liabilities	**109,560.8**	**109,766.1**	**105,026.5**	**105,183.9**

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

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

Disclosure on risks

Risk Governance

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

Policies relating to the assumption, management, coverage, monitoring and control of risks are defined by the Board of Directors of the Parent Company. Specifically, the Board of Directors periodically defines and approves strategic risk management guidelines and quantitatively expresses the Group's overall risk appetite.

In fact, the Parent Company's Board of Directors defines the overall Risk Appetite Framework (RAF) for the Group and approves the "Group Risk Appetite Statement" (RAS) at least once per year.

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

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

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

The ICAAP and ILAAP packages were sent to the Regulator in accordance with the ECB's regulatory prescriptions regarding the "*Technical implementation of the EBA Guidelines on ICAAP/ILAAP information for SREP Purposes*" *(Supervisory Review and Evaluation Process)*, as well as in line with the "*ECB Guide to the Internal Capital and Liquidity Adequacy Assessment Process (ICAAP/ILAAP)*", issued in November 2018.

For additional information, see the Consolidated Financial Statements as at 31 December 2023, available in the Investor Relations section of the website www.mps.it.

Internal Capital

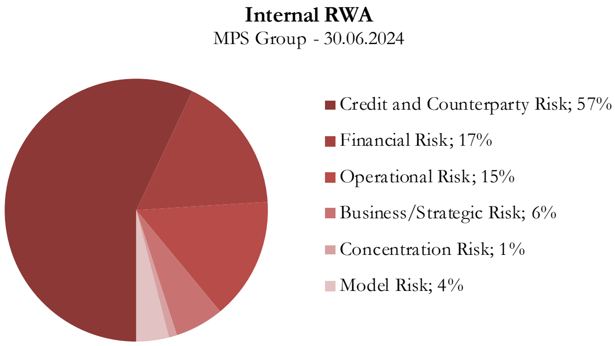
Risk assessment models

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

With regard to the methods used to measure Internal Capital, compared to what is noted in the Explanatory Notes to the 2023 Consolidated Financial Statements, there are no significant methodological changes to report. The approach used to quantify the risks-to-capital, to which the Group is exposed, is the one referred to in the literature as Pillar 1 Plus. This approach envisages that the Pillar 1 requirements for Credit and Counterparty Risk (which already include those relating to Issuer Risk on the Banking Book, Equity Investment Risk and Real Estate Risk) and Operational Risk, be increased by the requirements from internal models relating to Market Risks, both Trading Book and Banking Book, Banking Book Interest Rate Risk (Financial Risks), Concentration Risk, Business/Strategic Risk and Model Risk.

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

Risk exposure



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

Main risks and uncertainties

The main risks and uncertainties of the Group are represented by credit risk, market risk (including interest rate risk on the banking book), operational risk (including legal risk and cyber risk), business risk, strategic risk, as well as liquidity risk for the funding risk components and short-term liquidity risk.

There are also other risks and uncertainties represented by regulatory stress tests and Supervisory Authority audits, reputational risk, risks related to the economic and political context, real estate sector risks and climate and environmental risks.

The risks classified as high as well as other risks to which the Group is exposed are described in more detail below.

Credit risk

Lending activity represents the Group's core business and the main risk component, representing approximately 50% of the Group's total Risk-Weighted Assets (and more than half of the Pillar 1 Risk-Weighted Assets). The classification as high risk remained unchanged compared to the previous year, especially given the uncertainties intrinsic to the current macroeconomic context.

In general, the growth in inflation and interest rates observed in the course of 2023, as well as international geopolitical tensions, arising from the continuing Russia-Ukraine conflict and escalating tensions in the Middle East, 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.

Furthermore, any fluctuations in real estate indices could result in 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.

In this context, in the first half of 2024 the Group continued to support the companies most impacted by the deterioration of the macroeconomic scenario, also by applying forbearance measures, with monitoring of borrower companies operating in the real estate sector, while on non-performing loans, activities continued to limit the stock of NPLs.

Market Risk

Market risk remains a material risk to which the Group is exposed given the potential volatility of the underlying variables, in a general context of uncertainty characterised by an adverse geopolitical scenario, with the continued war in Ukraine and conflicts in the Middle East, with the inflation rate declining and now closer to the ECB's target rate but with the continuation of restrictive monetary policies pending measures more easing than those applied to date.

In particular, the reference to market risk is attributable to the sovereign exposures of both the trading book and the banking book, although the trend during the first half of the year, confirmed on the trading book and banking book component in the FVOCI (Fair Value Through Other Comprehensive Income), showed a decrease in overall exposures on these segments. The points of attention include the exposure and concentration in Italian government bonds in terms of issuer risk, for positions mainly classified at amortised cost and the portfolio's relative vulnerability to unfavourable changes in market conditions, particularly on interest rates and Italy's credit spread, regarding securities in FVOCI.

In the assessment carried out, the prospective effects on the capital requirements regarding the trading portfolio were taken into consideration, due to the expected entry into force in 2025 of the new method for calculating capital requirements on market risks (Fundamental Review of the Trading Book).

With regard to the interest rate risk of the banking book, it should be noted that the profitability of the banking system, and therefore also of the Group, through the interest margin, has significantly increased starting from the second half of 2022 as a result of the substantial increases in the rates operated by the ECB with positive effects also on capital ratios. As a result, the start of the decline in reference rates, as already occurred on 6 June after the ECB Governing Council meeting with a decrease of 25 basis points, could lead to significant reductions in profitability. The management of interest rate risk, given the significant impacts on the income and capital position of banks, represents one of the priorities for the Supervisory Authority.

The forecasts outlined by the ECB for the years to come show inflation falling towards the 2026 target of 1.9% and some uncertainty over economic growth: this scenario is prompting banks to closely monitor the interest rate risk of their banking book and to adopt appropriate measures for its effective management.

The good positioning of the Group during the phase of rising interest rates brought a significant benefit to the interest margin: exposure to interest rate risk was then gradually reduced both in terms of changes in the margin in the short term and in the economic value of the capital in the medium/long term. This strategy has enabled the Group to manage the risks associated with interest rate trends, optimising returns and preserving the value of capital in the long term.

The expectation of a rates cut prompted the Group to launch a number of actions, already at the end of 2023, to preserve net interest income while taking action to hedge trading assets and securitised liabilities. The strategic guidance on interest rate risk management for 2024 confirm the objective of a gradual neutral positioning of net interest income as short-term rates change.

Operational risk

Operational risk is defined as the risk of incurring losses deriving from the inadequacy or the failure of processes, human resources, and internal systems, or from external events, including legal, conduct and IT & security risk. Its classification as high risk remained unchanged compared to the end of the previous year, especially in relation to legal disputes concerning i) share capital increases - for which, following the rulings in favour of the Bank, the uncertainties particularly affect criminal proceedings 33714/16 and 29877/22 regarding false corporate communications in relation to the 2014-2017 financial statements and ii) the sale of non-performing loans - in relation to which the uncertainties are linked to claims still pending for alleged violations of contractual clauses (Representations & Warranties).

In consideration of the centrality of the Information System and the technological innovations supporting the Group's strategic plan, among the other components of operational risk, the latter pays particular attention to IT and security risk, also due to the evolution of the regulatory context, technological developments and uncertainties linked to the continuous changes in the landscape of external threats. These risks are managed through a specific framework and by activating ongoing monitoring and mitigation actions in specific risk areas. These interventions resulted in the strengthening of the access authentication system, involved the training and awareness-raising of personnel on cyber risk and enhancement of the platforms for detecting and blocking threats routed through the network. The Group has launched specific projects to strengthen the processes supporting digital operational resilience, which also involve extension of the periodic tests to verify risk-based scenarios.

Business and strategic risk

Business and strategic risk is defined as current and/or prospective risk of incurring unforeseen losses generated by high business volatility (business risk), incorrect strategic decisions and/or low response to changes in the competitive environment (strategic risk).
The rapid evolution of the economic and technological context represents a significant challenge for the Group and its ability to effectively develop its business model while maintaining adequate recurring returns and ensuring long-term sustainability, even in a substantially different environment, as well as maintaining adequate levels of capital.
In this scenario, the Group analyses and reviews its strategic initiatives to respond to the changes underway and the expected challenges.

Funding risk and liquidity risk

In general, during the first half of 2024, the Group's liquidity profile remained at very strong levels.

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

With reference to short-term liquidity risk, after experiencing liquidity stress in the past, the Group has maintained, in recent years, short-term liquidity indicators at very high levels, even after the maturity in March and June 2024 of long-term refinancing transactions (TLTROs) with the ECB for a total of EUR 5.5 bn, basically replaced by new short-term auctions (MROs/LTROs) with the ECB. As at 30 June 2024, the total amount of ECB auctions was EUR 12 bn (EUR 6 bn in MROs and EUR 6 bn in LTROs), down compared to EUR 13 bn at the end of December 2023.

Regardless of the adequacy levels, the classification of liquidity risk remains high due to its specific nature, as fast-moving, systematic or idiosyncratic crises may develop, with immediate and strong repercussions on both customer behaviour and market access.

Other risks

Risks associated with regulatory stress tests

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

Risks associated with audits by Supervisory Authorities

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

Reputational risk

The reputational profile of the Group is strengthened in the perception of multiple stakeholders. In particular, the improvement in the perception of regulators and rating agencies reflects an acknowledgement of the Group's ability to meet its commitments and greater confidence in the sustainability of the business plan's objectives. However, there remain areas of uncertainty related to the outcome of some pending proceedings on past events, which, in the event of negative developments, could lead to new media exposure.

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.
Despite the relative stabilisation of the global cyclical phase, the context remains highly uncertain due to developments in geopolitical tensions, continuation of the war in Ukraine, the Israel-Palestine conflict and tensions in the Suez Canal, affecting international and domestic growth prospects with impacts on the Group's business trends. A possible escalation of the ongoing conflicts, with repercussions on energy markets and trade routes, represents a risk to the global inflation moderating process which, though in progress, meets with a certain resilience from service prices. Though a few central banks are beginning to turn towards cautious relief measures, a less decisive price correction could force them to keep key interest rates at high levels for longer than expected, further slowing the economy and fuelling financial market tension. Even a more uncertain international political governance can affect the economic context. In Europe, the newly elected European Parliament is expected to deal with particularly challenging and debated EU decisions, such as: support for Ukraine, definition of trade relations with China, union of capital markets, completion of the banking union. In France, the legislative elections brought about the defeat of anti-European positions, but no party obtained an absolute majority of seats. In the United States, the presidential race in November was shaken by the attack, fortunately without serious consequences, on the Republican candidate Trump. The friction between the US and China in the Pacific, the introduction of international trade tariffs and the reduced dynamism of the Chinese economy, affected by the crisis in its domestic real estate market, are additional risk factors for the global economic scenario.
At domestic level, incomplete or delayed implementation of the measures envisaged in the National Recovery and Resilience Plan (NRRP) review could provide less support to growth in a domestic demand context that is still moderate. The required restriction on national tax policy, in light of the entry into force of the reform of EU budget rules and the recommendation to open infringement proceedings against Italy for its excessive deficit could weigh on households' disposable income and on business profits. At the same time, a budgetary policy perceived as not fully in line with the goal of sustainability of public accounts, in a context of lower expected growth and increased interest expenses, could negatively affect the perception of Italy as a risk, fuelling the rise in the spread and further tightening funding conditions. If such risks result in stagnation or a recession in the Italian economy in the medium term, this could negatively affect the main banking aggregates and there could be potentially significant impacts on the economic and financial position of the Bank and the Group. In particular, for the banking sector, there could be a decline in demand for credit, a decrease in customer funding primarily with reference to businesses, a slowdown in ordinary banking activity, a deterioration in the loan portfolio with a simultaneous increase in non-performing loans and situations of insolvency, a deterioration in revenues and increase in adjustments to receivables, with negative effects on the Group's business and economic, financial and asset situation. New inflationary pressures could also lead to an increase in operating costs.
Lastly, note that any significant deviations between the actual macroeconomic dynamics and those assumed in the long-term planning processes could have repercussions on the Group's operating results and future financial position.

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 fact, the Group is exposed to real estate sector risk, not only from the collateral obtained for credit exposures, but 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 future result in the need for significant value adjustments on such properties.

Climate-related and environmental risks

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

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

For further details, please refer to the paragraph on "ESG risks" in the "2023 Consolidated Non-Financial Statement".

Credit risk

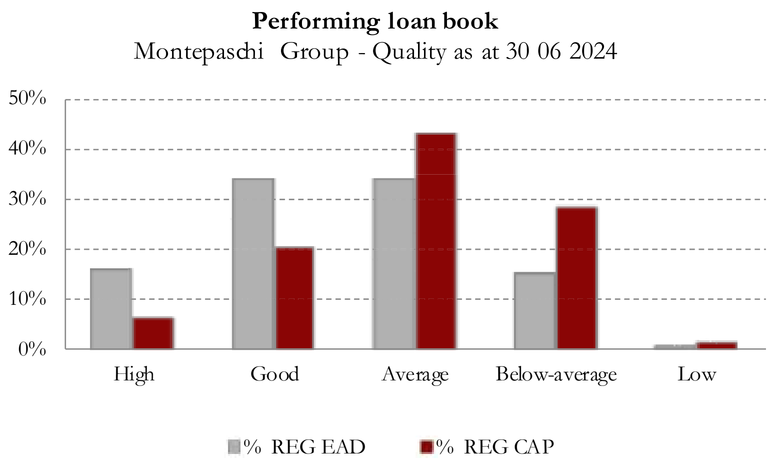
Credit risk management

The advanced internal rating-based (AIRB) approach, based on internal ratings, have been used for some time as part of the internal capital adequacy assessment process (ICAAP). Specifically, the Group adopts internal estimates for PD, LGD and EAD on the business portfolio and retail exposures of Banca MPS and Widiba. In general, these internal models, as well as for reporting purposes, are used in various management processes for the Group's operating purposes.

Credit quality is part of a monthly monitoring process aimed at ensuring compliance with the thresholds established both in the Risk Appetite Framework (RAF) and in the Credit Policies in order to ensure consistency on an ongoing basis between the Group's actual risk profile and the risk appetite decided ex-ante by the Board of Directors.

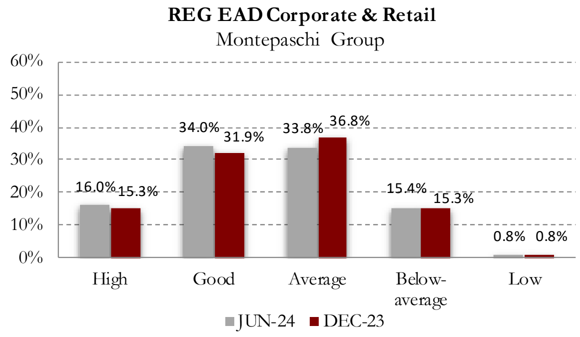
The Group has always been committed to the acquisition of instruments for greater credit protection involving a reduction in credit risk. To this end, the guarantees typical of banking activity are acquired, when deemed necessary.

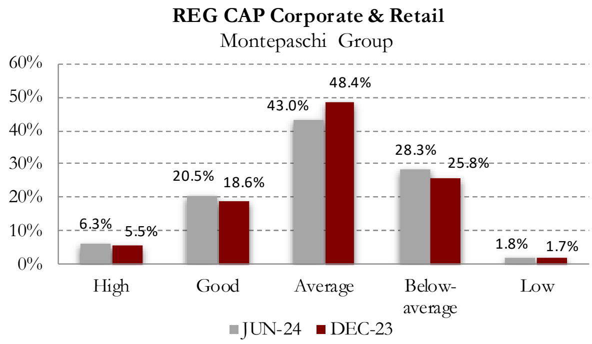
The chart below provides a credit quality breakdown of the Group portfolio as at 30 June 2024 by exposure to risk and Regulatory Capital. It can be seen that about 50% (56% as at 31 December 2023) of risk exposure relates to high- and good-quality customers (positions in financial assets are excluded). It should be noted that the ranking below also includes exposure to banks, government agencies and non-regulated financial and banking institutions, which are not included in the AIRB approaches. As borrowers, these entities are nevertheless subject to a credit standing assessment using official ratings, if any, or appropriate benchmark values that have been determined internally.



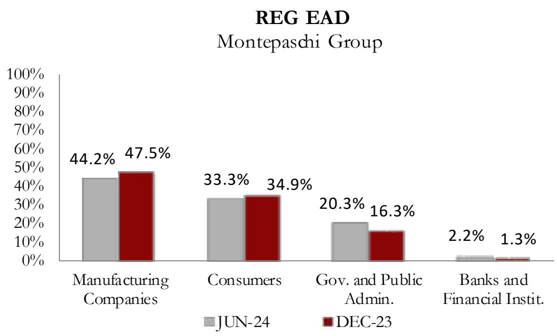
Risk exposure

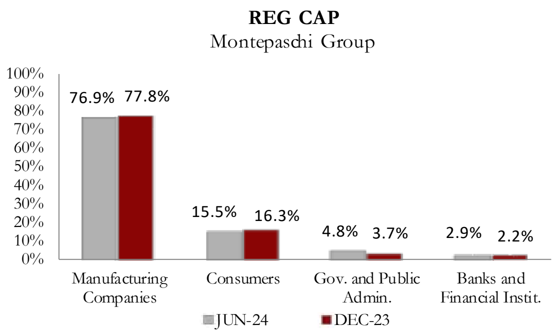
The charts below provide a credit quality breakdown of the MPS Group's portfolio (BMPS and Widiba) as at 30 June 2024 compared to the end of 2023 for Regulatory Exposure at Default (REG EAD) and Regulatory Capital (REG CAP) of the performing Corporate and Retail portfolios.





The charts below show the distribution of the MPS Group's REG EAD and REG CAP by type of customer as at 30 June 2024 compared to the end of 2023.





Counterparty credit risk

Risk assessment model

With regard to Counterparty Risk measurement methods, there are no significant changes to report compared to 2023:

- As envisaged in regulatory provisions, in measuring exposure to counterparty credit risk the Group uses the regulatory approach defined in Regulation (EU) 575/2013, current version, taking into account its amendments and corrections, such as the "standardised approach for counterparty credit risk" (SA CCR) to calculate Exposure at Default (EAD) for derivative transactions and LST (Long Settlement Transactions), and the "comprehensive approach for financial collateral" to calculate the EAD for SFTs (Securities Financing Transactions). For management purposes, the MPS Group maintains the market value method to calculate the EAD for Derivatives and LST sectors and the "comprehensive approach for financial collateral" for the SFT sector.

- The counterparty risk measurement perimeter comprises all Group banks and subsidiaries, with regard to positions held in the Supervisory Banking Book and Trading Book.

- The capital requirement for Credit Value Adjustment (CVA) along with the insolvency requirement covers unforeseen losses recorded in the OTC Derivatives segment following a change in counterparty creditworthiness, excluding central counterparties and non-financial counterparties below the EMIR clearing threshold and intercompany. The Group calculates the CVA requirement using the "standardised method" envisaged in the current version of Regulation (EU) 575/2013. For the calculation of this requirement, the method for calculating the EAD value is taken into account as indicated in the first point of this paragraph.

Exposure to sovereign debt risk

Below is a breakdown of the Group's exposure to sovereign debt risk in government bonds, loans and credit derivatives as at 30 June 2024.

The exposure is broken down by accounting categories.

COUNTRY	DEBT SECURITIES					LOANS	CREDIT DERIVATIVES
	Financial assets measured at fair value through profit or loss		Financial assets measured at fair value through other comprehensive income		Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets held for trading
	Nominal	Fair value=book value	Nominal	Fair value=book value	Book value	Book value	Nominal
Argentine	0.5	-	-	-	-	-	-
Belgium	-	-	8.0	3.2	-	-	-
France	-	-	45.0	41.5	10.4	-	-
Italy	1,176.0	904.4	1,655.0	1,533.1	8,310.1	1,698.1	1,860.2
Mexico	0.1	-	15.0	11.5	-	-	-
Peru	-	-	2.0	1.6	-	-	-
Portugal	0.3	0.2	19.6	10.5	3.0	-	-
Romania	-	-	30.0	24.8	-	-	-
Spain	1.2	1.1	-	-	642.2	-	-
United States	-	-	46.7	35.8	-	-	-
South Africa	-	-	5.0	5.0	-	-	-
Other Countries	-	0.1	-	0.2	-	-	-
Total 30 06 2024	**1,178.1**	**905.8**	**1,826.3**	**1,667.2**	**8,965.7**	**1,698.1**	**1,860.2**
Total 31 12 2023	**1,636.4**	**1,339.6**	**1,891.3**	**1,737.7**	**8,719.0**	**1,706.0**	**2,325.6**

As at 30 June 2024, the residual duration of the exposure to the most significant component of sovereign debt (Italian government bonds) was 7.15 years.

Market risks

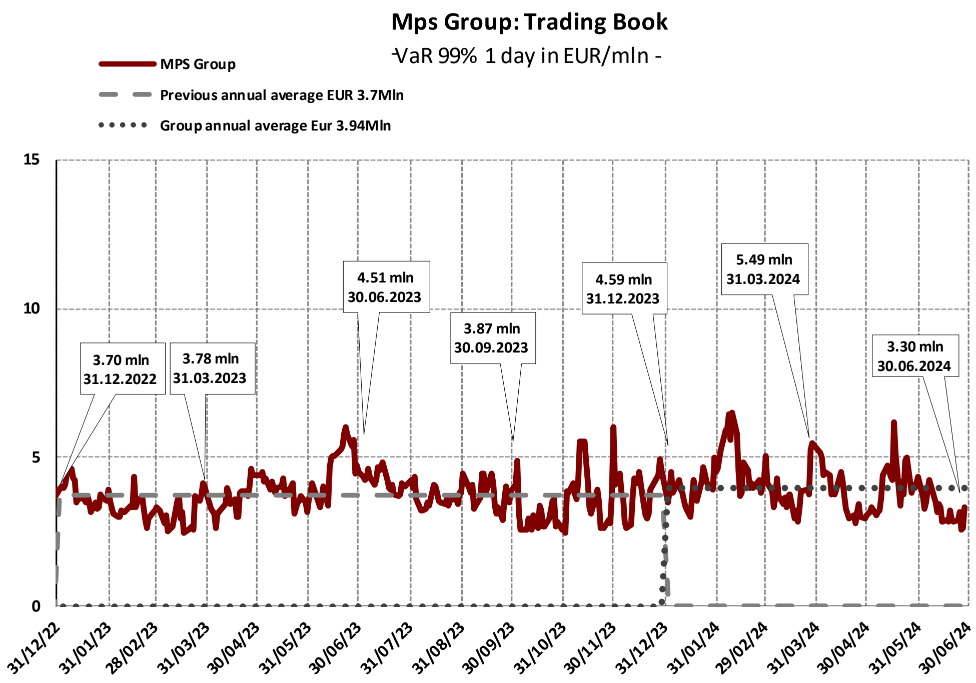
During 2024, the market risks of the Group's Regulatory Trading Book showed a VaR-related performance determined mainly by proprietary trading activities by the Parent Company's LCIB Department in the credit spread and interest rate segments (transactions in Italian government bonds and hedges via swaps and long futures) and, to a lesser extent, by client-driven activities in the Equity segment related to the structuring of bancassurance products. The proprietary finance portfolio contribution to total VaR was negligible.

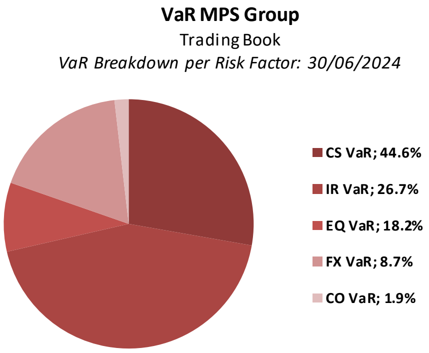
The market risks of the Group's Regulatory Trading Book, measured as VaR, amounting to EUR 3.30 mln as at 30 June 2024, were down on the end of 2023 (EUR 4.59 mln) and on the yearly average (EUR 3.94 mln). During the first half of the year, VaR volatility resulted from auctions on Italian government bonds for primary dealer activities, with temporary changes in the overall CS Italy risk exposure, primarily short term.

The Group's VaR has average levels essentially stable compared to the previous year, maintaining a general process of risk containment.

As at 30 June 2024, the entire segment of securities measured at amortised cost, with related hedges, has an interest rate sensitivity of approximately EUR -2.6 mln per bps, of which EUR -1.98 mln per bps for the Italian government segment alone, in addition to a sensitivity to the Italian credit spread of approximately EUR -5.25 mln per bps. At the same date, the entire government sector saw an implicit loss of EUR 578 mln, of which EUR 494 mln for Italian government securities alone. For positions in FVOCI securities, with related accounting hedges, there is an interest rate sensitivity of approximately EUR -0.60 mln per bps, of which EUR -0.37 mln per bps for the Italian government segment. The sensitivity to the Italian credit spread for this accounting category amounts to approximately EUR -0.43 mln per bps.

In the first half of the year, the average holding of Italian sovereign bonds in the Group's trading books amounted to EUR 0.73 bn in nominal terms, a little over the 2023 average (EUR 0.39 bn).





The VaR breakdown shows that the CS is the main risk factor, accounting for 44.6% of the RTB Gross VaR of the Group, while the IR factor accounts for 26.7%, EQ for 18.2%, FX for 8.7% and CO for 1.9%.

Mps Group

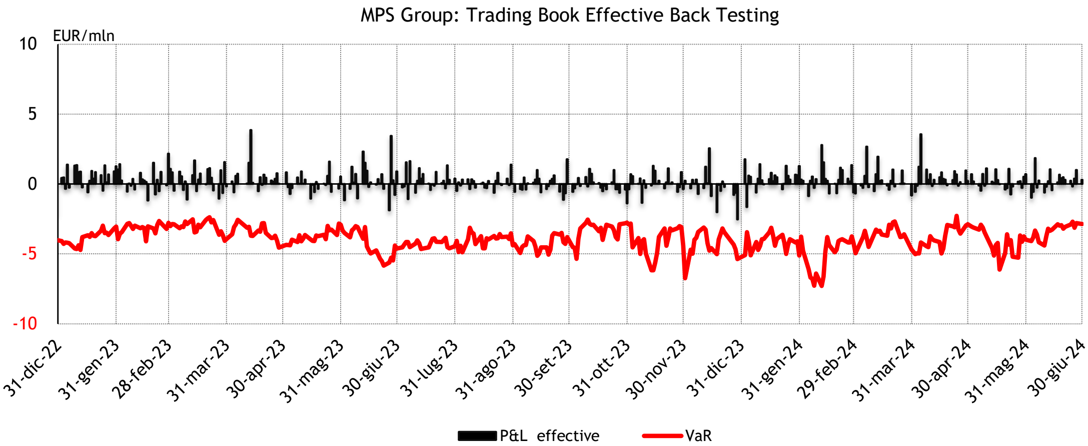
VaR PNV 99% 1 day in EUR/mln

	VaR	Data
End of period	3.30	28/06/2024
Minimum	2.58	26/06/2024
Maximum	6.49	09/02/2024
Average	3.94	

In the first six months of 2024, the Group's Regulatory Trading Book VaR ranged between a low of EUR 2.58 mln recorded on 26 June 2024 and a high of EUR 6.49 mln on 9 February 2024, with an average value registered of EUR 3.94 mln. The Regulatory Trading Book VaR as at 30 June 2024 was EUR 3.30 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 2023 and the first six months of 2024:



No exceptions were noted in the first half of 2024.

Structured credit product

As at 30 June 2024, the securities positions on structured credit products other than own securitisations[15] had a book value of EUR 35.0 mln, compared to EUR 40.3 mln as at 31 December 2023.

With regard to the regulatory classification, the positions in securities on structured credit products are allocated mainly to the Regulatory Trading Book (91.3% of the total, held by the LCIB Department - Large Corporate & Investment Banking). The main accounting classification refers to the category "Financial assets measured at fair value through profit or loss" (91.3%), followed by the category "Financial assets measured at fair value through other comprehensive income" (8.7%).

The underlying asset categories transferred are predominantly commercial mortgage loans (71.3%) and non-performing loans (28.7%).
Geographically speaking, the loans transferred all originated in Italy.

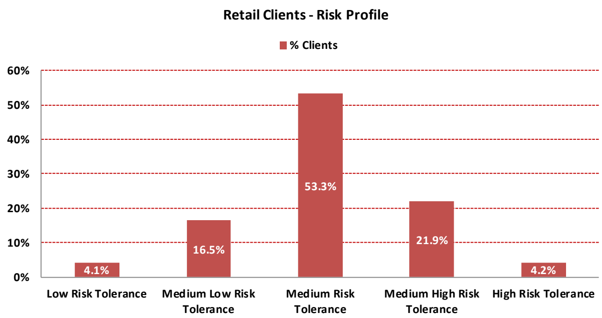
In terms of structured credit product risk, 40.3% of the nominal value of the exposures consists of investment grade securities (with rating up to BBB- included). These are mostly senior tranches (66.8%), followed by mezzanine tranches (33.2%). There are no junior tranches.

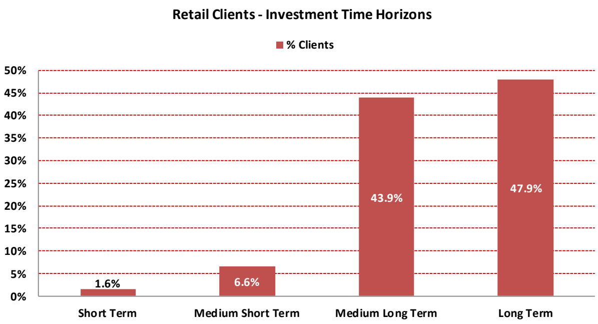
Financial risks of investment services

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

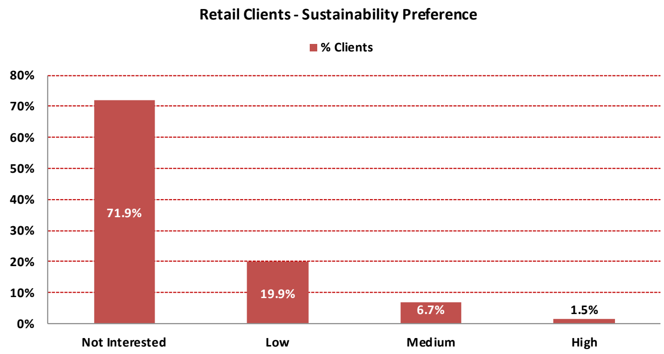
From 1 August 2022, the regulatory indications are endorsed contained in Delegated Regulation (EU) 2021/1253 amending Delegated Regulation (EU) 2017/565, which supplements the MiFID II Directive, to ensure that intermediaries conduct an assessment of the sustainability preferences of their customers.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

The graphs below show the distribution as at 30 June 2024 of the Investment Objective, Time Horizon and Interest in Sustainability indicators issued by Retail customers of the group who have fully completed the MiFID questionnaire and who hold positions in investment products.

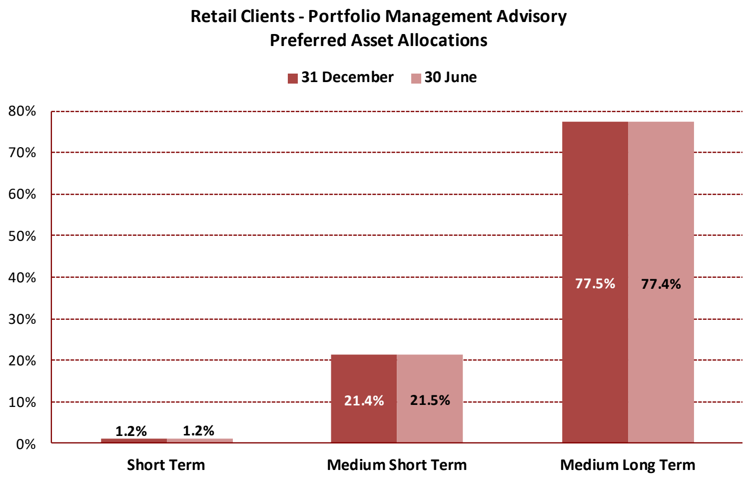




[15] This section does not analyse the securitisations issued by Siena NPL from the transfer of bad loans carried out on 22 December 2017 (deconsolidated in June 2018) since the loans transferred to the Special Purpose Vehicle originated from the MPS Group. Likewise, the ABS issued by the Norma SPV as part of a securitisation of non-performing loans, also originated by banks outside the MPS Group, are not considered.



At the end of June 2024, the portfolios held by Private customers on the basis of formalised "advanced" advisory proposals to obtain optimum asset allocation were mainly distributed into the recommended, long-term, asset allocation macro-classes.



Liquidity risk

Liquidity risk management

Liquidity risk is the risk that the Group may not be able to meet its payment commitments, certain or expected with reasonable certainty. Normally two forms of liquidity risk are identified: (i) the risk that the Group is not able, in the short term (liquidity) and/or in the long term (funding), to meet its payment commitments and obligations efficiently; (ii) the risk that the Group may not be able to liquidate an asset without incurring capital losses due to the limited size of the reference market and/or as a result of the timing with which the transaction has to be carried out.

Liquidity risk is managed and monitored as part of the Internal Liquidity Adequacy Assessment Process (ILAAP), which represents the process by which the Group identifies, measures, monitors, mitigates and reports its liquidity risk profile. As part of this process, the Group carries out an annual self-assessment of the adequacy of the overall liquidity risk management and measurement framework, which also includes governance, methodologies, information systems, measurement and reporting tools. The results of the assessment of the adequacy of the risk profile and the overall self-assessment are reported, at least annually, to the corporate bodies and brought to the attention of the Supervisory Authority.

The management of liquidity is centralised at the Parent Company. The monitoring and control of liquidity risk is carried out on a daily basis (short-term liquidity) and monthly (structural liquidity) and has the objective of monitoring the evolution of the risk profile by verifying its adequacy with respect to the Risk Appetite Framework and operating limits. In particular, the Group uses a monitoring system that includes both short-term and long-term liquidity indicators. To this end, both regulatory metrics (LCR, NSFR) and metrics developed internally are used, including the use of behavioural and/or optional parameter estimation models.

Risk assessment model

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

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

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

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

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

Risk exposure

During the first half of 2024, the Group's liquidity and funding profile was higher than the regulatory and internal risk limits.

As at 30 June 2024, the Montepaschi Group was adequate in terms of both Operating Liquidity, with an LCR of 164.3%, and Structural Liquidity, with an NSFR of 133.6%. Also note that the ratio of 1-month balance to the Group's consolidated assets is 23.0%.

Management of interest rate risk of the banking book

The interest rate risk relating to the banking book derives mainly from the core activities carried out as an intermediary engaged in the process of transforming maturities. In particular, the issue of fixed-rate bonds, the disbursement of mortgages and commercial loans at a fixed rate and the funding through demand current accounts constitute a source of fair value interest rate risk, while floating-rate financial assets/liabilities constitute a source of cash flow interest rate risk.

The Group adopts an interest rate risk governance and management system known as the IRRBB Framework which avails itself of:

- a quantitative model, which provides the basis for monthly calculation of the exposure of the Group and the individual companies to interest rate risk in terms of risk indicators;
- risk monitoring processes, aimed at periodically verifying compliance with the operational limits (risk limits and risk tolerance) assigned to the Group overall and to the individual legal entities within the Risk Appetite Statement;
- risk control and management processes, geared toward bringing about adequate initiatives for optimising the risk profile and activating any necessary corrective actions in the case of exceptions from and/or misalignments with the IRRBB Strategy.

Within the defined model, the Finance, Treasury and Capital Management unit (FTCM) of the Parent Company has centralised responsibility for the operational management of the Group's overall interest rate and liquidity risks.
As regards the monitoring of interest rate risk, in particular the risk measures used internally are as follows as at the reporting date:

- the change in the expected 1-year interest margin following a parallel shock to the spot rate curves of +/-125 bps respectively amount to around EUR +112 mln/EUR -148 mln;
- the change in the economic value of equity, following a parallel shock to the spot rate curves of +/-125 bps, stood respectively at approx. EUR -448 mln/EUR +310 mln.

Operational risks

Risk assessment model

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

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

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

Risk exposure

As at 30 June 2024, the number of operational risk events and losses recognised in the first half of the year were up compared to those recorded in the same period of 2023. The Regulatory Requirement increased compared to December 2023 (+3%), mainly due to new provisions recognised in the first half of the year on legal disputes and to the increase in events reported by other banks (source: DIPO - Italian Database of Operational Losses).

Main types of legal, employment and tax risks

The following were pending as at 30 June 2024:

- legal proceedings with relief sought, where quantified, totalling EUR 3,423.2 mln;
- out-of-court claims with relief sought, where quantified, totalling EUR 81.5 mln;
- risks associated with contractual guarantees with relief sought, where quantified, of EUR 271.5 mln.

These amounts, in accordance with IAS 37, include all disputes, out-of-court claims and contractual risks for which the risk of disbursement of economic resources deriving from potential loss has been assessed as likely or possible and, therefore, does not include disputes for which the risk has been assessed as remote. The aforementioned risks were specifically and carefully analysed by the Group, particularly in the presence of a likely risk gradient and if a reliable estimate of the relative amount could be made, and specific and appropriate provisions were allocated to the Provision for Risks and Charges. Without prejudice to the risk of uncertainty that characterises every dispute, the estimate of the obligations that could emerge from the disputes - and therefore the amount of any provisions made - derives from the forecast assessments regarding the outcome of the proceedings.
These forward-looking assessments are in any case carried out on the basis of the information available at the time of the estimate. The complexity of the situations and corporate transactions forming the basis of the disputes imply significant elements of proceedings that could affect the if, how much and related materialisation timing of the liability. In this regard, therefore, although the Group's estimates are considered robust, reliable and compliant with the dictates of reference accounting standards, it cannot be excluded that charges arising on final settlement of the disputes may prove different, even significantly, from those allocated. The above aggregate includes:

1. Legal disputes and out-of-court claims

The following were pending as at 30 June 2024:

- legal disputes with a total relief sought, where quantified, of EUR 3,336.0 mln, of which approximately EUR 1,555.8 mln as relief sought relating to disputes classified as a "likely" risk, for which provisions for EUR 448.2 mln are recognised and approximately EUR 1,780.2 mln as relief sought attributed to disputes classified as having "possible" risk;
- out-of-court claims for a total relief sought, where quantified, of approximately EUR 81.5 mln, of which approximately EUR 74.5 mln classified with a "likely" risk and approximately EUR 7.0 mln with a "possible" risk.

The disputes of greatest relevance by macro-category or individually are illustrated below.

Disputes regarding compound interest, interest rates and conditions

The total relief sought in these disputes as at 30 June 2024 was EUR 204.7 mln (EUR 227.7 mln as at 31 December 2023), while allocated provisions totalled EUR 89.6 mln (a decrease of EUR 97.9 mln compared to the provisions as at 31 December 2023).

Dispute regarding claw-back actions in insolvency proceedings

The total relief sought in these disputes as at 30 June 2024 was EUR 32.8 mln (EUR 52.6 mln as at 31 December 2023), while allocated provisions totalled EUR 15.3 mln (a decrease of EUR 17.0 mln compared to the provisions as at 31 December 2023).

Dispute with purchasers of subordinated bonds issued by Group companies

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

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

However, for the sake of comprehensiveness, we would like to point out other cases where, despite purchasing Upper Tier II securities, the counterparties claim to have been unable to participate in the public offering due to misselling by the Parent Company, or in any event to have had objections relating to the Upper Tier II securities purchased after 31 December 2015 (cut-off date). Lastly, a limited number of disputes concerns cases in which investors sold their bonds prior to the Burden Sharing pursuant to Decree no. 237/2016. The focus of the opposing claims is concentrated on the alleged lack of disclosure and/or in any case violations of specific regulations on financial intermediation.

The total relief sought in these disputes as at 30 June 2024 was EUR 33.3 mln (EUR 34.7 mln as at 31 December 2023), while allocated provisions amounted to EUR 14.4 mln (a decrease of EUR 1.1 mln compared to 31 December 2023).

Derivatives litigation

Litigation concerning OTC derivative contracts is mostly concerned with the ascertainment of the nullity of the product on the assumption that the financial instrument lacks the indication of elements such as the mark to market and the probabilistic scenarios considered essential by the now dominant jurisprudence following the well-known ruling of the Supreme Court in United Sections no. 8770/2020 (later confirmed by pronouncements no. 21830/2021 and no. 22014/2023).

On the assumption of nullity, the counterparties therefore request that the Parent Company be ordered to return all the amounts paid for the financial instruments in question, or the repetition of the spreads paid, the commissions as well as the failure to take on the residual mark to market in cases in which the derivative is still in place.

The total relief sought in these disputes as at 30 June 2024 was EUR 121.7 mln (EUR 124.2 mln as at 31 December 2023), while allocated provisions totalled EUR 44.7 mln (a decrease of EUR 45.5 mln compared to 31 December 2023).

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

As at 30 June 2024, the Parent Company was exposed to civil actions, to the consequences of decisions arising from criminal proceedings (955/16 and 33714/16), and to out-of-court claims with regard to the financial information disclosed during the past periods. The total relief sought at the same date for this type of dispute was equal to approx. EUR 1,318 mln, broken down as follows (data in EUR mln):

Type	30/06/24	31/03/24	31/12/23
Civil dispute	675	670	685
Filed civil claim cp 955/16	160	160	160
Filed civil claim cp 33714/16 *	483	495	495
Total legal proceedings	**1,318**	**1,325**	**1,340**

** The decrease in relief sought is due to the exclusion of certain civil parties from the criminal proceedings*

The main disputes pending as at 30 June 2024 are shown below.

Banca Monte dei Paschi di Siena S.p.A. vs. Alken Fund Sicav and Alken Luxembourg S.A. (now VIRMONT SA) dispute.

On 22 November 2017, the opposing parties (the "Funds") served a complaint on the Parent Company, as well as Nomura International ("Nomura"), Giuseppe Mussari, Antonio Vigni, Alessandro Profumo, Fabrizio Viola and Paolo Salvadori, before the Court of Milan, requesting that the court confirm and declare: (i) the alleged liability of the Parent Company pursuant to art. 94 of the Consolidated Law on Finance (TUF), as well as for the deeds of defendants Mussari, Vigni, Profumo and Viola pursuant to art. 2935 of the Italian Civil Code due to the offences perpetrated against the plaintiffs; (ii) the alleged liability of defendants Mussari and Vigni in relation to investments made by the Funds in 2012 on the basis of false information; (iii) the alleged liability of defendants Viola, Profumo and Salvadori in relation to investments made by the Funds subsequent to 2012; and (iv) the alleged liability of Nomura pursuant to art. 2043 of the Italian Civil Code and, as a result, order the Parent Company and Nomura jointly and severally to provide compensation for financial damages equal to EUR 423.9 mln for Alken Funds Sicav and EUR 10 mln for lower management fees and reputational damage to the management company Alken Luxembourg SA, as well as jointly and severally with the Parent Company and Nomura the defendants Mussari and Vigni for damages resulting from the investments made in 2012, and Viola, Profumo and Salvadori for damages subsequent to 2012. The opposing parties also requested that the defendants be ordered to provide compensation for non-financial damages upon confirmation that they were guilty of the offence of providing false corporate disclosures. The Parent Company appeared within the time limits, setting out its defence and, as an alternative measure, the Parent Company filed an action of recourse against Nomura. It should be noted that in the lawsuit, four natural persons intervened, separately and independently, claiming damages for a total of approx. EUR 0.7 mln. By order dated 24 July 2019, the Judge rejected Alken's petition for a court appointed expert report (CTU), deeming the case ready for decision, and adjourned the case to the hearing of 7 July 2020 for closing arguments, during which, having rejected Alken's petition to refer the case to preliminary investigation, the case was retained for decision. With ruling issued on 7 July 2021, the Court of Milan rejected all requests made by the Funds, which were ordered to refund the legal costs of the Parent Company. The request of a single intervener was partially accepted, in relation to which the Parent Company was ordered to pay the sum of approximately EUR 52 thousand (for principal and interest) jointly with Nomura and in part with Messrs Antonio Vigni and the lawyer Giuseppe Mussari. The Parent Company, Nomura and the Funds appealed (the latter for relief sought of approximately EUR 454 mln) against the ruling before the Milan Court of Appeal in which the appellant and another party also filed a cross-appeal against the Parent Company, again in first instance, for relief sought of around EUR 0.6 mln, the claims of which were rejected by the Court. On 13 July 2022, the first hearing was held in the three pending appeal proceedings, which were ordered to be joined. The Court postponed the combined cases to the hearing of 5 July 2023 for the presentation of closing arguments, later brought forward to 10 May 2023 at which the case was adjourned for decision with deadlines pursuant to art. 190 of the Code of Civil Procedure for closing briefs and replies. By ruling published on 9 November 2023, the Milan Court of Appeal rejected the claims of the Funds and the cross-appeals by Giulio and Gaetano Longobardi in their entirety, while the appeals of MPS, Nomura, Mussari and Vigni were upheld. On 9 January 2024, the Funds filed an appeal before the Court of Cassation. The Bank duly appeared before the Court of Cassation, claiming rejection of the opposing appeal and ordering of the Funds to pay legal expenses.

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

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

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

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

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

By ruling of 16 May 2024, the Court of Milan rejected all claims brought by the Funds, which were ordered to pay legal costs of EUR 240 thousand in favour of each defendant. At the same time, the Court considered the opposing claims to be reckless with the prerequisites met for conviction pursuant to art. 96, paragraph 3 of the Code of Civil Procedure, equitably quantified as half of the legal expenses paid and therefore EUR 120 thousand for Banca MPS.

On 17 June 2024, the Funds filed an appeal against the aforementioned ruling, asking the Milan Court of Appeal to fully reformulate the ruling with acceptance of its claims as counterparty in the first instance proceedings and sentencing of the defendants (here appellants) to reimburse the legal costs for both judicial levels, as well as the amount received under the ruling pursuant to art. 96 of the Code of Civil Procedure. The Bank is preparing its defence for first hearing scheduled for 22 January 2025.

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

<u>Criminal proceedings no. 955/16</u>

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

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

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

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

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

The Parent Company filed an appeal before the Court of Appeal of Milan against the ruling of first instance, as the civilly liable party, jointly and severally liable with the defendants, having administrative liability under Italian Legislative Decree 231/2001.

On 11 December 2023, the Court overturned the first instance ruling. In particular, the defendants were acquitted because the offence did not exist and consequently the Parent Company was acquitted of administrative liability pursuant to Italian Legislative Decree 231/01 due to non-existence of predicate offences. The Court also revoked, against the defendants and the Parent Company as the civilly liable party, the awards for damages and the reimbursement of court costs and ordered those civil parties who had appealed to pay the court costs at first instance. The grounds for the ruling, filed on 7 June 2024, conclude full acquittal of the defendants on the grounds that no offence was committed, both with reference to the offence referred to in art. 2622 of the Italian Civil Code (false corporate communications), in relation to the financial statements as at 31/12/2012 and the half-yearly financial statements as at 30/06/2015, and with reference to the offence pursuant to art. 185 of the Consolidated Law on Finance (market manipulation) in relation to press releases concerning approval of the financial statements as at 31 December 2012 and 31 December 2014 and the half-yearly financial statements as at 30 June 2015, on the assumption that, beyond all reasonable doubt, there was no false accounting of the Santorini and Alexandria transactions and given that the information disclosed to the market was not therefore false, the offence pursuant to art. 185 of the Consolidated Law on Finance is inevitably destined for dismissal. Likewise, the Bank was acquitted of administrative infringements as the predicate offences proved groundless. The ascertained lack of the objective element of the alleged offences also eliminates the prerequisite for claims for damages advanced by the civil parties against the defendants and the Bank as civilly liable party.

On 22 July 2024, an appeal against the ruling was filed before the Court of Appeal by both the Public Prosecutor's Office and the civil party Bluebell Capital Partners.

Criminal proceedings no. 33714/16

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

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

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

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

As part of this further investigation phase, the Public Prosecutor ordered two new technical consultations. In particular, on 16 November 2021, the Public Prosecutor instructed two additional consultants to review the documentation related to the 100 positions for which the ECB, in the context of the 2015-2016 inspection, had indicated the greater difference between the provisions set aside by the Parent Company and those indicated by the same Supervisory Authority, in order to identify the actual effect of such deviation. This analysis was concluded with the preparation of further technical advice. The Public Prosecutor's consultants, while finding some alleged accounting errors, came to significantly different conclusions from those of the expert report ordered by the Preliminary Investigations Judge in 2020 on the same credit positions.

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

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

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

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

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

More than 4,000 civil parties appeared at the first preliminary hearing held on 12 May 2023. The preliminary hearing continued on 26 June 2023, as part of which new civil parties filed a claim, for a total of more than 5,000 parties. Consob and the Bank of Italy have not joined the proceedings as civil parties. Almost all the civil parties requested that Banca Monte dei Paschi di Siena be summonsed as civilly liable.

On 19 September 2023, the Judge issued a decree summoning the party bearing civil liability and at the hearing on 10 November 2023 the Parent Company entered an appearance.

At the hearing of 22 December 2023, the cross-examination was held on the issues concerning the plaintiffs. The Judge reserved his judgement and postponed the hearing to 22 April 2024 for the reading of the order. On that date, the Preliminary Hearing Judge read the order concerning the issues on civil action, ordering the exclusion - mainly due to procedural errors - of almost 300 civil parties with relief sought, where quantified, of approximately EUR 12 mln. At the same hearing, the Bank's defence also raised preliminary questions concerning the invalidity and unusability of the aforementioned appraisal of 2020, to which the Public Prosecutors had replied by claiming their rejection, a claim joined by all the civil parties.

At the hearing of 20 June 2024, the Preliminary Hearing Judge, assigned to the matter of compulsory indictments relating to Criminal Proceedings no. 29877/2022 (see below), issued an order expressing opinion in favour of merging the two proceedings, deeming the legal prerequisites to be met. As a result, this case was postponed to the hearing of 20 January 2025 for formal merger of the two proceedings.

Criminal Proceedings no. 29877/2022, Court of Milan

On 28 May 2024, a number of employees, former employees and former representatives of the Bank received an order pursuant to Articles 409 and 410 of the Italian Code of Criminal Procedure concerning "non-performing loans", regarding the alleged failure to recognise prior losses on a timely fashion. This de facto order extends the period covered by criminal proceedings 33714/2016 on the same matter - regarding financial statements from 31 December 2013 to 30 June 2016 - also to the financial statements as at 31 December 2016 and 31 December 2017. This order commands public prosecutors to proceed with compulsory indictment of five natural persons. With the request for committal for trial, the public prosecutors simultaneously filed an application to join this case with the main proceedings (see above, case ref. 33714/2016).

On 11 July 2024, the Bank, as the injured party, was served notice of the preliminary hearing date.

At the first preliminary hearing, held on 23 July 2024, about a thousand civil parties appeared in proceedings and, at the request of the parties, the Preliminary Hearing Judge set the next hearing as 23 September 2024 to allow other injured parties to appear as civil party, in addition to 28 November and 19 December 2024 for continuation of the preliminary hearing.

Lastly, the same hearings as for the main proceedings, i.e. 20 January 2025, were also indicated for this case.

In addition, in the order of indictment the Preliminary Hearing Judge ordered a supplement to investigations with regard to alleged fraud against the State with reference to the precautionary recapitalisation transaction.

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The proceedings events described in more detail above and associated with: (i) the publication on 15 May 2024 of the Court of Milan ruling, pronounced on conclusion of the first instance proceedings brought by the York Funds and recently challenged by the latter before the Milan Court of Appeal; (ii) the publication on 7 June 2024 of the rationale for the ruling by which the Criminal Court of Appeal of Milan fully reformed ruling no. 10748/2020, as part of criminal proceedings 955/16; and (iii) the order of 28 May 2024, by which the Preliminary Investigations Judge at the Milan Criminal Court ordered the compulsory indictment of a number of employees, former employees and former representatives of the Bank in relation to the recognition of non-performing loans of BMPS in the 2016 and 2017 financial statements, also taking into account the gradual layering of further rulings in favour in all clusters of civil disputes relating to the dissemination of financial information in the period 2008-2015, led to confirm assessments of the risk of losing already made as at 31 December 2023.

In detail, the civil parties involved in criminal proceedings 33714/2016 are classified as at "likely" risk, while the civil dispute, relating to the 2014 and 2015 share capital increases and subject to criminal proceedings 955/2016 and 33714/2016, as well as criminal proceedings 955/2016, are classified as at "possible" risk, and as at "remote" risk the civil dispute relating to the 2008-2011 share capital increase transactions, subject to criminal proceedings 29634/2014[16], and out-of-court complaints submitted by investors concerning the alleged false communications regarding the accounting of Alexandria and Santorini transactions and non-performing loans.

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

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

Overall, settlement agreements were reached which led to the closure of disputes and out-of-court claims for a total relief sought of approximately EUR 4.4 bn with a total outlay of approximately EUR 242 mln (5.5% of the relief sought); these amounts include the settlement for EUR 150 mln with the MPS Foundation, which took place in 2021, against a relief sought of EUR 3.8 bn (4% of the relief sought).

Also note that up to June 2024, disputes and criminal proceedings reached a ruling, at least in the first instance, concerning a relief sought of around EUR 946 mln. The unfavourable rulings represent less than 2% of the relief sought and resulted in compensation for damages paid by the Bank for approximately 0.5% of the relief sought. These unfavourable rulings relate to disputes concerning investments made prior to the 2013 restatement and were issued before the 2022 financial year.

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Banca Monte dei Paschi di Siena S.p.A. vs. FRESH 2008 Bondholders

Some holders of FRESH 2008 securities maturing in 2099, with writ of summons served on 15 November 2017, initiated proceedings against the Parent Company, the company Mitsubishi UFJ *Investors Services* & *Banking Luxembourg* SA (which replaced the Parent Company in issuing the bond loan Parent Company of *New York Mellon Luxembourg*), the British company JP *Morgan Securities* PLC and the American company JP *Morgan Chase Bank* N.A. (which entered into a swap agreement with the bond loan issuer) before the Court of Luxembourg so that: (i) the inapplicability of the Burden Sharing Decree to the holders of the FRESH 2008 Securities and, consequently, to hold that the said bonds cannot be forcibly converted into shares, (ii) the validity and effectiveness of the said bonds in accordance with the terms and conditions of their issue be affirmed insofar as they are governed by Luxembourg law, and, finally, (iii) it is declared that the Parent Company is not entitled, in the absence of the conversion of the FRESH 2008 Securities, to obtain from JP Morgan the payment of EUR 49.9 mln to the detriment of the holders of the FRESH 2008 Securities. The Court of Luxembourg, by order of 11 January 2022, dismissed the requests made by the Parent Company to stay the proceedings until the ruling of

[16] Criminal proceedings no. 29634/2014 ended in October 2023 following the Court of Cassation ruling which definitively acquitted all the defendants in proceedings.

the international courts with regard to the preliminary objections raised by the Parent Company; on the other hand, it upheld the plea of lack of jurisdiction of the court before which the case was brought in relation to the claim concerning the usufruct contract entered into by the Parent Company with JP Morgan Securities PLC and JP Morgan Chase in the context of the 2008 share capital increase transaction. In relation to the aforementioned usufruct contract, the Luxembourg Court has reserved its judgement pending the decision of the Italian Court and, on the contrary, has declared its jurisdiction in relation to the swap contract entered into by the Parent Company with the same counterparties in the context of the 2008 capital increase transaction.

It is noted that, following the start of the proceedings in question by the holders of the FRESH 2008 Securities, the Parent Company, on 19 April 2018, has brought a legal action before the Court of Milan against JP Morgan Securities Ltd JP Morgan Chase Bank N.A. London Branch, as well as the representative of the FRESH 2008 securities holders and Mitsubishi Investors Services & Banking Luxembourg S.A. to ascertain that the Italian Judge is the only one with jurisdiction and competence to decide about the usufruct contract and the company swap agreement signed by the Parent Company with the first two defendants in the context of the operation of the share capital increase in 2008. Consequently, the Parent Company asked:

- to ascertain, pursuant to Article 22, paragraph 4 of Decree 237 of 23 December 2016, the ineffectiveness of the usufruct contract and the company swap agreement that provide for payment obligations in favour of JP Morgan Securities PLC and JP Morgan Chase Bank NA;
- to ascertain the ineffectiveness and/or termination and/or discharge of the usufruct contract or, in the alternative;
- to ascertain the termination of the usufruct contract due to the capital deficiency event of 30 June 2017.

The first hearing was held on 18 December 2018 and the Investigating Judge, considering the prejudicial nature of the issue of jurisdiction raised by the defendants, in view of the fact that a dispute is pending before the Luxembourg Court involving the same relief sought and the same cause, had granted the parties terms to reply only to the procedural objections and adjourned the hearing to 16 April 2019 for assessment of the disputed issue. At the subsequent hearing on 2 July 2019, the case was held over for decision and by order of 2 December 2019, the Court of Milan ordered the proceedings to be suspended pending the decision of the aforementioned Luxembourg Court. Against this order, the Parent Company had filed a petition with the Court of Cassation for the referral to a different competent court. The court has rejected the petition of the Parent Company with ruling dated 31 March 2021. Fresh bond holders appealed the first instance ruling by the Luxembourg Court. The notice of appeal was filed at the end of November 2022. The Parent Company - in parallel - on the basis of the ruling issued by the Luxembourg Court, filed a petition with the Italian court asking it to rule on the grounds for the termination of the usufruct contract.

At the same time, the Parent Company – based on the ruling issued by the Court of Luxembourg – filed an appeal with the Court of Milan for the resumption of proceedings initiated there in 2018, but the Court of Milan, with a recent order of 11 January 2024, declared this inadmissible, pointing out that suspension of the Italian proceedings had been ordered at the time (02.12.2019) until the final decision of the Luxembourg Court. That decision, however, which had as previously mentioned been the subject of both the main appeal and the cross-appeal, did not become final, and consequently the conditions that at the time had prompted the Italian court to keep proceedings suspended still applied.

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

In the event of an unfavourable outcome of the dispute, the principle of burden sharing cannot be applied and therefore the bond-holders will retain the right to receive the coupon (equal to Euribor 3M + 425 bps on a notional amount of EUR 1 bn) provided that the Parent Company generates distributable profits and pays dividends.

Considering that the Parent Company had not paid dividends from the date of the burden sharing until 2023, any unfavourable outcome of the dispute will only produce effects starting with the decision to distribute dividends in 2024 on 2023 profit. Note that, as at the date of these Half-Yearly Financial Statements, no further claims of any kind have been brought over and above the disputes described herein. In any case, at the current stage of the dispute, the Parent Company considers all rights of the 2008 FRESH bond-holders null and void pursuant to the application of art. 22, paragraph 4 of Italian Legislative Decree 237/2016 and of the capital deficiency event recorded as at 30 June 2017. It therefore determined the equity ratios and earnings per share as at 30 June 2024 (in continuity with 31 December 2023) without taking into account the 2008 FRESH coupon.

Other disputes

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

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

At the hearing of 31 May 2018, the Judge reserved his decision on the preliminary objections raised by the parties. On 5 June 2018, the bankruptcy of the company was declared, which prompted the receivership to take up the case again. At the end of the preliminary investigation, during which an expert was court-appointed, the case was withheld for decision on 6 October 2022. Subsequently, on 11 November 2022, the Court of Salerno ascertained and settled only the non-pecuniary damage, amounting to EUR 20,000 for each bank (thus totalling EUR 100,000), plus interest and costs of litigation. The disbursement attributable to the Parent Company amounted to EUR 34,151.69. The substantially successful outcome of the proceedings led to the conclusion that the appeal was not admissible, which, however, was lodged by the Receivership with summons served on 10 July 2023.

An appearance hearing was held on 11 January 2024. The case was postponed to 11 July 2024 for acquisition of the official technical report carried out as part of the first instance proceedings. At the end of this hearing, which took place in written form, the Court reserved the right to decide on the measures to be adopted for continuation of the proceedings.

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

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

In a judgment filed on 6 June 2022, the Court of Siena rejected the plaintiff company's claims for damages on the grounds of contractual and extra-contractual liability. The Court only upheld the restitutory claim brought by the opposing party with regard to the allegedly unlawful interest applied in connection with the land advances, quantified in EUR 58,038.27, plus legal interest, and ordering the costs to be offset. By summons dated 23 December 2022, the company filed an appeal before the Court of Appeal of Florence with first appearance hearing on 15 May 2023. The Bank duly appeared and, with ruling no. 2058/2023, the Court substantially confirmed the favourable first instance decision, partly offsetting expenses. As no appeal had been filed by the deadline of 12 April 2024, the decision became final.

Banca Monte dei Paschi di Siena S.p.A. vs. Riscossione Sicilia S.p.A. (now ADER - Revenue Agency - Collections)

Dispute brought by Riscossione Sicilia

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

With judgement no. 2350/22, filed on 30 May 2022, the Court of Palermo, essentially adhering to the conclusions of the court-appointed expert, rejected Riscossione Sicilia's counterclaims and sentenced the latter to pay the Parent Company approximately EUR 2.9 mln plus legal interest and court fees.

This judgment was appealed on 27 December 2022 by summons before the Court of Appeal of Palermo. The Bank made an entry of appearance with a petition filed on 15 April, explaining a cross-appeal. The first appearance at the hearing of 5 May was held in written form. The case is now adjourned to 7 November 2025 for the presentation of closing arguments.

Legal action brought by the Finance Department of the Sicily Regional Government ("the Department").

On 17 July 2018, the Finance Department of the Sicily Regional Government served an injunction order upon the Parent Company pursuant to art. 2, Italian Royal Decree no. 639/1910 and for repayment of a total of around EUR 68.6 mln pursuant to art. 823, paragraph 2 of the Italian Civil Code. After integration of the cross-examination of Riscossione Sicilia, by ruling no. 3649/2021, published on 4 October 2021 and notified on 5 October 2021, the Court of Palermo rejected the Parent Company's objection to the aforementioned order with simultaneous sentencing of the Parent Company to pay legal costs. The Parent Company lodged an appeal against this decision before the Palermo Court of Appeal. The Court of Appeal ordered the joinder of ADER to the case, as successor of Riscossione Sicilia S.p.A., ordering it to appear at the hearing scheduled for 1 July 2022. The case was postponed to the hearing of 22 November 2024 for the presentation of closing arguments.

Actions brought by Banca Monte dei Paschi

In the additional and separate administration proceedings (case ref. 2201/2018) brought by the Parent Company before the Regional Administrative Court of Sicily to obtain a declaration of invalidity and cancellation of the injunction order pursuant to art. 2, Italian Royal Decree no. 639/1910, by ruling no. 3043 of 17 November 2023 the Court accepted the Parent Company's appeal, cancelling the challenged order limited to the alternative claim of the Sicily Regional Government, deeming that the Regional Government could not object to any action for protection of possession pursuant to art. 823, paragraph 2, of the Italian Civil Code, since it constitutes a right of claim rather than a right in rem, and ordered the costs to be offset between the parties.

Following service upon the Parent Company on 21 September 2022 of the tax demand stating the amount claimed by the Department pursuant to ruling no. 3649/2021, by writ of summons of 21 November, the Parent Company filed claims before the Court of Siena (RG 2737/2022) against ADER and the Department in other proceedings opposing enforcement of the tax demand as an executive order pursuant to art. 615 of the Code of Civil Procedure, also for the purpose of suspending enforceability. These proceedings closed with a ruling on 13 December 2023 which rejected the Parent Company's opposition, ordering it to pay EUR 91.6 thousand. By writ of summons dated 21 June 2024, this ruling was challenged before the Florence Court of Appeal.

The other actions undertaken by the Parent Company to respond to the credit claim of the Regional Government referred to in ruling no. 3649/2021 – specifically, the application before the Court of Auditors brought on 21 November 2022 pursuant to art. 172 paragraph 1.d) of the Code of Accounting Justice to declare null and void the actions carried out for recovery of the amounts as well as the petition of 16 November 2022 pursuant to Law 228/2012 to obtain suspension of the collection of the amount indicated in the tax demand – were unsuccessful and therefore, on 27 January 2023, in strict compliance with the tax demand, which in the itemised credit items of the tax authority interest at the legal rate was contemplated, the payment of a total EUR 74 mln was arranged, of which EUR 68.6 mln in principal referred to in the aforementioned as full repayment of the amount demanded by the Sicily Regional Government.

Lastly, the steps necessary to recover the afore-mentioned credit of about EUR 68.6 mln from ADER, to which the Parent Company is entitled, as the sole successor of Riscossione Sicilia S.p.A., are underway.

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

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

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

The first appearance hearing of 29 April 2022 was adjourned to 4 May 2022. The Parent Company promptly appeared, stating the correctness of the behaviour taken when the protest was raised and the absence of any causal link between the Parent Company's actions and the alleged damage. The Judge, having withdrawn the reservation on the preliminary enquiries made by the parties at the hearing of 29 March 2023, admitted witness evidence. By order of 15 July 2023, the Judge ordered a confrontation between witnesses at our request, in consideration of their conflicting statements made at the hearing of 19 May 2023, setting a new hearing for this purpose on 15 September 2023, then postponed to 20 October 2023. On that date, the witnesses in the confrontation confirmed their conflicting versions of the events that occurred. As the witness statements were irreconcilable on some points, the Judge ordered further direct discussion with witnesses for 17 April, the date on which the witnesses were not heard following the death of Giovanni Ferro. By order of 22 April 2024, the Judge rejected the request for substitution of the witness Ferro submitted by the opposing party and any other preliminary investigation requested by both parties, setting a hearing for closing arguments for 9 October 2024.

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

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

Since this amount relates to all the derivatives concluded by the 4 banks of the pool with EUR S.p.A., it should be noted that in the unlikely event of losing, the Parent Company, having been sentenced to pay the compensation, will be entitled to share the amount paid with the other banks in the pool in proportion to the quota in the loan, which for MPSCS was 12.61%.

The former subsidiary MPSCS appeared in court to have the full validity of its actions recognised and to request the rejection of the plaintiff's claims. In the deed of appearance and reply, it objected in limine litis the lack of jurisdiction of the court, given that the contracts regulating derivative operations with EUR S.p.A. consisted of ISDA Master Agreements governed by English law and subject to the jurisdiction of the Anglo-Saxon courts. The existence of the jurisdiction of the Italian court, according to the plaintiff, is due to the link between the IRSs and the financing contracts, which are governed precisely by Italian law, as well as to the public nature of EUR S.p.A. "as a company wholly owned by public institutions".

On 21 April 2023, the Court of Rome, rejecting the claims made by EUR, issued the decision in which: 1) it declared the lack of jurisdiction of the Italian Court, in favour of the UK Court; 2) it declared that the objection of lis pendens cease to obtain, alternatively, by the defendant Banks pursuant to art. 7, paragraph 1, Law no. 218 of 31 May 1995; 3) it ordered that legal costs be fully offset between the parties.

On 5 December 2023, EUR notified the appeal against the first instance judgement, challenging the decision of the Court to refer the case to the jurisdiction of the English court and re-proposing in substance all the claims and arguments put forward in the first instance, thus soliciting a different decision from the Court of Appeal of Rome. The Bank will enter the related appearance in court together with the other defendant Banks. The first hearing is scheduled for 3 March 2025. Negotiations are underway between the Parties for settlement of the dispute.

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

In February 2020, the Italtrading receiver sued the former subsidiary MPS Leasing & Factoring, as civilly liable for the damage pursuant to art. 2049 of the Italian Civil Code caused through a former employee, consisting of the irregular recognition in the financial statements of lower payables to the banking system and at the same time of lower receivables from subsidiaries and some customers. This is in violation of the provisions of art. 2423 of the Italian Civil Code, resulting in a concealment of the loss of share capital and, therefore, an aggravation of the insolvency. The claim for damages was quantified at EUR 132.8 mln.

During the lawsuit, in which the former subsidiary appeared before the court, following the conclusions of the insolvency proceedings, the claim was reduced to EUR 63 mln with the request for a provisional payment of EUR 6 mln.

By ruling of 19 May 2023, the Court of Milan acquitted the former employee of the charges against him, with consequent release effect for Banca MPS, which had taken over by virtue of incorporation from MPS L&F. Appeal proceedings are pending before the Court of Appeal of Milan, filed last October by the Italtrading receiver. The decree setting the date of the appeal hearing as 4 October 2024 was served on 4 July 2024.

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

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

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

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

All the Banks autonomously filed an appeal. The appeals were all joined and assigned to the second specialised section on corporate matters of the Court of Appeal of Rome with the first appearance hearing in February 2024 where it was decided to postpone the hearing for clarification of the conclusions to November 2025.

Several proposals were submitted by third parties to the banks for transfer of the dispute, some formalised, others only verbal to explore the Banks' possible willingness to settle. However, no proposal was made official.

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

The proceedings, with relief sought equal to EUR 37.5 mln, were brought by B.M. 124 S.R.L. - official assignee of the composition in bankruptcy pertaining to Barbero Metalli Spa in JV with BeCause - against the directors and external auditors of the company, as well as the different credit institutions jointly and severally, for having contributed to the insolvency of the company through predatory lending.

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

The plaintiff asks for the directors, auditors and banks to be found jointly and severally liable for approximately EUR 37.5 mln as additional loss incurred by the company, and in the alternative liable for EUR 22.9 mln, as the value of individual detrimental transactions carried out by the company and expressly listed in the summons (the contribution indicated for the Parent Company would consist in having advanced EUR 8.8 mln to the company since 2009).

Having completed the mediation process, which in effect was never formally opened, and having filed the parties' written submissions, the Judge ordered postponement to 21 December 2022, then again to 3 May 2023. At that hearing, the Judge invited the plaintiff to spontaneously produce, by 29 September 2023, all the transactions concluded even before the commencement of proceedings relating to the matter of the dispute, adjourning the hearing to 12 October 2023 to verify fulfilment of the aforementioned order.

By ruling of 8 May 2024, the Judge deemed it possible to settle the case between the plaintiff and some of the defendants, including the banks and to the extent of interest of the Parent Company, as their liability was excluded. The Judge therefore proposed abandonment of the claim and payment to the defendants of a contribution to legal costs based on the minimum for the feasibility and introduction phases only. The case was then postponed to the hearing of 3 December 2024 for the verification of acceptance of this or other proposal that may be agreed by the parties.

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

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

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

The first hearing was held on 16 February 2023 with the judge reserving judgment on the various preliminary claims brought by the parties without granting the six-month postponement requested by the Receivers for the definition of an insolvency agreement and subsequent continuation of proceedings by the insolvent party. On 9 January 2024, the Judge withdrew his reservation, recognising, on a preliminary basis, the assignee's legitimacy to continue the proceedings initiated by the receivers and approving the court-appointed expert in relation to the two macro transactions referred to in the summons. The case was then postponed to 16 January 2025 for examination of the expert report.

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

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

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

The plaintiff asks for MPS Capital Services S.p.A. and another three banks to be found liable jointly and severally and to pay damages to the liquidator of the insolvent company, in the amount of approximately EUR 42.3 mln, or in the different amount, greater or lesser, that the Court will deem appropriate, also pursuant to art. 1226 of the Italian Civil Code, as well as interest and revaluation.

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

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

On 26 March 2024, the Parrini Spa receivership filed an "Application to fast track first instance rulings" with the Court of Rome, but to date the reservation has not yet been lifted.

Banca Monte dei Paschi di Siena S.p.A./ Le Camelie S.R.L dispute

The lawsuit was brought by “Le Camelie S.r.l.” and by Giacomo Polito, as third-party mortgage lender, against the Parent Company and the former subsidiary MPS Capital Services S.p.A. together with Siena NPL 2018, for alleged simulation of the allocation of the amounts disbursed for mortgage loans, for abuse of credit disbursement and for nullity of contracts due to unlawful causes.

The transactions involved are three mortgage loans granted by the MPS Group in 2006, 2007 and 2010 for EUR 10 mln, EUR 2.5 mln and EUR 4.3 mln, respectively. The compensation claim amounts to a total of EUR 45.2 mln, a value corresponding to the sum of the values attributed by the plaintiffs to their foreclosed assets in the enforcement proceedings initiated in relation to the loans in question.

During the June 2023 hearing, the Judge deemed the case ripe for decision and set the hearing for the presentation of closing arguments as 6 February 2024. The proceedings were postponed to 24 May 2024, pursuant to art. 309 of the Italian Code of Civil Procedure, for negotiations on a settlement with the transferee. The case was settled at the hearing of 18 June 2024, pursuant to art. 309 of the Italian Civil Code, given the intervening transaction between the transferee Siena NPL and the plaintiff.

Banca Monte dei Paschi di Siena S.p.A. vs. Società Italiana per Condotte D’Acqua S.p.A. under extraordinary administrative proceedings

By means of a writ of summons served on the Parent Company on 23 December 2022, Società Italiana per Condotte D’Acqua S.p.A. under extraordinary administrative arrangements brought an action for damages against the credit institutions in conjunction with the factoring companies (32 counterparties), the independent auditors, the members of the Managing Board and of the Supervisory Board of the company in bonis, for having contributed - through the use and granting of credit - to the commission of acts of misadministration that caused (or contributed to causing) serious damage to the company and to the entire creditors’ class. The damage is quantified:

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

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

With a second writ of summons served to the Parent Company on 19 April 2023, Società Italiana per Condotte D’Acqua S.p.A. under extraordinary administrative arrangements also sued Cassa Depositi e Prestiti S.p.A. and SACE S.p.A. for the same factual events, in addition to all the parties already sued in the legal proceedings previously commenced.

Given the obvious connective reasons (part-subjective and part-objective), in the same writ of summons the Judge was asked to order an immediate preliminary joinder of the cases, which was arranged by order dated 25 July 2023.

At the hearing of 22 April 2024, a number of parties filed action against third parties. In authorising these claims against third-parties, the Judge postponed the first appearance hearing to 24 February 2025.

Banca Monte dei Paschi di Siena S.p.A. vs. Extraordinary Administrators of Impresa S.p.A.

By means of a writ of summons served on 11 November 2016, Impresa S.p.A. in extraordinary administration sued the Parent Company, together with other banks participating in a pool (our share 36.48%), to ascertain and declare the liability of said companies, of the members of the Board of Directors of Impresa S.p.A., and of the independent auditors, and to order them to pay damages, jointly, allegedly suffered by the company in the amount of EUR 166.9 million.

According to the allegations, the Banks, in conspiracy with the Statutory Auditors, Directors and Auditors, by financing the acquisition of the infrastructure branch of B.T.P. S.p.A. by Impresa S.p.A. caused the latter’s bankruptcy. The Parent Company appeared before the court.

At the hearing on 7 January 2023, the judge admitted a Court Appointed Expert (CTU), filed on 29 March 2024. On the basis of the report, the disputed transaction would have generated an imbalance in the company’s sources of financing, causing the unsustainability of the debt and the consequent insolvency of Impresa S.p.A., quantifying the relative damage at EUR 86.1 mln and noting how the credit rating was not adequately assessed by the Financing Banks at the time of disbursement.

At the hearing on 22 April 2024, the Judge recorded the parties' exceptions and granted a time limit for written notes to 31 May 2024. After filing the authorised notes by the stated deadlines, the Judge' decision to lift the reservation is pending.

2. Employment law disputes

As at 30 June 2024, disputes as defendant were pending for which the total relief sought, where quantified, was equal to approximately EUR 51.4 mln. In particular:

- approx. EUR 32.9 mln in relief sought for disputes for which there is a "likely" risk of losing the case, for which provisions of about EUR 15.0 mln have been recognised;
- approx. EUR 18.5 mln as relief sought for disputes for which there is a "possible" risk of disbursing financial resources.

Information on the most significant disputes pending as at 30 June 2024 is provided below.

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

The transaction for the sale of the "back office" business unit of Banca MPS to Fruendo, dating back to 1 January 2014 for 1064 resources, was declared unlawful in all levels of proceedings and resulted in the reinstatement with the Parent Company of 452 plaintiffs (1 April 2020), at the same time seconded to the company.

It should also be noted that in the case of the transfer of a branch of business deemed unlawful, the Court of Cassation, with reference to the salary obligation incumbent on the transferor, has ruled in a manner that differs from the settled opinion of the Court of Cassation itself. In fact, numerous rulings, issued starting from July 2019, stated that, in the event the transfer of the employment relationship, in the broader context of the transfer of business units, is declared unlawful, the transferor employer, who does not reinstate the employees, is still liable to fulfil the remuneration obligations in addition to those fulfilled by the transferee employer, since the principle that the payment made by the latter would discharge the former is considered not applicable to the case in question.

Based on this change in case law ("double remuneration"), as at the reporting date of this Half-Yearly Financial Report, 82 workers involved in the transfer of the business unit and recipients of the above rulings in their favour, have sued the Parent Company in order to request the remuneration allegedly due. These actions were lodged before the Courts of Siena, Florence, Mantua and Rome, with hearings currently scheduled between October 2024 and May 2025.

The progress of litigation, in its various stages, has led to negotiations for the settlement of disputes that have resulted in 343 settlements to date.

With reference to the "unlawful contract" line of the suit, a first group of appeals by Fruendo workers (52 then reduced to 32 following waivers/settlements) was rejected at first instance by the Court of Siena on 25 January 2019. This ruling was challenged by 16 workers before the Court of Appeal of Florence Labour Law Division which, on the other hand, ascertained the illegitimacy of the contract, ordering the reinstatement in service of 14 workers (as for 2 workers, the matter of the dispute was declared to have ceased to exist following waivers/conciliations), which was implemented with effect from 1 March 2022. The final ruling against the Bank was pronounced by the Supreme Court of Cassation by order of 17 May 2024.

Further actions were filed to ascertain the unlawfulness of the contract by 37 workers of Fruendo, all of which were brought before the Court of Siena – Labour Law Division:

- for two groups of plaintiffs (18 in total, subsequently reduced to 15 as a result of waivers/conciliations) who brought class actions, first instance rulings were pronounced in favour of the Bank by the Labour Law Division of the Court of Siena. The Florence Court of Appeal, by rulings issued on 5 April 2024, rejected the workers' appeals and the deadlines for any appeal they might file before cassation are currently pending;
- for another group of applicants (18 in total, subsequently reduced to 16 as a result of waivers/conciliations), a first instance decision is currently pending before the Court of Siena, Labour Law Division, next hearing date 14 February 2025;
- for the only applicant filing individual proceedings, the Labour Law Division of the Court of Siena issued a ruling against the Parent Company. The worker was reinstated on 1 March 2024.

3. Tax disputes

As at 30 June 2024, tax disputes were pending for which the total relief sough, where quantified, was equal to approximately EUR 35.8 mln. In particular:

- approx. EUR 12.5 mln in relief sought regarding disputes for which there is a "likely" risk of disbursing financial resources, for which provisions of approx. EUR 12.2 mln have been made;
- approx. EUR 23.3 mln as relief sought for disputes for which there is a "possible" risk of disbursing financial resources.

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

In execution of the 2017-2021 Restructuring Plan, the Group has launched an important destocking plan for non-performing loans with the aim of significantly reducing its NPE ratio. As part of these transfers of non-performing loan portfolios, indemnities are envisaged to be paid to the transferee counterparties if the representations and warranties (R&W) issued prove untrue.

In this regard, note the securitisation transaction carried out by the Group in December 2017 in favour of Siena NPL which resulted in the cancellation of bad loans for a gross exposure of over EUR 22 bn, whose R&W expired on 31 July 2021. At the date of these half-yearly financial statements, all claims received by the deadline were reviewed, of which a small percentage were assessed as well-founded and paid.

Also of note are: (i) the "Morgana" transaction in the 2019 financial year, which involved EUR 663 mln of gross exposure of lease secured bad loans, the representations and warranties for which were due in October 2021 and the risks for which were permanently transferred during the first half of 2024, (ii) the "Hydra-M" demerger in 2020 concerning EUR 7.2 bn of gross non-performing loans whose R&Ws reached expiry date on 1 December 2022 and for which all claims received were analysed and paid when deemed justified; (iii) the "Fantino" sale transaction for the year 2022 concerning EUR 0.9 bn of non-performing loans, whose representations and warranties expired between 28 October 2023 (Intrum Spa) and 20 May 2024 (Amco Spa and Illimity Spa); all claims received were analysed and paid if considered well-founded, except in relation to the transferee Amco Spa for which the claims notified just before the deadline are currently being analysed; (iv) the "Mugello" sale transaction of 2023 regarding EUR 0.2 bn in non-performing loans, the representations and warranties for which will expire in the first quarter of 2025. To date, a modest number of claims for compensation have been notified. All claims received have been analysed and paid if considered well-founded.

The total relief sought for these transactions as at 30 June 2024 amounted to EUR 271.5 mln, of which around EUR 63.7 mln classified as "likely" risk of losing and around EUR 207.8 mln as "possible" risk of losing.

For all the aforementioned transactions, a risk remains limited to that part of the claims already analysed and considered non-indemnifiable by the Group in addition, where present, to the residual component of claims to be analysed.

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

Climate-related and environmental risks

In consideration of the increasing importance played by ESG risk factors in regulations, government policies and stakeholder awareness, and also following specific initiatives promoted by the ECB, in particular on Climate-related and Environmental Risks - C&E Risks (see "Guidelines on Climate-related and Environmental Risks" November 2020, ECB Climate Stress Test carried out in 2022, and the One-off Fit-for-55 climate risk scenario analysis exercise activated at the end of 2023 and finalised in the first half of 2024), the Group is pursuing, as part of the multifunctional ESG Programme, a specific multi-year project which includes activities relating to the integration of C&E risk factors into the Group's risk management framework called "ESG Risk Action". This project is specifically aimed at identifying, measuring and managing ESG risks (with climate and environmental risks as the first priority).

Two main types of risk factors commonly fall within the scope of climate and environmental risks (C&E):

- **physical risk** refers to the financial impact of climate change, including more frequent extreme weather events and gradual climate changes, as well as environmental degradation, i.e. air, water and soil pollution, water stress, biodiversity loss and deforestation. Physical risk is therefore classified as "acute" if caused by extreme events such as droughts, floods and storms, and "chronic" if caused by gradual changes such as rising temperatures, rising sea levels, water stress, loss of biodiversity, change of land use, destruction of habitats and scarcity of resources. This risk may result directly, for example, in material damage or a decline in productivity, or indirectly lead to subsequent events such as production chain stoppages;

- **transition risk** refers to the financial loss an entity may incur, directly or indirectly, as a result of the process of adjustment to a more environmentally sustainable low carbon economy. This situation could be caused, for example, by the relatively sudden implementation of climate-related and environmental policies, technological progress or changes in market confidence and preferences.

The process for the identification, verification of materiality and relevance of C&E risks, preparatory to periodic definition of the Group's Risk Appetite Statement, has taken climate-related risk factors into consideration from the perspective of transmission channel analysis, according to which these risks are relevant when they have a short, medium or long term impact on core risks (credit, operational, market and liquidity risk), already known and treated as part of the Group risk management framework.

The approach implemented has classified as *material* in the short, medium and long term, in continuity with previous years, the *C&E* risk factors affecting credit and operational risk the latter in its reputational risk component.

For more details on the identification process adopted, please refer to the 2023 Non-Financial Statement (NFS) under the section "Risk management related to climate change" and Pillar 3 Disclosure, available on the MPS website.

During 2024, exposure to *C&E* risks related to credit risk, for the physical risk and transition risk components, was monitored as part of specific Key Risk Indicators (KRIs) defined in the Risk Appetite Statement (RAS).

The RAS is approved and periodically monitored by the Board of Directors, and includes the forecasting, for KRIs, of specific operating limits defined by the Chief Executive Officer up to the level of business units most involved in the operations/scope concerned, to allow for more accurate follow-up.

The *C&E* risks, the two main components of which - transition risk and physical risk - affect credit risk, are regularly monitored and reported to Top Management, as well as stress tested to assess periodically the impacts of adverse scenarios for ICAAP purposes, also factoring in the experience gained from the ECB 2022 Climate Stress Test and further developments in analyses based on climate scenarios integrated with the macroeconomic scenarios used in ordinary stress processes. With reference to liquidity risk, the Group's *C&E* risk framework was updated, introducing new ESG risk factors, coverage of all time horizons and expansion of the geographic scope of the materiality analyses, also for consistency with the internal liquidity adequacy assessment process (ILAAP).

The analysis of the materiality of C&E risk factors on other major financial risks (market, liquidity and operational) was carried out using "what-if" analyses aimed at stressing:

- for liquidity risk, the liquidity buffers consisting of deposits made by retail customers and non-financial companies, depending on the occurrence of physical risk events concentrated in very short periods of time and on geographical areas of impact (entire province for flood risk, individual municipality for landslide risk); a run-off of the deposits has been assumed both in a situation of crash (withdrawal of 100% of the deposits in the affected area) and based on similar events actually occurring (e.g. flood in the Marche region in September 2022). During 2023, certain refinements were made to the materiality assessment methodology through:(i) introduction of cumulative deposit runoff scenarios, (ii) extension of potential risk factors to natural events related to wind and fire, (iii) execution of assessments based on short/medium and long-term scenarios/horizons and finally (iv) introduction of the assessment of a component of potential impact on liquidity determined by the pressures of climate variables on the economic activities of companies and therefore on the draft of margins available from the same counterparties;
- for market risk, the market value of non-financial corporate portfolios (bonds and equity) and risk exposure to non-financial and non-collateralised counterparties relating to positions in derivatives; the materiality check on market risk is carried out over a short-term period of time, taking into account that C&E risks tend to be non-material in the medium/long-term, as the securities and financial instruments portfolios can be liquidated in the medium/long-term and can be modified according to the evolution of risks (especially transition risks) to which the issuers and related counterparties are subject;
- for operational risks, business continuity based on a number of scenario drivers, such as (i) customer hardship (based on deposit pools), (ii) employee hardship (based on the number of non-operating employees in the scenario), (iii) operational hardship (based on the number of branches closed), (iv) economic damage (based on the loss of profitability for the Bank at risk within the scenario), and (v)

physical damage (based on loss of value of owned properties); as for the other risks, the range of risk drivers analysed and the time periods over which materiality is assessed were extended.

The analyses showed a non-materiality of the *C&E* risk factors with respect to these risks. The Group carries out such analyses periodically, on the basis of indicators and thresholds suitable to accommodate changes in the structure of the positions and activities concerned with consequent implementations in the risk management methodologies and processes and possible activation of related operating limits.

<u>Enterprises transition risk</u>

With regard to **transition risk** in relation corporate customers, the Group has focused on risk aspects associated with climate change and its mitigation through the energy transition process and the reduction of greenhouse gas (GHG) emissions.

In fact, among the aspects most affecting the transition/credit risk of production companies, particularly relevant are the objectives and related risks linked to climate change, deriving from the impact that human activities (production and otherwise) have on the phenomenon, mainly through GHG emissions released into the atmosphere.

To more accurately cover these aspects, the Group has introduced a specific emissions-related transition risk indicator, defined as the Transition Exposure Coefficient or TEC CCM (Climate Change Mitigation).

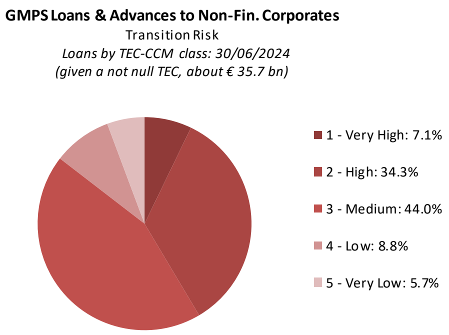
The TEC CCM indicator focuses on the risk factors specifically related to the reduction of GHG emissions and therefore to the energy transition; it is therefore representative of the portion subject to transition risk. To determine the TEC CCM, the Parent Company combines elements assessed at the level of a company's business sector with customer-specific elements collected through a questionnaire administered to corporate customers.

The TEC CCM is also divided into five qualitative ranges in order to classify the positions of a given scope into transition risk classes: Very High, High, Medium, Low and Very Low. The KRI RAS introduced for 2024 is based on the TEC CCM, on which the respective operating limits are defined and adapted to the responsible units. The objectives in terms of the containment of the average portfolio TEC will be more suitable to address the "financed" GHG emission reduction plans incorporated in the strategies of the Net Zero Banking Alliance initiative and, in general, to the path towards making the Bank's assets sustainable from a CCM perspective.

As at 30 June 2024, the overall Group-level exposure to transition risk was 43.4%, as shown in the table and graph below, which show the distribution of loans in scope (EUR 40.47 bn) over the TEC CCM classes.

MPS Group
EUR/mln

Climate Transition Risk Level (TEC)	Credit GCA	Trans. Risk Exp.	Avg TEC
0 - Null TEC	4,762	-	0.0%
1 - Very Low	2,028	233	11.5%
2 - Low	3,159	724	22.9%
3 - Medium	15,714	6,473	41.2%
4 - High	12,256	7,985	65.2%
5 - Very High	2,552	2,158	84.5%
Total Non Fin. CTP Loans & Adv.	40,471	17,572	43.4%



Residential mortgage transition risk

For private customers, the energy performance labels (APE in Italy, EPC in the European context) of mortgaged properties are the most significant indicator of emissions and more generally of the attitude towards the issue of climate change mitigation. In order to identify transition risk, the Group is currently placing this risk in direct relation to the characteristics of the properties offered as mortgage security, being therefore able to provide a first proxy of alignment to the transition, through characteristics of energy efficiency.

The level of energy performance of residential mortgage properties, and the related information on consumption and GHG emissions are monitored for new mortgage underwriting flows.

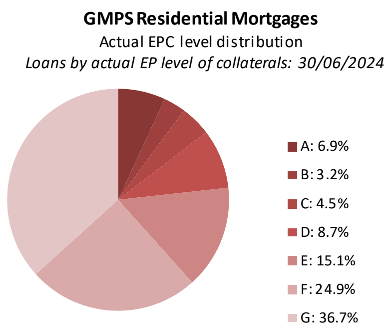
Transition risk is monitored through a KRI that indicates the percentage of credit exposure where collateral property locations have an energy performance label (APE or EPC) "worse than" level C or not known (considering actual or estimated "synthetic" label data) with respect to the total residential mortgages in scope.

As at 30 June 2024, approximately 44.4% of residual exposure on residential mortgages secured by collateral property is covered by the effective energy label (42.5% at the end of 2023).

At the same date, the component of mortgages covered by the energy label was broken down by APE levels according to the table and graph below.

MPS Group
EUR/mln

EPC label level	outstanding	%
A	942.15	3.1%
B	437.03	1.4%
C	612.92	2.0%
D	1,181.03	3.8%
E	2,059.55	6.7%
F	3,402.32	11.1%
G	5,005.48	16.3%
Total mortgages covered by actual EPC	13,640.47	44.4%
Without/Unknow n EPC	17,104.63	55.6%
Total residential mortgages	30,745.10	100.0%



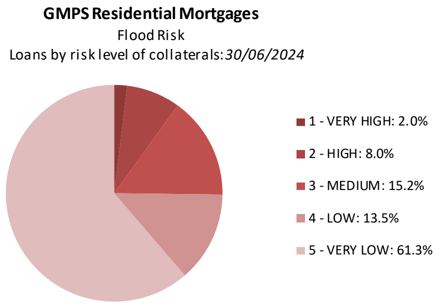
Physical risk of residential mortgages

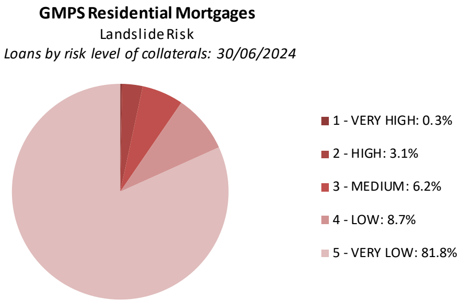
With regard to **physical risk**, the Group monitors the exposure of credit portfolios to physical risk factors. In particular, the focus was on the risk of *private customers*, with an analysis aimed at the properties guaranteeing residential mortgages, based on the location of the properties themselves. In 2024, added to the main risk factors monitored thus far, i.e. landslide and flood, are additional factors such as wind and fire, and the in-scope credit exposure was mapped by geolocating the real estate, attaching the appropriate area of the applicable risk factor mapping at municipality level to a more accurate location by census cell for hydro-geological risks or specific grid for other risks.

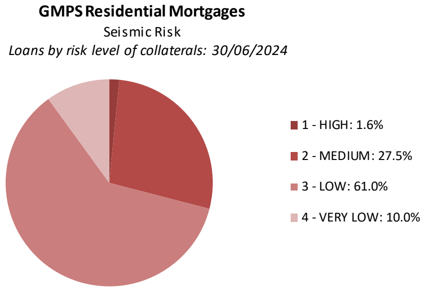
As at 30 June 2024, 16.9% of the total residual exposure in residential mortgages totalling EUR 30.7 bn had collateral property in areas classified as at "high" or "very high" physical risk, down compared to 24.74% in December 2023, despite expansion of the risk factors, also due to the more precise geolocation of these factors (the new pro-forma indicator in December 2023 was 17.8%).

This indicator is subject to periodic monitoring as part of the 2024 RAS.

The graphs below show the breakdown of residential mortgage loans by the level of risk of the location of their collateral properties, as regards the main risk factors monitored. Seismic risk is also monitored separately as a "natural" risk not linked to climate change.







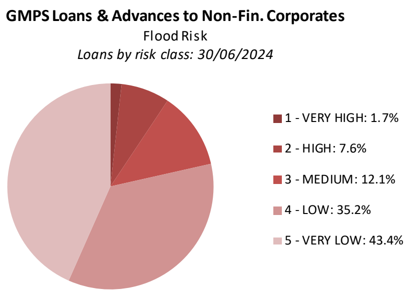
Physical risk for non-financial companies

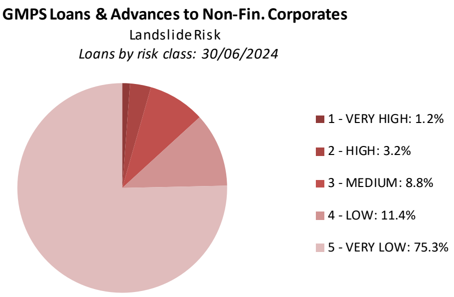
The "transmission channel" of the impacts of **physical risk** on **companies** consists of the damages that events of **acute physical risk** (landslides, floods, atmospheric precipitation, hurricanes, fire) may cause to the company's production assets, possibly resulting in prolonged business interruptions that may compromise the company's regular operation with consequences of loss of profitability or even closure and bankruptcy.

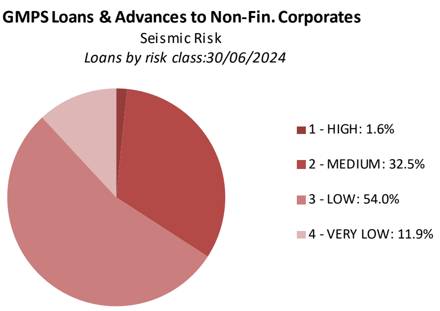
There is also another way of transmitting physical/climatic events to the prospective profitability and solvency of a production company, transitioning from the gradual but inexorable change in the conditions in which the production unit operates, which may compromise the context or the business model. In this case, we refer to a **chronic physical risk**, linked, for example, to increased temperatures or the frequency of precipitation, conditions that could compromise the production process especially in those sectors of activity that are more dependent or exposed to such conditions (e.g. agriculture or activities carried out outdoors, such as construction, etc.).

Already monitored during 2023 through KPIs, the physical risk of non-financial corporations becomes part of the 2024 RAS as a KRI, and is monitored and subject to limitations placed on the structures responsible for its operations.

As at 30 June 2024, 20% of cash and unsecured loans to non-financial companies (loans for approximately EUR 40.47 bn), were exposed to "high" or "very high" physical risk (acute or chronic).
The following charts show the distribution of loans to non-financial companies for the main acute physical risk factors (landslide and flood) and, lastly, seismic risk (earthquake) not included in the indicator but monitored as a non-climate environmental risk.







A further risk associated with ESG aspects, considered relevant for the MPS Group, is the reputational risk. Starting from 31 December 2022, a component was included in the RAS monitoring indicator that takes into account and weights, with the other items relevant to the Group's stakeholders, aspects of ESG risk such as:

- the transition risk posed on investment service customers in terms of number and volumes of portfolios affected by financial products of potentially controversial issuers in terms of ESG issues;
- loans to potentially controversial counterparties, again with reference to ESG aspects;
- the external perception of the Group's focus to ESG issues as resulting from sustainability ratings reported by independent Agencies on the Group.

As at 30 June 2024, the ESG component of the Reputational Risk Indicator decreased from 76.3 to 71.3, indicating a decrease in reputational risk due to ESG aspects.

In the specific area of investment services for customers, the issue of sustainability and integration of ESG factors has confirmed its relevance in the first half of 2024 with an increasing offer of products with underlying strategies supporting sustainability.

For a more complete analysis of climate and environmental risks, reference should be made to the 2023 Consolidated Financial Statements.

Audits

As the Group carries out banking activities and provides investment services, it is subject to comprehensive regulation and supervision, in particular by the ECB, Bank of Italy and CONSOB, each for the respective areas of responsibility. Below are the main activities carried out by the Supervisory Bodies in the first half of the year, or with significant updates compared to those published in the 2023 Financial Statements.

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

In February 2022, the ECB launched an on-site inspection for the approval of the authorization request (sent by the Parent Company to the ECB on 9 November 2021) to the material changes for the credit risk models. The material changes relate to the adaptation of the AIRB models (PD and LGD) to the reference regulatory legislation (EBA/GL/2017/16), to the resolution of the findings that emerged in previous inspections and the roll-out of the EAD parameter. The audit activities were completed on 13 May 2022. On 1 March 2023, the Parent Company has received the Final Decision Letter from the ECB, with the approval of the 2021 model change. All findings from previous IRB inspections were addressed and an action plan was developed to remedy the findings identified in IMI Inspection 0197502. The models were implemented in the Group's management systems since February 2023 and have been in use since the regulatory reporting of the first quarter of 2023.

The activities relating to the action plan will be concluded by September 2024, in line with the expectations of the ECB.

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

In 2024, the Group continued to implement the plan to integrate climate and environmental risks (C&E risks) into the risk management framework, in line with indications received from the ECB as part of the specific Thematic Review launched at the beginning of 2022.

On 19 September 2023, the ECB sent the Parent Company a Decision Letter on the C&E risk identification process, requesting further strengthening on the materiality assessment, on the monitoring of impacts in the business context and recommending an update of the materiality assessment, particularly over the medium-long term, with inclusion of the Group's liquidity profile, analysing the impact of *C&E* risks on the business context in which it operates and defining lines of action to ensure the business model's resilience to this type of risk. In this regard, the Parent Company defined specific actions that were subsequently developed within the timeframe indicated.

On 10 July 2024, the Parent Company received a Feedback Letter from the JST on monitoring of the remediation actions regarding shortcomings relating to *C&E* risks, identified as part of the above-mentioned Thematic Review. The communication, informative and providing guidance, indicates certain points still to be strengthened in the treatment of climate risks, in addition to highlighting the need to deepen the analysis and treatment of non-climate environmental risk factors for areas of the Business Strategy, the Risk Management framework and Credit and Operational Risk Management. The JST also highlighted a number of elements on which treatment is required in line with the ECB Guidelines on climate and environmental risks of November 2020 (*C&E* risks relating to outsourced activities and reputational risk linked to ESG commitments). The Group has set up a plan of action to promptly respond to recommendations in the Feedback Letter, all for completion by the end of 2024.

The Parent Company also participated in the "Fit-for-55 climate risk scenario analysis" exercise conducted by the EBA, jointly with the ECB and ESRB, in the first quarter of 2024.

The purpose of the exercise was to assess the progress made by banks in managing data relating to C&E risks and in aligning with ECB best practices on the issue. On 31 May 2024, the Parent Company received a specific Output Report on the exercise: in terms of data capability, the results are essentially in line with that found in the group of peers and in the entire sample of participating banks, showing good data collection capability, both actual and estimated, relating to the energy efficiency of collateral properties (especially on residential loans). However, some areas for improvement were indicated for data collection relating to GHG emissions and the Net Zero goals of counterparties.

Credit and counterparty risk audit (OSI 0198380)

On 19 April 2022, the ECB launched an audit on credit and counterparty risk with the aim of i) identifying and quantifying any impairment effects on the portfolios under audit, ii) verifying the IFRS 9 provisioning model for portfolios under review, iii) reviewing the credit classification and provisioning process. The activities were completed in the third quarter of 2022 and the Parent Company received on 10 July 2023 the Follow-up Letter with recommendations associated with the findings of the inspection report, following which it prepared a specific action plan, the implementation of which was completed in the first half of 2024.

Residential Real Estate Targeted Review

During the fourth quarter of 2022, the Parent Company was involved in a Targeted Review by the ECB of the "residential properties" portfolio, focusing on the credit granting process.
The exercise included a preliminary phase, which ended in February 2023, of data collection and benchmarking checks, followed by a workshop to meet with the institutions involved.

On 31 October 2023, the Bank received an Operational Act indicating nine findings and related recommendations. The three main areas of intervention concern the review of the autonomy of the branches, the strengthening of the stress testing framework and the process of assessing the loan repayment capacity by the customer. The implementation of remedial actions for the resolution of the findings was completed in the first half of 2024.

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

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

The inspection ended in August 2023 and the ECB issued its inspection report and Decision Letter on 23 October 2023 and 22 February 2024, respectively. On 19 March 2024, the Parent Company sent a specific action plan in response to the findings reported.

Cyber Resiliency Stress Test 2024

The Parent Company was selected by the ECB to participate in the 2024 cyber resiliency stress test, aimed at assessing the digital operational resilience of significant entities in the event of a serious cyber security threat.

In the first half of 2024, the Group launched specific projects to strengthen its digital resilience and be fully compliant with the new DORA regulations by the end of 2024. The ECB disclosed the Final Report to all participants on 26 July 2024.

IFRS 9 Exercise Financial year 2022

During the second half of 2022, the Parent Company took part in the IFRS 9 benchmarking exercise conducted by EBA, with the aim of assessing whether the use of different modelling techniques could lead to significant inconsistencies in terms of the amount of expected credit losses (ECL) that directly affect own funds and regulatory ratios. The two most significant findings that have emerged as a result of the activities relate to the overlay governance process and the collective staging criteria. During the second half of 2023, the Parent Company therefore formalised the governance of the process and finalised the collective staging criteria adopted starting from the accounting assessments of 31 December 2023.

The Supervisory Authority this year subjected the Parent Company to monitoring, also for 2023, of the achievement of expectations previously communicated. The Parent Company replied in February 2024 and is awaiting the findings.

Consob Audit on Investment Services

From 3 May 2022 to 17 February 2023, a Consob audit on the Parent Company was carried out, aimed at ascertaining the state of compliance with the new legislation resulting from the adoption of Directive 2014/65/EU (so-called MiFID II) with regard to the following profiles: (i) the procedural arrangement defined in terms of product governance; (ii) the procedures for assessing the adequacy of transactions carried out on behalf of customers. As a result of the aforesaid inspections, on 28 July 2023 Consob, noting a context of substantial compliance with the regulatory framework and supervision by the control functions, notified the Bank of a number of aspects worthy of in-depth examination and updating that had emerged during the inspection, in relation to which a plan of action had already been adopted and was still in an advanced stage of implementation.

Bank of Italy and FIU audit on anti-money laundering

The audit undertaken by the FIU (Financial Intelligence Unit), which began on 8 May 2018 and ended on 28 August 2018, concerned the assessment of procedures implemented to verify potential anomalies relating to the transactions of customers and employees of the Parent Company on a limited number of branches and an analysis of customers identified as potentially linked to money laundering phenomena. The Authority, confirming the occurrence of the unlawful act and the Parent Company's liability for the alleged violation (failure to report suspicious transactions), notified in November 2020 to eight branch managers and to the Parent Company, jointly and severally, 8 penalty orders for a total amount of approx. EUR 220 thousand, for which the Parent Company, not considering the merits of the conditions for the imposition of penalties, filed an appeal before the Court of Rome within the legal terms.
In October 2021, the Supervisory Division of the Venice Office of the Bank of Italy carried out inspections at three branches of Banca MPS, mainly aimed at investigating the operations of some cooperative companies subject to insolvency proceedings, active in the goods handling sector.
In August 2022, the Bank of Italy communicated the results of the anti-money laundering branch audit which identified some areas of weakness that resulted in the lack of ability of the branches to intercept the overall pattern of cash transactions of the cooperatives. The aforementioned weaknesses concerned the due diligence and active collaboration process that require the strengthening of the controls in order to identify, characterise and, consequently, address the objective and subjective elements of anomaly in the transactions carried out by the cooperatives, referring to both corporate characteristics and *modus operandi*.

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

With reference to the subsidiary Banca Widiba, it should be noted that, in December 2022, the AML (anti-money laundering) inspection started on 7 November 2022, aimed at verifying the controls adopted by the Bank to mitigate the risks of money laundering relating to the digital onboarding process, and at the end of which some strengthening actions were recommended by the Bank of Italy. The findings of the Supervisory Authority were duly taken into account and the subsidiary's response letter, attaching the corrective measures envisaged in the 2023 AML-CFT Plan, the contents of which were approved by the Board of Directors of Banca Widiba, was sent to the Bank of Italy on 4 April 2023.

As at the date of these Half-Yearly Financial Statements, all mitigation actions envisaged in the aforementioned inspections have been completed.

From 2023, the Supervisory Authority launched a series of annual meetings with all banks classified as "significant", with the aim of having a complete view of the anti-money laundering segment (AML-CFT).

In this context, between April and May 2024, the Authority asked the Parent Company for further information on the strengthening initiatives planned as a result of the findings from previous inspections, after which it highlighted certain areas for improvement, duly taken into consideration by the Bank which, on 20 June 2024, sent the Bank of Italy a response letter with a description of the remedial measures envisaged in a specific Plan, previously approved by the Board of Directors.

On 10 June 2024, the AML Supervision and Regulation Unit of the Bank of Italy launched an onsite fact-finding/topic-specific inspection with the main focus on the due diligence renewal process.

Results by Operating Segment

Identification of Operating Segments

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

It should be noted that from the first quarter of 2024 the financial results, as well as the number of customers, reflect the representation of the new Small Business service model, implemented at the end of April 2024, which entailed the migration of approximately 190 thousand customers from the Small Business service model to the Value service model, i.e. from the Corporate Banking segment to the Retail segment. The comparative figures (balance sheet and income statement) were consequently restated in order to allow a homogeneous comparison.

In relation to comparative data, note that on 24 April 2023 and 29 May 2023, respectively, the mergers by incorporation into the Parent Company of MPS Leasing & Factoring S.p.A. and MPS Capital Services Banca per le Imprese S.p.A. took effect. Though in both cases the accounting and tax effects commenced as of 1 January 2023, for the first half of 2023, the merged companies were included in segment reporting results on the basis of their contribution to the Group's results as independent business units, in line with management reporting, so the results of operations as at 30 June 2023 are not fully comparable (this is particularly true for the Corporate Banking and Large Corporate and Investment Banking segments). From the second half of 2023 onwards, the customer contribution of the merged companies was instead allocated to the operating segments on the basis of the service model actually assigned to the customers, so that the comparative balance sheet results as at 31 December 2023 allow for a like-for-like comparison.

Lastly, note that as at 30 June 2024, as described in more detail in the paragraph "Income statement and balance sheet reclassification principles", to which reference is made, the costs and revenues as well as the assets and liabilities referring to the consolidated contribution of the subsidiary MP Banque are included on a line-by-line basis in the individual income statement and balance sheet items.

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

- ***Retail Banking***, which includes the income statement/balance sheet results of Retail customers (Value and Premium segments) and Banca Widiba S.p.A. (Financial Advisor Network and Self-service channel);
- ***Wealth Management***, which includes the income statement/balance sheet results of Private Banking customers (Private Banking and Family Office segments) and the subsidiary MPS Fiduciaria;
- ***Corporate Banking***, which includes the income statement/balance sheet results of Corporate customers (SME, Corporate Client and Small Business segments), the Foreign Branch, the merged entity MPS Leasing & Factoring S.p.A. (for the first half of 2023) and the foreign bank MP Banque, though pending disposal;
- ***Large Corporate and Investment Banking,*** which includes the economic/equity results of Large Corporate customers, of the Corporate Finance and Investment Banking and Global Market Business Units as well as of the merged entity MPS Capital Services Banca per le Imprese S.p.A (for the first half of 2023);
- ***Corporate Centre***, which in addition to the offsetting of intragroup entries, incorporates the results of the following business centres:
    - Non-Performing customers managed centrally by the Non-Performing Loans Unit;
    - companies consolidated with the equity method and those held for sale (excluding MP Banque);
    - operating units, such as proprietary finance, treasury and capital management;
    - service units supporting the Group's business, dedicated in particular to the management and development of IT systems.

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

Results in brief

The following table shows the main income statement and balance sheet aggregates for the Group's operating segments as at 30 June 2024:

SEGMENT REPORTING	Operating Segments											
Primary segment	Retail banking		Wealth Management		Corporate Banking		Large Corp. & Investment Banking		Corporate Center		Total MPS Group	
(EUR mln)	30/06/24	Chg % Y/Y	30/06/24	Chg % Y/Y	30/06/24	Chg % Y/Y	30/06/24	Chg % Y/Y	30/06/24	Chg % Y/Y	30/06/24	Chg % Y/Y
PROFIT AND LOSS AGGREGATES												
Total Revenues	1,202.5	23.2%	95.0	8.2%	684.4	10.0%	184.7	49.0%	(135.9)	n.m.	2,030.7	9.7%
Operating expenses	(567.3)	0.3%	(57.6)	6.6%	(214.1)	8.5%	(36.2)	-19.7%	(49.7)	-4.0%	(924.9)	1.2%
Pre Provision operating Profit	635.2	54.7%	37.4	10.7%	470.3	10.6%	148.6	88.3%	(185.6)	n.m.	1,105.8	18.0%
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(75.7)	19.6%	(1.4)	-20.5%	(83.5)	-26.2%	(22.7)	n.m.	(25.4)	6.4%	(208.7)	2.7%
Net Operating Income	559.5	61.0%	36.0	12.4%	386.8	24.0%	125.9	61.9%	(211.1)	n.m.	897.1	22.2%
	30/06/24	Chg. % 31/12	30/06/24	Chg. % 31/12	30/06/24	Chg. % 31/12	30/06/24	Chg. % 31/12	30/06/24	Chg. % 31/12	30/06/24	Chg. % 31/12
BALANCE SHEET AGGREGATES												
Gross Interest-bearing loans to customers (*)	31,944	-0.3%	484	-6.7%	30,769	-0.6%	4,062	3.0%	11,516	13.4%	78,776	1.5%
Direct funding	44,016	1.6%	2,885	10.0%	23,113	6.7%	3,620	11.2%	22,887	15.7%	96,522	6.5%
Indirect Funding	59,874	4.8%	15,914	3.6%	6,070	2.7%	8,030	0.7%	9,989	-4.6%	99,879	3.1%
Assets under management	*45,643*	*3.3%*	*10,700*	*2.9%*	*1,806*	*-4.1%*	*37*	*0.9%*	*368*	*-7.3%*	*58,555*	*2.9%*
Assets under custody	*14,231*	*9.9%*	*5,214*	*5.0%*	*4,265*	*5.9%*	*7,993*	*0.7%*	*9,621*	*-4.5%*	*41,324*	*3.4%*

(*) 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

<table>
<tr><th>Business areas</th><th>Customers</th></tr>
<tr><td rowspan="3">

Retail MPS

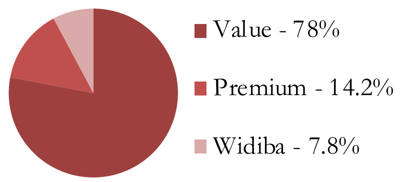
- Funding and provision of insurance products.
- Lending.
- Financial advisory services.
- Electronic payment services.

Banca 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 563 Financial Advisors present throughout the country.
- Funding and Global advisory services and financial planning through the advanced WISE platform and the skills of the Financial Advisor Network.
- Mortgage loans, credit facilities and personal loans.
- Innovative interaction through computers, smartphones, tablets, watches and TV.

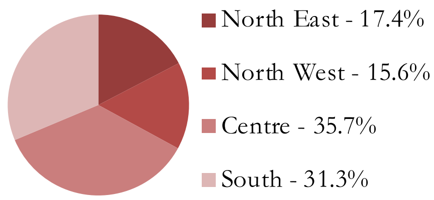
</td><td>Retail Banking customers number approximately 3.4 mln and include approximately 244,000 exclusive customers of Banca Widiba. The total number of Banca Widiba customers, including those shared with the Parent Company, is approximately 267,100, of which approximately 108,000 on the Financial Advisor Network channel, approximately 111,000 on the Self-service channel, and approximately 48,200 customers migrated from the MPS branch network.</td></tr>
<tr><td>

Breakdown by type



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

Breakdown by geography



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

Income statement and balance sheet results

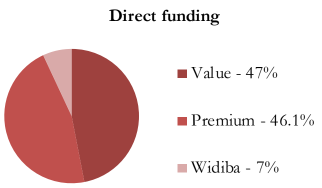
As at 30 June 2024, **Total Funding** for Retail Banking amounted to approximately **EUR 103.9 bn**, up by EUR 1.3 bn compared to the levels of March 2024 and roughly EUR 3.4 bn from the end of 2023. More specifically:

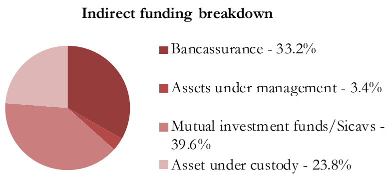
- **Direct Funding**, amounting to **EUR 44.0 bn**, was up compared to 31 March 2024 (EUR +0.6 bn), due to the increase in short-term deposits (EUR +0.6 bn) and the demand component (EUR +0.3 bn), while medium/long-term technical components recorded a decrease (EUR -0.2 bn). The aggregate saw an increase in comparison with 31 December 2023 (EUR +0.7 bn) as a result of the increase in short-term deposits (EUR +1.3 bn), which offset the decline in demand deposits (EUR -0.2 bn) and medium/long-term deposits (EUR -0.5 bn);

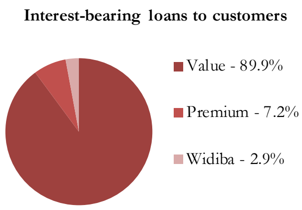
- **Indirect Funding**, amounting to **EUR 59.9 bn**, increased by EUR 0.7 bn compared to 31 March 2024, thanks to the growth in assets under custody (EUR +0.4 bn) and assets under management (EUR +0.3 bn). The aggregate was also up compared to December 2023 levels (EUR +2.7 bn), both in the assets under management component (EUR +1.5 bn) and the assets under custody component (EUR +1.3 bn);

- **Gross Interest-Bearing Loans to Retail Banking Customers** amounted to **EUR 31.9 bn**, in line with 31 March 2024 and December 2023.

RETAIL BANKING - BALANCE SHEET AGGREGATES							
(Eur mln)	30/06/24	31/03/24	31/12/23	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**44,016**	**43,411**	**43,320**	**605**	**1.4%**	**696**	**1.6%**
Assets under management	*45,643*	*45,251*	*44,176*	*392*	*0.9%*	*1,467*	*3.3%*
Assets under custody	*14,231*	*13,934*	*12,953*	*297*	*2.1%*	*1,278*	*9.9%*
Indirect Funding	**59,874**	**59,185**	**57,129**	**689**	**1.2%**	**2,745**	**4.8%**
Total Funding	**103,891**	**102,596**	**100,450**	**1,295**	**1.3%**	**3,441**	**3.4%**
Gross Interest-bearing loans to customers	**31,944**	**32,025**	**32,044**	**(81)**	**-0.3%**	**(100)**	**-0.3%**







With regard to profit and loss, as at 30 June 2024, Retail Banking achieved total **Revenues** of approx. **EUR 1,202 mln**, up by 23.2% compared to the first half of 2023. A breakdown of the aggregate shows:

- Net Interest Income amounted to approx. EUR 699 mln, up by EUR 178 mln compared to 30 June 2023, driven by the increased contribution of collection;
- Net Fee and Commission Income equal to EUR 481 mln, up by EUR 56.9 mln compared to the corresponding period of the previous year;
- Other Income from Banking and Insurance Business amounted to approximately EUR 23 mln, down by EUR 10 mln compared to the corresponding period of the previous year.

Considering the impact of Operating Expenses, which were up by 0.3% compared to the previous year, Retail Banking generated a **Gross Operating Income** of about **EUR 635 mln** (about EUR 411 mln at 30 June 2023). The Cost of credit stood at **EUR -76 mln** (EUR -63 mln as at 30 June 2023).

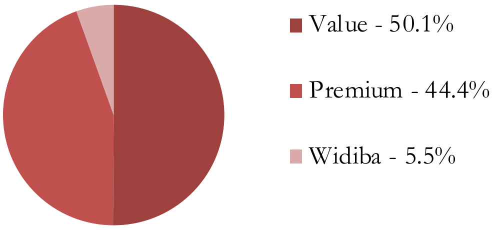
The **Net Operating Result** as at 30 June 2024 was **positive, amounting to EUR 559 mln**.

The non-operating components amounted to EUR -5 mln (equal to EUR +1.3 mln as at 30 June 2023).
The **Profit (loss) before tax from continuing operations** was equal to **EUR 554 mln** (EUR 349 mln as at 30 June 2023).

The ***cost-income ratio*** of the Operating Segment is **47.2%** (57.9% as at 30 June 2023).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/06/24	30/06/23	Abs.	%
Net interest income	*698.6*	*520.2*	*178.4*	*34.3%*
Net fee and commission income	*480.5*	*423.6*	*56.9*	*13.4%*
Other Revenues from Banking and Insurance Business	*23.5*	*33.7*	*(10.2)*	*-30.4%*
Other operating expenses/income	*(0.2)*	*(1.2)*	*1.1*	*-87.7%*
Total Revenues	**1,202.5**	**976.3**	**226.2**	**23.2%**
Operating expenses	*(567.3)*	*(565.6)*	*(1.7)*	*0.3%*
Pre Provision Operating Profit	**635.2**	**410.7**	**224.5**	**54.7%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(75.7)	(63.3)	(12.4)	19.6%
Net Operating Income	**559.5**	**347.5**	**212.0**	**61.0%**
Non-operating components	**(5.2)**	**1.3**	**(6.5)**	**n.m.**
Profit (loss) before tax from continuing operations	**554.3**	**348.7**	**205.5**	**58.9%**

Breakdown of revenues



Results for the subsidiary

Banca Widiba S.p.A.: as at 30 June 2024, **Total funding** for Banca Widiba was equal to around **EUR 10.4 bn**, up by approx. EUR 0.2 bn (+1.8%) compared to 31 March 2024 and EUR 0.5 bn (+5.6%) compared to the end of 2023. The increases in the second quarter show a recovery in Direct Funding compared to the figure recorded in the first three months, while since the beginning of the year growth remains mainly concentrated on Indirect Funding (6.4%, EUR +0.4 bn), benefiting from both net inflows to the segment for EUR 189 mln and from favourable financial market effects for approximately EUR 250 mln. Total net funding for the first half year of the year was EUR 284 mln.

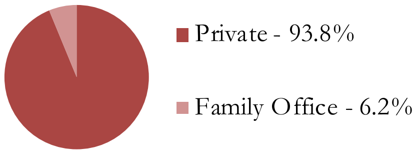
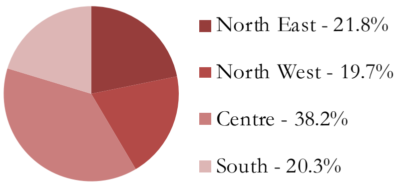
With regard to economic results, as at 30 June 2024 Banca Widiba achieved **Total revenues** of **EUR 65.8 mln**, down by EUR 6.0 mln (-8.3%) compared to the same period of the previous year, due to the decrease in net interest income, of which EUR -5.1 mln is mainly attributable to the higher cost of funding, in line with system rate trends, impacted by a significant shift in volumes to deposit accounts, more expensive than the demand component. This effect is only partially offset by the increase in lending rates, both commercial and financial. Net fee and commission income, equal to EUR 9.9 mln, was down by EUR 0.6 mln (-5.4%) compared to the first half of the previous year, showing a marked increase in gross fee and commission income on Indirect Funding offset by higher fee and commission expense for the financial advisors network and lower fee and commission income for the banking and payment systems scope due to rollback of the unilateral change to current accounts in the 2021 Budget.

Gross Operating Income stood at **EUR 34.7 mln** (down by EUR 3.8 mln, -9.9%), absorbing the figure of Operating Expenses (equal to EUR 31.1 mln in the half-year, down by EUR 2.1 mln compared to the previous year, mainly due to the Communication initiatives implemented in the first quarter of 2023). In relation to the lower incidence of the Cost of Credit was EUR 0.8 mln, lower by EUR 1.7 mln compared to June 2023, Net

Operating Income was EUR 33.8 mln, a decrease of EUR 2.1 mln compared to the first semester of the previous year (-5.8%).

Non-operating items absorb provisions of EUR 0.9 million on certain items of the provision for risks and charges, EUR 0.5 million for charges related to the Eurovita transaction, and EUR 4.2 million for DGS charges. Absorbing, thus, also the different timing of the recognition of DGS expenses (the previous year in the 3rd quarter) and the impact of the Eurovita transaction, the **Result before tax from continuing operations** amounted to **EUR 28.1 mln**, down (EUR -6.6 mln) compared to the first semester of the previous year.

Wealth Management

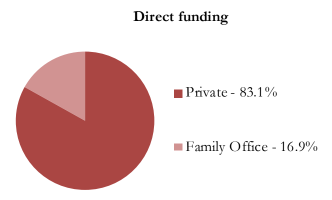
Business areas	Customers
• Funding, lending, provision of insurance products, financial and non-financial services to private customers. • Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on not strictly financial services (tax planning, real estate, art & legal advisory). • Fiduciary and trust services (through the subsidiary MPS Fiduciaria).	There are around 35,700 private customers. **Breakdown by type**  **Breakdown by geography** 

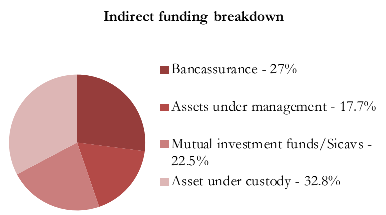
Income statement and balance sheet results

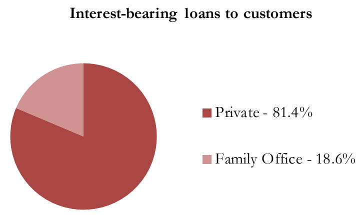
As at 30 June 2024, **Total funding** from Wealth Management amounted to **EUR 18.8 bn**, up by EUR 0.3 bn compared to 31 March 2024 and by EUR 0.8 bn compared to 31 December 2023. More specifically:

- **Direct Funding** was equal to **EUR 2.9 bn**, slightly up on 31 March 2024 (EUR +0.1 bn) and compared to December 2023 levels (EUR +0.3 bn);
- **Indirect Funding**, equal to **EUR 15.9 bn**, was up by EUR 0.2 bn compared to the first quarter of 2024 due to the increase in assets under management (EUR +0.1 bn), while assets under custody remained stable. The aggregate also increased compared to the end of 2023 (EUR +0.6 bn) due to the EUR 0.3 bn growth in assets under custody and EUR 0.2 bn in assets under management;
- **Gross Interest-Bearing Loans to Customers** were essentially in line with 31 March 2024 and down compared to 31 December 2023, standing at **EUR 0.5 bn**.

WEALTH MANAGEMENT - BALANCE SHEET AGGREGATES							
(EUR mln)	30/06/24	31/03/24	31/12/23	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**2,885**	**2,747**	**2,623**	**139**	**5.0%**	**262**	**10.0%**
Assets under management	*10,700*	*10,556*	*10,394*	*145*	*1.4%*	*306*	*2.9%*
Assets under custody	*5,214*	*5,168*	*4,967*	*46*	*0.9%*	*247*	*5.0%*
Indirect Funding	**15,914**	**15,723**	**15,362**	**191**	**1.2%**	**553**	**3.6%**
Total Funding	**18,800**	**18,470**	**17,985**	**330**	**1.8%**	**815**	**4.5%**
Gross Interest-bearing loans to customers	**484**	**479**	**519**	**6**	**1.2%**	**(35)**	**-6.7%**







With regard to profit and loss, Wealth Management achieved total **Revenues** of approx. **EUR 95 mln** as at 30 June 2024, up 8.2% compared to the same period of last year. A breakdown of the aggregate shows:

- Net Interest Income amounted to approx. EUR 30 mln, up EUR 6 mln compared to the corresponding period of the previous year, due mainly to the higher contribution from direct funding;
- Net fee and commission income amounted to EUR 60 mln, up by 7.0% compared to 30 June 2023;
- Other Income from Banking and Insurance Business amounted to EUR 5 mln, down by EUR 3 mln YoY.

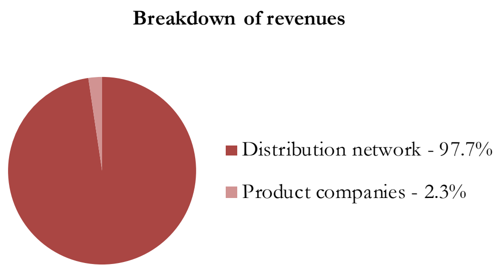
Considering the impact of operating expenses, which were up by 6.6% compared to the previous year, Wealth Management generated a **Gross Operating Income** of **EUR 37 mln** (EUR 34 mln at 30 June 2023). Including the Cost of credit, equal to EUR -1.4 mln, the **Net Operating Income** totalled **EUR 36 mln**.

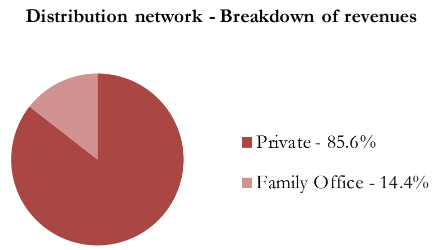
The non-operating components, equal to EUR +0.1 mln, were down compared to 30 June 2023.

The **Profit (loss) before tax from continuing operations** was equal to **EUR 36 mln** (EUR 32 mln as at 30 June 2023).

The ***cost-income ratio*** of the Operating Segment is **60.7%** (61.6% in the first half of 2023).

WEALTH MANAGEMENT - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/06/24	30/06/23	Abs.	%
Net interest income	*30.0*	*23.7*	*6.3*	*26.5%*
Net fee and commission income	*59.7*	*55.8*	*3.9*	*7.0%*
Other Revenues from Banking and Insurance Business	*5.3*	*8.4*	*(3.1)*	*-36.7%*
Other operating expenses/income	*(0.1)*	*(0.2)*	*0.1*	*-60.0%*
Total Revenues	**95.0**	**87.8**	**7.2**	**8.2%**
Operating expenses	*(57.6)*	*(54.0)*	*(3.6)*	*6.6%*
Pre Provision Operating Profit	**37.4**	**33.8**	**3.6**	**10.7%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(1.4)	(1.7)	0.4	-20.5%
Net Operating Income	**36.0**	**32.0**	**4.0**	**12.4%**
Non-operating components	**0.1**	**0.4**	**(0.3)**	**-73.9%**
Profit (loss) before tax from continuing operations	**36.1**	**32.4**	**3.7**	**11.4%**



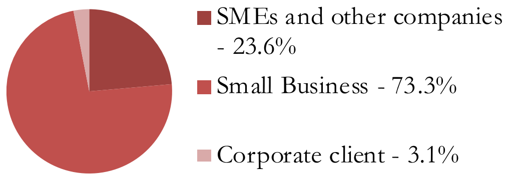
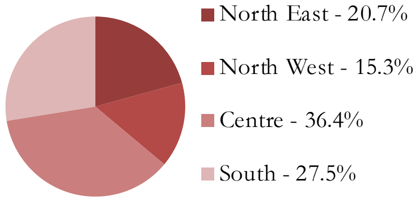


Results for the subsidiary

MPS Fiduciaria: as at 30 June 2024, the subsidiary achieved a profit of EUR 0.4 mln (EUR 0.2 mln as at 30 June 2023).

Corporate Banking

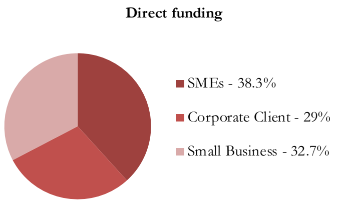
Corporate Banking includes the income statement/balance sheet results of corporate customers (SME, Corporate Client and small business segments), the Foreign Branch and the foreign bank MP Banque and, for the first half of 2023, of the merged entity MPS Leasing & Factoring.

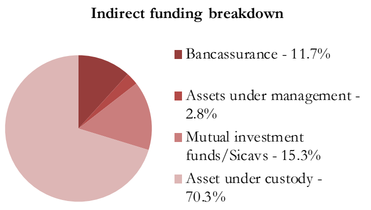
<table>
<tr><th>Business areas</th><th>Customers</th></tr>
<tr><td rowspan="3">Lending and offering financial products and services to businesses, including through strategic partnerships with trade associations and Confidi (credit guarantee consortia), with Guarantee Institutions (including public) and Institutional Entities, through which funding is acquired at favourable terms.
Offer of integrated leasing and factoring packages for businesses, artisans and professionals (through the subsidiary MPS Leasing & Factoring until the merger).
Custody and deposit services for dairy products on behalf of third parties (through the subsidiary Magazzini Generali Fiduciari di Mantova S.p.A., which is also authorised to issue documents of title to the merchandise, providing for easier access to bank lending).</td><td>About 118,400 Corporate customers of the Parent Company, directly followed by Corporate Banking.</td></tr>
<tr><td>Breakdown by type

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

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

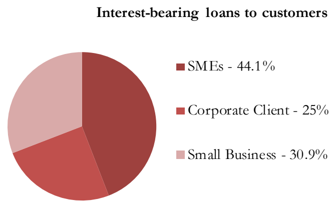
Income statement and balance sheet results

Total Funding from Corporate Banking as at 30 June 2024 amounted to **EUR 29.2 bn**, up compared to 31 March 2024 (EUR +0.8 bn), due to the increase in Direct Funding (EUR +1.1 bn) while Indirect Funding is down (EUR -0.2 bn). The aggregate was also up compared to 2023 (EUR +1.6 bn), as a result of the increase in Direct Funding (EUR +1.5 bn) and, in part, in Indirect Funding (EUR +0.2 bn).
With regard to lending, as at 30 June 2024, **Gross Interest-Bearing Loans to Corporate Banking Customers** stood at approximately **EUR 30.8 bn**, down compared to 31 March 2024 (EUR -0.7 bn) and compared to 31 December 2023 (EUR -0.2 bn).

CORPORATE BANKING - BALANCE SHEET AGGREGATES							
(EUR mln)	30/06/24	31/03/24	31/12/23	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**23,113**	**22,025**	**21,660**	**1,088**	**4.9%**	**1,452**	**6.7%**
Assets under management	*1,806*	*1,887*	*1,883*	*(82)*	*-4.3%*	*(78)*	*-4.1%*
Assets under custody	*4,265*	*4,429*	*4,026*	*(164)*	*-3.7%*	*239*	*5.9%*
Indirect Funding	**6,070**	**6,317**	**5,910**	**(246)**	**-3.9%**	**161**	**2.7%**
Total Funding	**29,183**	**28,341**	**27,570**	**842**	**3.0%**	**1,613**	**5.9%**
Gross Interest-bearing loans to customers	**30,769**	**31,482**	**30,956**	**(712)**	**-2.3%**	**(187)**	**-0.6%**







For profit and loss aggregates, as at 30 June 2024, Corporate Banking **Revenues** came to **EUR 684 mln** (+10.0% compared to the previous year). A breakdown of the aggregate shows:

- Net interest income amounted to EUR 467 mln, up by EUR 51 mln compared to 30 June 2023, due mainly to the higher contribution from funding;
- Net Fee and Commission Income amounted to EUR 205 mln, increased compared to the same period last year (+4.5%);
- Other income from banking and insurance business was equal to EUR 11 mln, in line with the levels recorded in the first half of 2023.

Considering the impact of Operating Expenses, up by 8.5% compared to the same period of the previous year, **Gross Operating Income** amounted to **EUR 470 mln** (about EUR 425 mln at 30 June 2023).

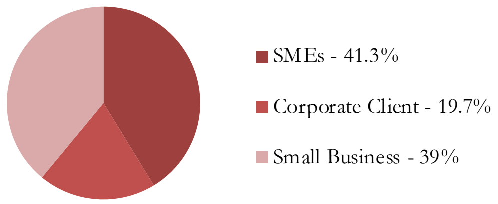
Net operating income stood at **EUR 387 mln** (EUR 312 mln as at 30 June 2023), against a Cost of credit of EUR -84 mln (compared to EUR -113 mln as at 30 June 2023).
The non-operating components amounted to EUR 2 mln, compared to EUR -2 mln in the first half of 2023.

The **Profit (loss) before tax from continuing operations** was equal to **EUR 389 mln** (EUR 309 mln as at 30 June 2023).

The Corporate Banking ***cost-income ratio*** stood at **31.3%** (31.7% as at 30 June 2023).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/06/24	30/06/23	Abs.	%
Net interest income	*467.4*	*416.7*	*50.8*	*12.2%*
Net fee and commission income	*205.5*	*196.6*	*8.8*	*4.5%*
Other Revenues from Banking and Insurance Business	*11.1*	*11.1*	*0.0*	*0.1%*
Other operating expenses/income	*0.4*	*(2.0)*	*2.4*	*n.m.*
Total Revenues	**684.4**	**622.4**	**62.0**	**10.0%**
Operating expenses	*(214.1)*	*(197.3)*	*(16.8)*	*8.5%*
Pre Provision Operating Profit	**470.3**	**425.1**	**45.2**	**10.6%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(83.5)	(113.2)	29.7	-26.2%
Net Operating Income	**386.8**	**311.8**	**74.9**	**24.0%**
Non-operating components	**2.0**	**(2.3)**	**4.3**	**n.m.**
Profit (loss) before tax from continuing operations	**388.8**	**309.5**	**79.3**	**25.6%**

Distribution network - Breakdown of revenues



Results of the main subsidiaries

MP Banque: profit of approximately EUR 7.9 mln as at 30 June 2024 compared to a profit of approximately EUR 1.8 mln posted in the first half of 2023.

Large Corporate & Investment Banking

Large Corporate and Investment Banking includes the economic/financial results of Large Corporate customers, the Corporate Finance and Investment Banking and Global Market business units and the merged entity MPS Capital Services Banca per le Imprese S.p.A. (for the first half of 2023).

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

Income statement and balance sheet results

The **Total Funding** of Large Corporate & Investment Banking as at 30 June 2024 amounted to **EUR 11.7 bn**, stable compared to 31 March 2024. The aggregate was up compared to the end of 2023 (EUR +0.4 bn), mainly as a result of the increase in Direct Funding (EUR +0.4 bn).
With regard to lending, as at 30 June 2024, **Gross interest-bearing loans to Large Corporate & Investment Banking customers** stood at **EUR 4.1 bn**, up by EUR 0.1 bn compared to 31 March 2024 and 31 December 2023.

Large Corporate and Investment Banking -							
(EUR mln)	30/06/24	31/03/24	31/12/23	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**3,620**	**3,197**	**3,257**	**424**	**13.2%**	**364**	**11.2%**
Assets under management	*37*	*37*	*37*	*0*	*0.4%*	*0*	*0.9%*
Assets under custody	*7,993*	*8,489*	*7,935*	*(496)*	*-5.8%*	*58*	*0.7%*
Indirect Funding	**8,030**	**8,526**	**7,972**	**(496)**	**-5.8%**	**58**	**0.7%**
Total Funding	**11,650**	**11,723**	**11,229**	**(72)**	**-0.6%**	**422**	**3.8%**
Gross Interest-bearing loans to customers	**4,062**	**3,955**	**3,942**	**106**	**2.7%**	**120**	**3.0%**

For profit and loss aggregates, as at 30 June 2024, Large Corporate & Investment Banking **Revenues** came to **EUR 185 mln** (+49.0% compared to the corresponding period of 2023). A breakdown of the aggregate shows:

- Net Interest Income amounted to EUR 87 mln, up by EUR 21 mln YoY;
- Net Fee and Commission Income was up 43.8% compared to the first half of 2023, standing at EUR 38 mln;

- Other revenues from banking and insurance business amounted to EUR 60 mln, up compared to the same period of the previous year (EUR 31 mln), thanks to the positive trend recorded for finance activities by the Global Market business unit.

Considering the impact of Operating Expenses, down by 19.7% compared to 30 June 2023, **Gross Operating Income** amounted to **EUR 149 mln** (EUR 79 mln as at 30 June 2023).

Net operating income stood at **EUR 126 mln** (EUR 78 mln as at 30 June 2023), against a Cost of credit of around EUR -23 mln (compared to EUR -1 mln as at 30 June 2023).
The non-operating components were zero, compared to EUR -14 mln recorded in the corresponding period of 2023.

The **Profit (loss) before tax from continuing operations** was equal to **EUR 126 mln** (EUR 64 mln as at 30 June 2023).

The Large Corporate Banking & Investment ***cost-income ratio*** stood at **19.6%** (36.4% as at 30 June 2023).

Large Corporate & Investment Banking - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/06/24	30/06/23	Abs.	%
Net interest income	*86.5*	*65.6*	*21.0*	*32.0%*
Net fee and commission income	*38.0*	*26.4*	*11.6*	*43.8%*
Other Revenues from Banking and Insurance Business	*60.2*	*31.2*	*29.0*	*92.9%*
Other operating expenses/income	*0.0*	*0.8*	*(0.8)*	*-98.5%*
Total Revenues	**184.7**	**124.0**	**60.8**	**49.0%**
Operating expenses	*(36.2)*	*(45.1)*	*8.9*	*-19.7%*
Pre Provision Operating Profit	**148.6**	**78.9**	**69.7**	**88.3%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(22.7)	(1.2)	(21.5)	n.m.
Net Operating Income	**125.9**	**77.7**	**48.1**	**61.9%**
Non-operating components	**0.0**	**(13.6)**	**13.7**	**n.m.**
Profit (loss) before tax from continuing operations	**125.9**	**64.1**	**61.8**	**96.4%**

Corporate Centre

The Corporate Centre includes:

- the income statement and balance sheet results of non-performing customers managed centrally by the Non-Performing Loans Unit;
- head office units, particularly with regard to governance and support functions, proprietary finance, the "asset centre" of divisionalised entities, which comprises in particular: proprietary finance activities, treasury and capital management;
- business service and support units, particularly with regard to the development and management of information systems.

The Corporate Centre also includes the offsetting of infragroup entries and the results of the companies consolidated under the equity method and those held for sale (with the exception of MP Banque).

With regard to non-performing customers managed centrally by the Non-Performing Loans Unit, as at 30 June 2024, Gross interest-bearing loans to customers amounted to EUR 1.2 bn; the contribution to the economic results of the Corporate Centre was EUR 4 mln in Revenues, EUR -26 mln in Operating Expenses and EUR -20 mln in the Cost of Credit.

With regard to finance activities, sales of securities completed in the first six months of 2024 amounted to EUR 1,133 mln in nominal value terms, of which EUR 1,042 mln at amortised cost. Securities have matured, however, for a nominal EUR 113 mln, classified in the portfolio of financial assets measured at fair value through other comprehensive income. As an offsetting measure, securities were repurchased for a nominal value of approximately EUR 1,607 mln, of which EUR 1,409 mln classified at amortised cost.

Prospects and outlook on operations

After the contraction of credit to the private sector experienced last year, in 2024, with the expected economic improvement, the decline in inflation and the beginning of a more eased monetary policy, a return, moderate, to the expansion of credit to households and the limited decline in credit to businesses is expected. For households, in the first half of the year the effect of high rates and uncertainty linked to the real estate cycle affected the demand for home-purchase mortgages, the weakening of the Superbonus reduced long-term consumption linked to recovery actions and the liquidity could have been partly allocated to closing debt positions with banks to reduce the related financial charges. In the coming months, the expected growth in consumption, the decline in interest rates on loans and the increase in disposable income could lead to a greater increase in demand for loans despite the downsizing of incentives for construction activities and related expenses. For businesses, the drop in investments in construction and the slowing of investments in machinery and equipment in the first half of 2024, in addition to the use of internal funding sources, reduced the demand for credit, foreshadowing a marginal YoY decline in loans; however, the beginning of the path to a recovery of interest rates will gradually make recourse to bank lending less expensive and in the coming months loans could see a moderate increase. The stimulus from the energy efficiency issues on residential investment and the stimulus from the NRRP on investment in machinery and equipment are expected to contribute in the medium term to the growth of employment. The trend in recourse to other funding channels by businesses is expected to continue. Credit quality, with the resilience to rising rates shown thus far by the loan portfolio, is expected to show limited signs of deterioration.

In the coming months, the reduction in deposits is expected to continue, with savings being reallocated, gradually less strongly, to higher-yielding products such as fixed-term deposits and assets under custody. Bonds are expected to grow at a good pace. In the short term, indirect funding will continue to see a preference for assets under custody over forms of asset management for which a stronger recovery is expected from next year.

The repayments of the latest TLTRO auctions coming due will reduce the banks' exposure to the Eurosystem and should not lead liquidity problems due to the large amount of banks' deposits with the ECB. The ongoing process of recomposition of funding will therefore continue, with a higher incidence of more stable bank funding that meets regulatory requirements (NSFR and MREL).

System profitability remains positive, especially in 2024, but is expected to slow thereafter. Net interest income benefits from a downward review in the number of interest rate cuts envisaged in the current year, but a compression is then expected as the banking spread gradually narrows. In the coming months, the growth in net fee and commission income will still be affected by the significant share of assets under custody and by households' preference for public debt securities. The increase in revenues from management and brokerage fees is expected to be stronger from next year, also due to the enhancement of paid advisory services and an increase in banking operations in the distribution of insurance products. Investments will remain high to support the transformation of the business model towards more digitisation needed to counter competitive pressures, and spending on climate and ESG risk issues will also continue to rise as a result of increasingly stringent regulatory requirements.

In such a setting, the Group's total revenues in 2024 will continue to benefit from the substantial stability of net interest income and from the positive trend in fee and commission income, also supported by targeted commercial initiatives in the wealth management area and protection insurance products.

In terms of operating expenses, work will continue on cost-saving actions aimed at containing the increase in the cost base resulting from inflation, the effects of the renewal of the sector National Collective Labour Agreement and transformation costs.

The cost of risk in 2024 is expected to be at a level roughly similar to that of 2023.

The capital position is expected to remain at high levels.

Related-party transactions

In compliance with the provisions of Consob Resolution no. 17221, 12 March 2010, last updated with the amendments made by Consob resolution no. 21624, 10 December 2020, which came into force on 1 July 2021 (hereinafter the "Consob Regulations"), as well as art. 53 Consolidated Law on Banking (TUB) and its implementing provisions (Bank of Italy Circular no. 285/2013, Part Three, Chapter 11 "Risk assets and conflicts of interest with respect to associated parties"), the "Committee for Related-party Transactions" was established, composed of between three and five independent directors, carrying out the functions envisaged by the By-Laws and the current legislative and regulatory provisions on transactions with related and associated parties.

The "*Group Directive concerning Management of regulatory obligations on related parties, associated parties and obligations of bank representatives*" (hereinafter the "Group Directive"), accompanied by the "*Group Regulation concerning Management of regulatory obligations on related parties, associated parties and obligations of bank representatives*" (hereinafter the "Group Regulations"), approved by the Parent Company's Board of Directors, with the prior favourable opinions of the Committee for Related Party Transactions and the Board of Statutory Auditors, contains provisions and internal procedures on related parties, aligned with the provisions of the Consob Regulation in force as of 1 July 2021, which introduced, inter alia, a new definition of a related party and the need to define thresholds of small amounts differentiated at least in consideration of the nature of the counterparty. The Group Directive was most recently updated on 3 July 2024 to adapt to the current organisational structure of Banca MPS.

The Group Directive defines the organisational model adopted by the MPS Group (principles and responsibilities) for the management process of the provisions applicable to related parties, associated parties and obligations of the bank representatives, and in particular, governs, at the MPS Group level, the principles and rules for the control of risks arising from situations of possible conflicts of interest with some subjects close to the decision making centres of the Parent Company.

Within the Group Directive, the following is also defined:
- the formulation of the responsibilities assigned within the MPS Group (tasks and responsibilities of the top management bodies and corporate functions of the Parent Company and Subsidiaries);
- the scope of the related parties, associated parties ("Group Scope") and other subjects in a potential conflict of interest;
- the criteria for the identification of transactions, level of relevance of the transactions;
- the decision-making procedures and exemption cases;
- the internal policies in the area of control.

For the purpose of the Group Directive, significance is attributed to the transactions carried out with the subjects operating within the Group Scope which involve the performance of risk activities, the transfer of resources, services and obligations, regardless of the requirement of a consideration. With regard to the type of transactions, these are classified in detail in the aforementioned Group Regulations, as:

- "**most significant transactions**": transactions where at least one of the following relevance indicators, applicable according to the specific transaction, exceeds the 5% threshold (greater relevance threshold):
  - *countervalue significance indicator*: the ratio of the countervalue of the transaction to the total of the own funds resulting from the most recent published consolidated balance sheet;
  - *relevance index of the assets*: the ratio of the total assets of the entity to which the transaction refers, to the total assets of BMPS;
  - *relevance index of the liabilities*: the ratio of the total liabilities of the acquired entity to the total assets of BMPS;
- "**transactions of lesser significance**": transactions for an amount greater than a small amount and up to the threshold of greater significance; in the context of transactions of lesser significance, transactions in which the amount exceeds EUR 100.0 mln and up to the threshold of greater significance (significance index of the equivalent value) are considered to be of lesser significance as a "**significant amount**", or, in the case of acquisitions, mergers and demergers for an amount equal to or less than EUR 100.0 mln, the significance index of the assets and/or liabilities is equal to or greater than the ratio of EUR 100.0 mln and own funds at a consolidated level;
- "**transactions for a small amount**": transactions for an amount equal to or less than EUR 250.0 thousand, in the event that the counterparty is a legal person; transactions for an amount equal to or less than EUR 100.0 thousand, in the event that the counterparty is a natural person.

The provisions and procedures applicable to transactions with related parties, in the versions in force at the time, are published on the website www.gruppomps.it in the section *"Corporate Governance - Transactions with related parties"*.

From 2016, the Parent Company's Board of Directors formally resolved to approve inclusion of the Ministry of Economy and Finance (MEF) and of the relevant directly and indirectly subsidiaries within the scope of related parties on a discretionary basis pursuant to the provisions of the Group Directive, excluding the prudential regulation.

Following completion of the Parent Company's precautionary recapitalisation procedure, after which the MEF became the controlling shareholder from August 2017, the Parent Company received notification on 18 December 2017 from the Supervisory Authorities with regard to the methods for the resulting application of limits to risk assets laid out in prudential regulations, pursuant to art. 53 of the Consolidated Law on Banking (TUB) and its implementing provisions (Bank of Italy Circ. no. 263/06 Title V, Section 5), through application to the Parent Company of the "silo" approach for calculation of the reference limits.

With reference to the MEF scope, the Parent Company has availed itself of the exemption provided by paragraph 25 of IAS 24 on the disclosure of transactions and balances of existing transactions with government-related entities. The main transactions carried out with the MEF and with its subsidiaries, in addition to financing transactions, include Italian government securities recorded in the portfolios "Financial assets measured at fair value through other comprehensive income" for a nominal amount of EUR 1,665.0 mln and "Financial assets measured at fair value through profit or loss" for a nominal amount of EUR 1,176.0 mln as well as "Financial assets measured at amortised cost" for a nominal amount of EUR 8,023.5 mln.

Information is provided below regarding the most significant transactions, in terms of amount, carried out by the Parent Company with related parties in the first half of 2024.

MEF related-party transactions

(i) Related party transactions with SACE S.p.A.

On 6 February 2024, the Board of Directors of the Parent Company, subject to opinion in favour from the Related Party Transactions Committee, expressed its own vote in favour of the inclusion of Banca MPS in the proposed arrangement with creditors pursuant to art. 161, paragraph 6 of the Bankruptcy Law, as formulated by the PSC S.p.A. GROUP[17], which with regard to short and medium/long-term cash exposure for a total of EUR 24.2 mln particularly envisages voting on: a) quarterly repayment by SACE S.p.A., in accordance with the original exposure recovery plan guaranteed by SACE S.p.A., of EUR 15.5 mln; b) the repayment of 2.05% equal to total of EUR 51.0 thousand of unsecured SACE exposure of EUR 2.5 mln; c) the reimbursement of 2.03%, equal to approximately EUR 127.0k, of exposure for a total of EUR 6.3 mln. The transaction falls within the scope of application of Consob Regulation no. 17221/2010 as the PSC S.p.A. GROUP is an investee of Fincantieri S.p.A. and Simest S.p.A., both subsidiaries of CDP S.p.A., the latter controlled by the MEF, and as SACE S.p.A. is a wholly owned subsidiary of the MEF.

On 20 February 2024, the Credit Committee approved the framework resolution with a credit pool of EUR 390.0 mln, concerning the Parent Company's operations with SACE S.p.A., relating to the issue of financial guarantees by SACE S.p.A. against credit lines/loans granted by Banca MPS to companies that will be able to benefit from the SACE Futuro guarantee, aimed at promoting growth in global markets, supporting technological innovation and the digitalisation process, investing in infrastructure and sustainability, supporting strategic supply chains and economically disadvantaged areas, contributing to the growth of the social ecosystem through the development of female entrepreneurship, with a particular focus on initiatives related to the National Recovery and Resilience Plan (NRRP, the "DQSACEFUTURO2024"). The DQSACEFUTURO2024 is valid for a period of 12 months from the date of acceptance by the parties of the special terms and conditions applicable to the loans. It applies only to Banca MPS, not at Group level. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since SACE S.p.A. is a wholly-owned subsidiary of the MEF.

On 19 March 2024, the Credit Committee resolved, in favour of customers that are not related parties, on granting a debtor credit pool for a non-recourse risk limit of EUR 50.0 mln, usable against the assignor FINCANTIERI S.p.A., subject to positive assessment and decision, with operations backed by a trade finance guarantee issued by SACE S.p.A. with a coverage ratio of 80%. The transaction falls within the scope of application of Consob Regulation no. 17221/2010 as the MEF is the majority shareholder of CDP S.p.A., which in turn holds 100% of CDP Industria S.p.A., the majority shareholder of FINCANTIERI S.p.A. (transferor), and as SACE S.p.A. (issuer of the trade finance insurance guarantee) is wholly owned by the MEF.

Also on 19 March 2024, the Credit Committee resolved in favour of the Parent Company's customers to grant a 10-year unsecured loan for a total of EUR 49.0 mln for the construction of a tourism-hotel structure abroad, 80% guaranteed by SACE S.p.A. among others ("Political Risk" guarantee). The transaction falls within the

[17] Part H of the Financial Statements of the Bank as at 31 December 2022 comments on the ordinary review of credit lines in favour of the PSC S.p.A. GROUP.

scope of application of Consob Regulation no. 17221/2010, since SACE S.p.A. is a wholly-owned subsidiary of the MEF.

On 26 March 2024, the Credit Committee authorised the granting of medium/long-term credit lines in favour of the Parent Company's customers for a total of EUR 70.0 mln, with a duration of 8 years, to support environmental sustainability expenses in infrastructure contracts in Italy and abroad, of which one tranche of EUR 50.0 mln is for investments in Italy, 80% backed by a guarantee issued by SACE S.p.A. ("Strategic Relief" guarantee). The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since SACE S.p.A. is a wholly-owned subsidiary of the MEF.

On 16 April 2024, the Credit Committee resolved to renew the framework resolution (that expired on 30 March 2024)[18], with a reduction of the amount from EUR 500.0 mln to EUR 400.0 mln, concerning the Parent Company's operations with SACE S.p.A. relating to the issue of financial guarantees by SACE S.p.A. against credit facilities/loans granted by Banca MPS to companies as part of the "Green New Deal", i.e. to pursue environmental objectives adequately supported by suitable projects for reducing pollution and the extent of polluting emissions and therefore at promoting eco-sustainable development and the transition to a low environmental impact economy ("DQSACEGREEN2024"). The DQSACEGREEN2024 is valid for a period of 12 months from the date of adoption of the resolution and operates in relation only to Banca MPS and not at Group level. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since SACE S.p.A. is a wholly-owned subsidiary of the MEF.

In April, May and June 2024, transactions were concluded with SACE S.p.A., in favour of customers of the Parent Company, for the issue of a 70% SACE Futuro guarantee, to guarantee medium/long-term credit lines for SACE S.p.A. maximum guaranteed amounts of EUR 18.0 mln (with guarantee of EUR 12.6 mln), EUR 34.0 mln (with guarantee of EUR 23.8 mln) and EUR 15.0 mln (with guarantee of EUR 10.5 mln), as part of the DQSACEFUTURO2024 initiatives described above. The transactions fall within the scope of application of Consob Regulation no. 17221/2010, since SACE S.p.A. is a wholly-owned subsidiary of the MEF.

During the first half of 2024, two insurance policies were finalised with SACE S.p.A., with coverage equal to 50% of the risk of non-payment, relating to confirmation transactions of documentary credits in US dollars, entered into by Banca MPS customers with foreign banks, for values of approximately USD 14.3 mln and USD 12.8 mln, respectively. The transactions finalised with SACE S.p.A. fall within the scope of application of Consob Regulation no. 17221/2010, since SACE S.p.A. is a wholly-owned subsidiary of the MEF.

(ii) Transactions with other MEF related parties

On 15 January 2024, the ordinary review at par of good-till-cancelled credit facilities in favour of SO.G.I.N. S.p.A. was authorised with confirmation of the two mixed credit lines in place for a total of EUR 19.9 mln, which can be used for the issue of unsecured loans for EUR 18.9 mln and EUR 1.0 mln that can be used for forex hedging. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since SO.G.I.N. S.p.A. is a wholly-owned subsidiary of the MEF.

On 2 February 2024, as part of the ordinary review of credit lines for approximately EUR 12.2 mln, the mixed revolving credit line extended with an increase from EUR 2.2 mln to EUR 6.0 mln was authorised in favour of HOTELTURIST S.p.A., usable for the issue of Italian/foreign sureties. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since HOTELTURIST S.p.A. is a 45.95% investee of CDP EQUITY S.p.A., in turn a wholly-owned subsidiary of CDP S.p.A. which is in turn controlled by the MEF.

On 20 February 2024, the ordinary review of credit lines for a total of EUR 14.1 mln was authorised in favour of GPI S.p.A., confirming the existing mixed credit line of EUR 3.5 mln, usable for advances on invoices and the issue of guarantees. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since GPI S.p.A. is a subsidiary of CDP Equity S.p.A., a wholly-owned subsidiary of CDP S.p.A., in turn controlled by the MEF.

On 7 March 2024, an increase in the without recourse risk limit from EUR 7.0 mln to a total of EUR 27.0 mln was resolved in favour of FERROVIENORD S.p.A., for application in relation to third-party assignors subject to positive assessment and decision, and backed by a guarantee with a 95% coverage ratio. The transaction falls within the scope of application of Consob Regulation no. 17221/2010 because FERROVIENORD S.p.A. is wholly owned by FNM S.p.A., a 14.74% investee of Ferrovie dello Stato S.p.A. which is in turn a wholly-owned subsidiary of the MEF.

[18] For more details, compare with the disclosure in Part H of the 2023 Financial Statements.

On 13 March 2024, the granting of current account credit facilities of EUR 35.0 mln and EUR 40.0 mln, respectively, were authorised in favour of the investment funds FOF PRIVATE DEBT ITALIA and FOF PRIVATE EQUITY ITALIA, both expiring on 5 September 2025, to be used for financial advances. The transaction falls within the scope of application of Consob Regulation No. 17221/2010 because FOF PRIVATE DEBT and FOF PRIVATE EQUITY ITALIA, closed-end Italian alternative investment funds reserved for professional investors, are managed by Fondo Italiano di Investimento SGR S.p.A., which is 55% owned by CDP EQUITY S.p.A., a wholly-owned subsidiary of CDP S.p.A., which in turn is controlled by the MEF.

On 28 March 2024, the Board of Directors resolved in favour of FERROVIE DELLO STATO S.p.A., as part of the ordinary review of credit lines for a total of EUR 170.0 mln, on: (i) reduction of the mixed credit line from 50 EUR 0 mln to EUR 20.0 mln; (ii) granting of a credit pool without recourse risk limit of EUR 125.0 mln, for application in relation to third-party transferors, backed by an insurance policy with 95% coverage, and (iii) granting of a credit pool with a notional with recourse limit of EUR 25.0 mln, valid for transferors subject to positive assessment and decision. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since FERROVIE DELLO STATO S.p.A. is a wholly-owned subsidiary of the MEF.

Again on 28 March 2024, the Board of Directors resolved on the ordinary review of credit lines in favour of ANAS S.p.A., for total of EUR 205.0 mln. The transaction envisages the confirmation of existing credit lines and increase of the credit line without recourse risk limit from EUR 13.0 mln to EUR 40.0 mln, applicable to third-party assignors and suppliers, backed by an insurance policy with 95% coverage of the risk limit. Subsequently, on 20 May 2024, the increase in the unsecured credit line was authorised from EUR 15.0 mln to EUR 20.0 mln, usable for foreign guarantees and fully guaranteed by a cash pledge, with simultaneous cancellation of the Italian credit guarantee facility not used for EUR 5.0 mln. These transactions fall within the scope of application of Consob Regulation no. 17221/2010, since ANAS S.p.A. is a wholly-owned subsidiary of Ferrovie dello Stato S.p.A., in turn controlled by the MEF.

On 10 June 2024, as part of the ordinary review of credit lines, the confirmation at par of existing credit lines of EUR 8.0 mln and EUR 10.0 mln[19], respectively, was authorised in favour of TITAGARH FIREMA S.p.A. with granting of a new unsecured loan for EUR 3.0 mln. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since TITAGARH FIREMA S.p.A. is approximately 30% owned by Invitalia S.p.A., which in turn is wholly owned by the MEF.

On 11 June 2024, as part of the ordinary review of credit lines the Credit Committee authorised the following in favour of SAIPEM S.p.A.: (i) the increase from EUR 90.0 mln to EUR 135.0 mln of the existing mixed revolving credit line, usable up to the entire amount for the issue of Italian/foreign unsecured loans and for the release of documentary credit commitments, and up to a maximum of EUR 50.0 mln for financial transactions involving bankers' drafts; (ii) the reduction from EUR 4.87 mln to EUR 3.37 mln of the credit line with a pool of other banks; and (iii) cancellation of the existing mixed credit line of EUR 5.0 mln for operations in derivatives. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since SAIPEM S.p.A. is indirectly owned by the MEF through ENI S.p.A. and CDP Equity S.p.A., which are in turn controlled by the MEF.

In the first half of 2024, the postal services contract with the counterparty POSTE ITALIANE S.p.A. was renewed, for an aggregate principal amount of approximately EUR 19.6 mln (including VAT), for the two-year period 2024-2026, of which: (i) EUR 2.8 mln for technical extension of the contract, valid from 16 February 2024 to 9 July 2024, at the same economic conditions as the previous contract expiring on 15 February 2024, and (ii) EUR 16.7 mln for the signing of a new two-year contract, valid from 10 July 2024 to 9 July 2026, with the possibility of extension for a further year. The services provided are necessary to guarantee the regular delivery to customers of the mandatory paper communications provided for by Italian Legislative Decree no. 385/1993 (Consolidated Law on Banking). The transaction falls within the scope of application of CONSOB Regulation no. 17221/2010 as POSTE ITALIANE S.p.A. is controlled by the MEF.

As part of the placement of Covered Bonds, with a 5-year maturity, finalised by the Parent Company on 16 April 2024 for a total of EUR 750.0 mln, CDP S.p.A. - pursuant to Art. 5, paragraph 8-*ter* of Italian Law Decree no. 269/2003, converted into Law no. 326/2003 in compliance with art. 6, paragraph 1.b) of Italian Law Decree no. 102/2013 - subscribed this issue for a total of EUR 60.0 mln. The residual amount was placed with other institutional investors. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, as CDP S.p.A. is a subsidiary of the MEF.

[19] For more details, compare with the disclosure in Part H of the 2023 Financial Statements.

The following tables summarise the relationships and economic effects of transactions carried out in the first half of 2024 with joint ventures, associates, key management personnel and other related parties.

The "MEF Scope" column highlights the balances[20] of the balance sheet and income statement items as at 30 June 2024 relating to the transactions carried out with the MEF and the companies controlled by the MEF, namely companies controlled directly or indirectly by the MEF and their associates.

Related-party transactions: balance sheet items

	Value as at 30 06 2024						
	joint venture	Associated companies	key management personnel	Other related parties	MEF Scope	Total	% on FS item
Financial assets held for trading	-	68.3	-	-	3,833.1	**3,901.4**	54.63%
Other financial assets mandatorily measured at fair value	-	-	-	-	27.5	**27.5**	6.62%
Financial assets measured at fair value through other comprehensive income	-	-	-	-	1,581.9	**1,581.9**	64.65%
Loans to banks measured at amortised cost	-	-	-	-	14.3	**14.3**	0.36%
Loans to customers measured at amortised cost	50.0	62.4	2.1	0.1	9,778.7	**9,893.3**	11.24%
Other assets	-	-	-	-	1,653.6	**1,653.6**	46.18%
Total assets	**50.0**	**130.7**	**2.1**	**0.1**	**16,889.1**	**17,072.0**	**-**
Financial liabilities measured at amortised cost	2.8	79.4	2.4	116.2	2,616.0	**2,816.8**	2.57%
Financial liabilities held for trading	-	61.3	-	-	2979.4	**3,040.7**	76.35%
Other liabilities	0.1	2.6	-	-	10.0	**12.7**	0.42%
Total liabilities	**2.9**	**143.3**	**2.4**	**116.2**	**5,605.4**	**5,870.2**	**-**
Guaranties issued and Commitments	38.7	26.1	0.2	-	2,082.8	**2,147.8**	n.a.

Related-party transactions: income statement items

	Value as at 30 06 2024						
	joint venture	Associated companies	key management personnel	Other related parties	MEF Scope	Total	% on FS item
Interest income and similar revenues	1.5	1.5	-	-	198.2	**201.2**	8.23%
Interest costs and similar charges	-	(0.1)	-	(2.0)	(39.5)	**(41.6)**	3.26%
Fee and commission income	-	104.8	-	-	147.9	**252.7**	29.82%
Fee and commission expense	-	(0.2)	-	-	(7.9)	**(8.1)**	7.21%
Net profit (loss) from other assets and liabilities measured at fair value through profit or loss	-	-	-	-	(0.8)	**(0.8)**	13.41%
Net adjustments/impairments	(19.6)	-	-	-	1.4	**(18.2)**	8.30%
Dividends	-	35.5	-	-	3.3	**38.8**	n.m.
Operating costs	-	(4.0)	(4.3)	-	(9.5)	**(17.8)**	1.73%

[20] The criteria to fill out the two tables are different from those of the *European Securities and Markets Authority (ESMA)* used for the table "Exposure to sovereign debt risk".

Certification of the condensed consolidated half-yearly financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented

1. The undersigned, Luigi Lovaglio, as Chief Executive Officer, and Nicola Massimo Clarelli, as Financial Reporting Officer of Banca Monte dei Paschi di Siena S.p.A., also having regard to article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, do hereby certify the:
   - appropriateness with respect to the company's profile, and
   - factual application of administrative and accounting procedures for preparation of the condensed consolidated half-yearly financial statements, in the first half of 2024.

2. The verification of the adequacy and effective application of administrative and accounting procedures for the preparation of the condensed consolidated half-yearly financial statements as at 30 June 2024 was based on methods defined by the MPS Group in line with the COSO models and, for the IT component, COBIT, which constitute the reference framework for the internal control system generally accepted internationally.

3. It is also certified that:
   3.1 the Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2024:
      - were prepared in accordance with the international accounting standards recognised by the European Union pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 of 19 July 2002;
      - are consistent with the underlying documentary evidence and accounting records;
      - are suitable to provide a true and fair representation of the capital, economic and financial situation of the issuer and group of companies included within the scope of consolidation.

   3.2 the interim report on operations includes a reliable analysis of the significant events in the first six months of the financial year and their impact on the condensed consolidated half-yearly financial statements, as well as a description of major risks and uncertainties for the remaining six months of the year. The half-yearly report on operations includes a reliable analysis of information regarding related-party transactions of major relevance.

Siena, 05/08/2024

Signed by

On behalf of the Board of Directors

The Chief Executive Officer

Luigi Lovaglio

Signed by

The Financial Reporting

Officer

Nicola Massimo Clarelli

Independent auditors report

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of Banca Monte dei Paschi di Siena SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Banca Monte dei Paschi di Siena SpA and its subsidiaries ("Monte dei Paschi di Siena Group") as of 30 June 2024, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and related notes. The directors of the Monte dei Paschi di Siena Group are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Monte dei Paschi di Siena Group as of 30 June 2024 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Florence, 7 August 2024

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

This review report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Annexes

Reconciliation between the reclassified income statement and balance sheet and the related statutory accounts

Reconciliation between the reclassified income statement as at 30 June 2024 and related statutory accounts

	Income Statement accounts	30/06/24	Customer repayments	Reclassification of dividends on treasury stock transactions	Reclassification of the portion of profits from equity investments	Reclassification provision to BRRSD and DGSD funds	Recovery of stamp duty and customers' expenses	DTA fee	Restructuring costs (Personnel expenses for early retirement)	Restructuring costs (Closure of Branches)	Securitization, Recapitalization and Commitment Costs	Cost of Credit	Non-current assets held for sale and disposal Groups MP Banque	30/06/24	Reclassified Income Statement Accounts
			-	-	-	-	-	-	-		-	-	18.2	1,172.2	Net interest income
10	Interest income and similar revenues	2,427.2	-									-	20.1	2,447.3	
	of which interest income calculated applying the effective interest rate method	*1,989.9*										-			
20	Interest expense and similar charges	(1,273.2)									-	-	(1.9)	(1,275.1)	
			1.2	-	-	-	-	-	-		-	-	4.4	735.8	Net fee and commission income
40	Fee and commission income	842.8	1.2									-	4.5	848.5	
50	Fee and commission expense	(112.5)	-								-	-	(0.1)	(112.6)	
70	Dividends	17.0		(4.4)	27.6							-	-	40.2	Dividends, similar income and gains (losses) on investments
				4.4	-	-	-	-	-		-	9.3	0.1	74.8	Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases
80	Net profit (loss) from trading	78.1		4.4								-		82.5	
100	Gains/(losses) on disposal/repurchase of:	(10.8)		-	-	-	-	-	-		-	(0.8)	0.1	(11.5)	
	a) Financial assets measured at amortised cost	(10.3)										(0.8)	-	(11.1)	
	b) Financial assets measured at fair value through other comprehensive income	0.1										-	0.1	0.2	
	c) Financial liabilities	(0.6)										-	-	(0.6)	
110	Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss	(6.3)		-	-	-	-	-	-		-	10.1	-	3.8	
	a) financial assets and liabilities designated at fair value	4.1										-	-	4.1	
	b) other financial assets mandatorily measured at fair value	(10.4)				-						10.1	-	(0.3)	
90	Net profit (loss) from hedging	1.6										-	-	1.6	Net profit (loss) from hedging
230	Other operating expenses/income	108.3	-				(102.1)			-		-	(0.1)	6.1	Other operating income (expenses)
190	Administrative expenses:	(1,048.6)	-	-	-	75.3	102.1	30.6	8.8	2.8	0.2	-	(11.6)	(840.6)	Administrative expenses:
	a) personnel expenses	(613.3)							8.8	1.2		-	(4.8)	(608.2)	a) personnel expenses
	b) other administrative expenses	(435.3)				75.3	102.1	30.6		1.6	0.2	-	(6.9)	(232.4)	b) other administrative expenses
			-	-	-	-	-	-	-	0.3	-	-	(1.1)	(84.3)	Net value adjustments to property, plant and equipment and intangible assets
210	Net adjustments to/recoveries on property, plant and equipment	(50.4)					-			0.3		-	(1.1)	(51.1)	
220	Net adjustments to/recoveries on intangible assets	(33.3)	-									-		(33.3)	
130	Net impairment (losses)/reversals on	(217.8)	-	-	-	-	-	-	-		-	19.9	(1.2)	(204.0)	Cost of customer credit
	a) financial assets measured at amortised cost	(218.3)										5.2	(1.5)	(214.6)	*130a)* financial assets measured at amortised cost - customers
	b) financial assets measured at fair value through other comprehensive income	0.5										(0.5)	-	-	
												0.8		0.8	*100a) Loans to customers measured at amortised cost*
												(10.1)		(10.1)	*110b) Loans*
											-	24.5	0.4	24.9	*200a) Net provision for risks and charges related do financial guarantees and other commitments*
140	Modification gains/(losses)	(4.9)										-	-	(4.9)	*140) Modification gains/(losses)*
												(4.7)		(4.7)	Net impairment (losses)/reversals on securities and loans to banks
160	Net insurance premiums	-										-	-	-	
170	Other net insurance income (expense)	-										-	-	-	
200	Net provision for risks and charges:	11.0	(1.2)	-	-	-	-	-	-		-	(24.5)	-	(14.8)	Other net provisions for risks and charges
	a) commitments and guarantees issued	24.5										(24.5)		-	
	b) other net provisions	(13.5)	(1.2)									-		(14.8)	
250	Gains (losses) on investments	23.8			(27.6)							-	-	(3.8)	Gains (losses) on disposal of investments
									(8.8)	(3.1)	(29.5)	-		(41.4)	Restructuring costs / One-off costs
						(75.3)						-	(0.1)	(75.4)	Risks and charges associated to the SRF, DGS and similar schemes
								(30.6)				-		(30.6)	DTA Fee
260	Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(19.3)						-		-		-		(19.3)	Net gains (losses) on property, plant and equipment and intangible assets measured at fair value
280	Gains (losses) on disposal of investments	(6.1)									-	-		(6.0)	Gains (losses) on disposal of investments
290	Profit (loss) before tax from continuing operations	726.5		-	-	-	-	-	-		(29.3)	-	8.6	705.8	Profit (Loss) for the period before tax
300	Tax (expense)/recovery on income from continuing operations	454.2										-	(1.0)	453.3	Income tax for the period
310	Profit (loss) after tax from continuing operations	1,180.7		-	-	-	-	-	-		(29.3)	-	7.6	1,159.1	Profit (Loss) after tax
320	Profit (loss) after tax from discontinued operations	(21.6)									29.3	-	(7.6)	-	
330	Profit (loss) for the period	1,159.1		-	-	-	-	-	-		-	-	-	1,159.1	Net profit (loss) for the period including non-controlling interests
340	Net Profit (loss) attributable to non-controlling interests	(0.1)										-	-	(0.1)	Net profit (loss) attributable to non-controlling interests
	Parent company's net profit (loss) for the period	**1,159.2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,159.2**	**Parent company's net profit (loss) for the period**

Reconciliation between the reclassified income statement as at 30 June 2023 and related statutory accounts

	Income Statement accounts	30/06/23	Customer repayments	Reclassification of dividends on treasury stock transactions	Reclassification of the portion of profits from equity investments	Reclassification provision to BRRSD and DGSD funds	Recovery of stamp duty and customers' expenses	DTA fee	Restructuring costs (Personnel expenses for early retirement)	Securitization, Recapitalization and Commitment Costs	Cost of Credit	30/06/23	Reclassified Income Statement Accounts
			0.2	-	-	-	-	-	-	-	-	1,082.8	Net interest income
10	Interest income and similar revenues	1,979.3	0.2								-	1,979.5	
	of which interest income calculated applying the effective interest rate method	*1,663.0*									-		
20	Interest expense and similar charges	(896.7)								-	-	(896.7)	
			(3.5)	-	-	-	-	-	-	-	-	670.0	Net fee and commission income
40	Fee and commission income	783.1	(3.5)								-	779.6	
50	Fee and commission expense	(109.6)	-							-	-	(109.6)	
70	Dividends	15.7		(4.5)	41.9						-	53.1	Dividends, similar income and gains (losses) on investments
				4.5	-	-	-	-	-	-	(4.9)	47.1	Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases
80	Net profit (loss) from trading	44.1		4.5							-	48.6	
100	Gains/(losses) on disposal/repurchase of:	0.1		-	-	-	-	-	-	-	0.2	0.3	
	a) Financial assets measured at amortised cost	-									0.2	0.2	
	b) Financial assets measured at fair value through other comprehensive income	0.2									-	0.2	
	c) Financial liabilities	(0.1)									-	(0.1)	
110	Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss	3.4		-	-	-	-	-	-	-	(5.1)	(1.7)	
	a) financial assets and liabilities designated at fair value	1.3									-	1.3	
	b) other financial assets mandatorily measured at fair value	2.1				-					(5.1)	(3.0)	
90	Net profit (loss) from hedging	0.1									-	0.1	Net profit (loss) from hedging
230	Other operating expenses/income	93.7	-				(95.6)				-	(1.9)	Other operating income (expenses)
190	Administrative expenses:	(1,009.4)	-	-	-	58.6	95.6	31.5	(13.8)	10.2	-	(827.3)	Administrative expenses:
	a) personnel expenses	(560.6)							(13.8)		-	(574.4)	a) personnel expenses
	b) other administrative expenses	(448.8)				58.6	95.6	31.5		10.2	-	(252.9)	b) other administrative expenses
			-	-	-	-	-	-	-	-	-	(86.5)	Net value adjustments to property, plant and equipment and intangible assets
210	Net adjustments to/recoveries on property, plant and equipment	(54.5)					-				-	(54.5)	
220	Net adjustments to/recoveries on intangible assets	(32.0)	-								-	(32.0)	
130	Net impairment (losses)/reversals on	(200.0)	-	-	-	-	-	-	-	-	(4.6)	(204.9)	Cost of customer credit
	a) financial assets measured at amortised cost	(200.8)									(0.8)	(201.6)	*130a)* financial assets measured at amortised cost - customers
	b) financial assets measured at fair value through other comprehensive income	0.8									(0.8)	-	
											(0.2)	(0.2)	*100a) Loans to customers measured at amortised cost*
											5.1	5.1	*110b) Loans*
											(7.9)	(7.9)	*200a) Net provision for risks and charges related do financial guarantees and other commitments*
140	Modification gains/(losses)	(0.3)									-	(0.3)	*140) Modification gains/(losses)*
											1.6	1.6	Net impairment (losses)/reversals on securities and loans to banks
160	Net insurance premiums	-									-	-	
170	Other net insurance income (expense)	-									-	-	
200	Net provision for risks and charges:	(13.6)	3.3	-	-	-	-	-	-	-	7.9	(2.4)	Other net provisions for risks and charges
	a) commitments and guarantees issued	(7.9)									7.9	-	
	b) other net provisions	(5.7)	3.3								-	(2.4)	
250	Gains (losses) on investments	40.6			(41.9)						-	(1.3)	Gains (losses) on disposal of investments
									13.8	(10.2)	-	3.6	Restructuring costs / One-off costs
						(58.6)					-	(58.6)	Risks and charges associated to the SRF, DGS and similar schemes
								(31.5)			-	(31.5)	DTA Fee
260	Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(28.8)									-	(28.8)	Net gains (losses) on property, plant and equipment and intangible assets measured at fair value
280	Gains (losses) on disposal of investments	0.2								-	-	0.2	Gains (losses) on disposal of investments
290	Profit (loss) before tax from continuing operations	615.3		-	-	-	-	-	-	-	-	615.3	Profit (Loss) for the period before tax
300	Tax (expense)/recovery on income from continuing operations	3.6									-	3.6	Income tax for the period
310	Profit (loss) after tax from continuing operations	618.9		-	-	-	-	-	-	-	-	618.9	Profit (Loss) after tax
320	Profit (loss) after tax from discontinued operations	-								-	-	-	
330	Profit (loss) for the period	618.9		-	-	-	-	-	-	-	-	618.9	Net profit (loss) for the period including non-controlling interests
340	Net Profit (loss) attributable to non-controlling interests	(0.1)									-	(0.1)	Net profit (loss) attributable to non-controlling interests
	Parent company's net profit (loss) for the period	**619.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**619.0**	**Parent company's net profit (loss) for the period**

Reconciliation between the reclassified balance sheet and related statutory accounts as at June 2024

	Balance -sheet Items - Assets	30/06/24	Other financial assets @ FVTPLM – Loans to banks	Loans to customers	Trading derivatives	Securities	Loans to banks @ AC – Loans to central banks	Non-current assets held for sale and disposal groups	Change in value of macro-hedged financial assets	30/06/24	Reclassified Balance-sheet Items - Assets
10	Cash and cash equivalents	16,998.6		-		-		693		17,692.0	Cash and cash equivalents
20	Financial assets measured at fair value through profit or loss	7,556.3	-	(186.8)	(2,325.3)	13,354.5	-	-	-	18,398.7	Securities assets
				-		13,354.5		-		13,354.5	
	a) financial assets held for trading	7,141.0		-	(2,325.3)	-		-		4,815.7	
	b) financial assets measured at fair value	-		-		-		-		-	
	c) other financial assets mandatorily measured at fair value	415.3	-	(186.8)		-		-		228.5	
30	Financial assets measured at fair value through other comprehensive income	2,447.0		-		(2,447.0)		-		-	
40	Financial assets measured at amortised cost	91,639.7		-		-		-			
				-		-	557.7	8.7		566.4	Loans to central banks
	a) Loans to banks	3,931.2	-	-		(703.7)	(557.7)	1.1		2,670.9	Loans to banks
	b) Loans to customers	87,708.5		186.8		(10,203.8)		283.2		77,974.7	Loans to customers
50	Hedging derivatives	583.7		-	2,325.3	-		-		2,909.0	Derivatives
60	Change in value of macro-hedged financial assets (+/-)	(679.8)		-		-		-	679.8	-	
70	Equity investments	708.1		-		-		-		708.1	Equity investments
80	Reinsurers' share of technical reserve	-		-		-		-		-	
90	Property, plant and equipment	2,139.8		-		-		63.9		2,203.7	Property, plant and equipment
100	Intangible assets	151.1		-		-		1.2		152.3	Intangible assets
	of which goodwill	*7.9*		-		-		-		*7.9*	*of which goodwill*
110	Tax assets	2,522.4		-		-		1.4		2,523.8	Tax assets
	a) current	172.0		-		-		1.4		173.4	a) current
	b) deferred	2,350.4		-		-		-		2,350.4	b) deferred
								-		2,901.0	Other assets
120	Non-current assets held for sale and disposal groups	1,062.5		-		-		(1,062.5)		-	Non-current assets held for sale and disposal groups
130	Other assets	3,571.1		-		-		9.7	(679.8)	2,901.0	Other assets
	Total assets	**128,700.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**128,700.5**	**Total Assets**

	Balance-sheet Items - Liabilities	30/06/24	Due to central Banks	Due to Banks	Debt securities issued - customers	Trading derivatives	Financial liabilities designated at fair value	Provision for Staff severance indemnities	Change in value of Macro-hedged financial liabilities (+/-)	Liabilities associated with non-current assets held for sale and disposal groups	Group Net Equity	30/06/24	Reclassified balance-sheet items - Liabilities
10	Financial liabilities measured at amortised cost	108,626.3										96,521.6	Direct funding
	a) due to banks	13,123.1	(12,009.7)	(1,114.1)						0.6		-	
	b) due to customers	85,270.6			4.9					904.6		86,180.1	a) Due to customers
	c) debts securities issued	10,232.6			(4.9)		113.8					10,341.5	b) Securities issued
			12,009.7									12,009.7	Due to Central Banks
				1,114.1								1,114.1	Due to Banks
20	Financial liabilities held for trading	3,982.6				(1,049.9)						2,932.7	On-balance-sheet financial liabilities held for trading
30	Financial liabilities designated at fair value	113.8					(113.8)					-	
												1,353.6	Derivatives:
40	Hedging derivatives	303.7										303.7	Hedging derivatives
						1,049.9						1,049.9	Trading derivatives
50	Change in value of macro-hedged financial liabilities (+/-)	(5.7)							5.7			-	
60	Tax liabilities	4.9										5.9	Tax liabilities
	a) current	0.4										*0.4*	a) current
	b) deferred	4.5								1.0		*5.5*	b) deferred
70	Liabilities associated with non-current assets held for sale and disposal groups	965.1								*(965.1)*		-	
												3,032.8	Other liabilities
									(5.7)			(5.7)	Change in value of macro-hedged financial liabilities (+/-)
										29.3		29.3	Liabilities associated with non-current assets held for sale and disposal group
80	Other liabilities	2,983.4								25.8		3,009.2	Other liabilities
90	Provisions for employees severance pay	67.4						(70.1)		2.7		(0.0)	
100	Provisions for risks and charges:	863.6										934.8	Provisions for specific use
								70.1				70.1	a) Provision for staff severance indemnities
	a) financial guarantees and other commitments	129.1								0.4		129.5	b) Provision related to guarantees and other commitments given
	b) post-employment benefits	3.2										3.2	c) Pension and other post-retirement benefit obligations
	c) other provisions	731.3								0.7		732.0	d) Other provisions
120	Valuation reserves	1.3									(1.3)	-	
150	Reserves	2,181.0									(2,181.0)	-	
												10,795.0	Group net equity:
											1.3	1.3	a) Valuation reserves
												-	b) Redeemable shares
												-	c) Equity Instruments
											2,181.0	2,181.0	d) Reserves
												-	e) Share premium reserve
170	Share capital	7,453.5										7,453.5	f) Share capital
											-	-	g) Treasury shares (-)
											1,159.2	1,159.2	h) Net profit (loss) for the period
180	Treasury shares (-)	-									-	-	
190	Non-controlling interests (+/-)	0.4										0.4	Non-controlling interests
200	Profit (loss) for the period (+/-)	1,159.2									(1,159.2)	-	
	Total Liabilities and Shareholders' Equity	**128,700.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**128,700.5**	**Total Liabilities and Shareholders' Equity**

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

	Balance-sheet Items - Assets	31/12/23	Other financial assets @ FVTPLM – Loans to banks	Loans to customers	Trading derivatives	Securities	Loans to banks @ AC – Loans to central banks	Non-current assets held for sale and disposal groups	Change in value of macro-hedged financial assets	31/12/23	Reclassified Balance-sheet Items - Assets
10	Cash and cash equivalents	14,317.3		-		-		-		14,317.3	Cash and cash equivalents
20	Financial assets measured at fair value through profit or loss	6,251.6	-	(123.3)	(2,072.2)	13,220.4	-	0.4	-	17,276.9	Securities assets
						13,220.4		0.4		13,220.8	
	a) financial assets held for trading	5,882.8		-	(2,072.2)	-		-		3,810.6	
	b) financial assets measured at fair value	-		-		-				-	
	c) other financial assets mandatorily measured at fair value	368.8	-	(123.3)		-		-		245.5	
30	Financial assets measured at fair value through other comprehensive income	2,477.3		-		(2,477.3)		-		-	
40	Financial assets measured at amortised cost	90,544.4		-		-		-			
				-		-	*526.8*	-		526.8	Loans to central banks
	a) Loans to banks	3,790.9	-	-		(681.9)	(526.8)	-		2,582.2	Loans to banks
	b) Loans to customers	86,753.5		123.3		(10,061.2)		-		76,815.6	Loans to customers
50	Hedging derivatives	704.1		-	2,072.2	-		-		2,776.3	Derivatives
60	Change in value of macro-hedged financial assets (+/-)	(561.2)		-		-		-	561.2	-	
70	Equity investments	726.7		-		-		-		726.7	Equity investments
80	Reinsurers' share of technical reserve	-		-		-		-		-	
90	Property, plant and equipment	2,228.7		-		-		75.8		2,304.5	Property, plant and equipment
100	Intangible assets	178.2		-		-		-		178.2	Intangible assets
	of which goodwill	*7.9*		-		-		-		*7.9*	*of which goodwill*
110	Tax assets	2,150.9		-		-		-		2,150.9	Tax assets
	a) current	308.4		-		-		-		308.4	a) current
	b) deferred	1,842.5		-		-		-		1,842.5	b) deferred
								-		2,958.3	Other assets
120	Non-current assets held for sale and disposal groups	76.2		-		-		(76.2)		-	Non-current assets held for sale and disposal groups
130	Other assets	3,519.5		-		-		-	(561.2)	2,958.3	Other assets
	Total assets	**122,613.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**122,613.7**	**Total Assets**

	Balance-sheet Items - Liabilities	31/12/23	Due to central Banks	Due to Banks	Debt securities issued - customers	Trading derivatives	Financial liabilities designated at fair value	Provision for Staff severance indemnities	Change in value of Macro-hedged financial liabilities (+/-)	Liabilities associated with non-current assets held for sale and discontinued operations	31/12/23	Reclassified Balance-sheet Items - Liabilities
10	Financial liabilities measured at amortised cost	105,026.5									90,639.0	Direct funding
	a) due to banks	14,498.8	(13,148.2)	(1,350.6)							-	
	b) due to customers	80,422.1			136.3						80,558.4	a) Due to customers
	c) debts securities issued	10,105.6			(136.3)		111.3				10,080.6	b) Securities issued
			13,148.2								13,148.2	Due to Central Banks
				1,350.6							1,350.6	Due to Banks
20	Financial liabilities held for trading	2,854.7				(1,031.5)					1,823.2	On-balance-sheet financial liabilities held for trading
30	Financial liabilities designated at fair value	111.3					(111.3)				-	
											1,361.7	Derivatives:
40	Hedging derivatives	330.2									330.2	Hedging derivatives
						1,031.5					1,031.5	Trading derivatives
50	Change in value of macro-hedged financial liabilities (+/-)	(16.1)							16.1		-	
60	Tax liabilities	9.1									9.1	Tax liabilities
	a) current	3.6									3.6	a) current
	b) deferred	5.5									5.5	b) deferred
70	Liabilities associated with non-current assets held for sale and disposal groups	-									-	
											3,252.4	Other liabilities
									(16.1)		(16.1)	Change in value of macro-hedged financial liabilities (+/-)
											-	Liabilities associated with non-current assets held for sale and disposal group
80	Other liabilities	3,268.5									3,268.5	Other liabilities
90	Provisions for employees severance pay	72.0						(72.0)			-	
100	Provisions for risks and charges:	978.3									1,050.3	Provisions for specific use
								72.0			72.0	a) Provision for staff severance indemnities
	a) financial guarantees and other commitments	154.3									154.3	b) Provision related to guarantees and other commitments given
	b) post-employment benefits	3.4									3.4	c) Pension and other post-retirement benefit obligations
	c) other provisions	820.6									820.6	d) Other provisions
120	Valuation reserves	27.9								(27.9)	-	
150	Reserves	445.3								(445.3)	-	
											9,978.5	Group net equity:
										27.9	27.9	a) Valuation reserves
											-	b) Redeemable shares
											-	c) Equity Instruments
										445.3	445.3	d) Reserves
											-	e) Share premium reserve
170	Share capital	7,453.5									7,453.5	f) Share capital
										-	-	g) Treasury shares (-)
										2,051.8	2,051.8	h) Net profit (loss) for the year
180	Treasury shares (-)	-								-	-	
190	Non-controlling interests (+/-)	0.7									0.7	Non-controlling interests
200	Profit (loss) for the year (+/-)	2,051.8								(2,051.8)	-	
	Total Liabilities and Shareholders' Equity	**122,613.7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**122,613.7**	**Total Liabilities and Shareholders' Equity**