MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Monte dei Paschi di Siena Group Consolidated Interim report as at 31 march 2024

Monte dei Paschi di Siena Group
Interim Report on Operations
As at 31 March 2024

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

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Introduction

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obligation for listed companies to publish interim reports on operations (as at 31 March and as at 30 September) was repealed, allowing issuers to decide on a voluntary basis whether to disclose periodic financial information in addition to the annual and half-yearly reports.

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

This Interim Report on Operations, not subject to limited audit requirements, provides a description of the activities and results which largely characterised Montepaschi Group's operations as at 31 March 2024, both as a whole and in the various business lines.

Results in brief

Below are the main economic and financial values of the Montepaschi Group as at 31 March 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 complete or limited audit.

These measures take into account the Guidelines provided by the European Securities and Markets Authority (ESMA) on 5 October 2015, which the Italian stock exchange regulator, Consob, incorporated in its supervisory practices (Communication no. 0092543 of 3 December 2015). These Guidelines became applicable as of 3 July 2016. With reference to the context resulting from the 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. For each APM, information is provided on its definition and calculation methods, and the amounts used may be identified through the information contained in the tables below or in the reclassified financial statements in this Interim Report on Operations. These formats were constructed on the basis of the financial statements envisaged by Bank of Italy Circular no. 262/2005 and subsequent updates following the same aggregation and classification criteria adopted in the previous year, illustrated in more detail in the section "Management criteria for the reclassification of economic and equity data" of this Report.

INCOME STATEMENT AND BALANCE SHEET FIGURES			
MONTEPASCHI GROUP			
INCOME STATEMENT FIGURES (EUR mln)	31 03 2024	31 03 2023	Chg.
Net interest income	587.0	504.5	16.4%
Net fee and commission income	365.3	331.7	10.1%
Other income from banking business	53.1	44.4	19.6%
Other operating income and expenses	7.4	(1.7)	n.m.
Total Revenues	1,012.8	878.9	15.2%
Operating expenses	(462.0)	(464.6)	-0.6%
Cost of customer credit	(105.7)	(107.2)	-1.4%
Other value adjustments	(0.8)	1.5	n.m.
Net operating income (loss)	444.3	308.6	44.0%
Non-operating items	(108.1)	(88.3)	22.4%
Parent company's net profit (loss) for the period	332.7	235.7	41.2%
EARNINGS PER SHARE (EUR)	31 03 2024	31 03 2023	Chg.
Basic earnings per share	0.264	0.187	41.2%
Diluted earnings per share	0.264	0.187	41.2%
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	31 03 2024	31 12 2023	Chg.
Total assets*	126,775.3	122,613.7	3.4%
Loans to customers	78,422.9	76,815.6	2.1%
Direct funding	92,718.1	90,639.0	2.3%
Indirect funding	100,085.9	96,844.9	3.3%
of which: assets under management	58,111.6	56,887.8	2.2%
of which: assets under custody	41,974.3	39,957.1	5.0%
Group net equity*	10,307.1	9,978.5	3.3%
OPERATING STRUCTURE	31 03 2024	31 12 2023	Chg.
Total headcount - end of period	16,689	16,737	(48)
Number of branches in Italy	1,312	1,362	(50)

ALTERNATIVE PERFORMANCE MEASURES			
MONTEPASCHI GROUP			
PROFITABILITY RATIOS (%)	31 03 2024	31 12 2023	Chg.
Cost/Income ratio	45.6	48.5	-2.9
ROE (on average equity)	13.1	23.0	-9.9
Return on Assets (RoA) ratio	1.0	1.7	-0.7
ROTE (Return on tangible equity)	13.3	23.5	-10.2
CREDIT QUALITY RATIOS (%)	31 03 2024	31 12 2023	Chg.
Net NPE ratio	2.3	2.3	n.m.
Gross NPL ratio	3.7	3.6	0.1
Rate of change of non-performing loans to customers	4.3	5.7	-1.4
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	12.4	12.8	-0.4
Coverage of non-performing loans to customers	49.5	49.1	0.4
Coverage of bad loans to customers	67.8	68.1	-0.3
Provisioning	0.54	0.57	-0.03
Texas Ratio	30.5	30.3	0.1

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 year, net of goodwill and other intangible assets.

[2] EBA GL/2018/10.

[3] Loans to banks include current accounts and sight deposits with banks and central banks classified as "Cash" under balance sheet assets.

REGULATORY MEASURES			
MONTEPASCHI GROUP			
CAPITAL RATIOS (%)	31 03 2024	31 12 2023	Chg.
Common Equity Tier 1 (CET1) ratio - phase in	17.9	18.1	-0.2
Common Equity Tier 1 (CET1) ratio - fully loaded	17.9	18.1	-0.2
Total Capital ratio - phase in	21.3	21.6	-0.3
Total Capital ratio - fully loaded	21.2	21.6	-0.4
MREL-TREA (total risk exposure amount)	28.9	28.2	0.7
MREL-LRE (leverage ratio exposure)	10.8	10.8	n.m.
FINANCIAL LEVERAGE INDEX (%)	31 03 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 (%)	31 03 2024	31 12 2023	Chg.
LCR	163.0	163.3	-0.3
NSFR	129.3	130.1	-0.8
Asset encumbrance ratio	29.6	28.5	1.1
Loan to deposit ratio	84.6	84.7	-0.1
Spot counterbalancing capacity (bn of Eur)	29.6	29.8	-0.2

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

Common equity Tier 1 (CET1) ratio: ratio between primary quality capital and total Risk-Weighted Assets.

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

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

MREL-LRE: calculated as the ratio between the sum of own funds and eligible liabilities and 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 between total carrying amount of encumbered assets and collateral received re-used and total assets and collateral received available for encumbrance.

Loan to Deposit Ratio: ratio between Net Loans to Customers and Direct Funding (deposits from customers and debt securities issued).

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

Executive summary

A summary of the trend in key items of the main aggregates of the Group as at 31 March 2024 is provided below:

- **Net Interest Income** amounted to EUR 587 million, up significantly compared to the same period of 2023 (+16.4%). This growth was mainly driven by the higher contribution of central bank transactions, hedging derivatives and the security portfolio. The positive trends mentioned above were partly offset by the higher cost of bond issues, mainly as a result of renewed recourse to the institutional market and, in the commercial segment, by the increase in the cost of customer funding.

- **Net Fee and Commission Income**, totalling EUR 365 mln, showed an increase compared to the same period of the previous year (+10.1%). The positive performance was mainly attributable to the management/brokerage and advisory business (+18.3%), which benefited from the recovery of the asset management segment (EUR +25 mln). Commissions relating to commercial banking activity also increased, thanks to the contribution of loans and guarantees.

- **Other Income From Banking Business** amounting to EUR 53 mln, recorded an increase of EUR 9 mln compared to the same period of the previous year, mainly due to the higher contribution of trading activities and other assets/liabilities at fair value, partly mitigated by the decrease in results from sales/repurchases, also due to the re-composition of the securities portfolio, in support of net interest income.

- **Other Operating Income/Expenses** equal EUR 7 mln, compared to the total of EUR -2 mln recorded as at 31 March 2023.

- As a result of the trends described above, **Total Revenues** amounted to EUR 1,013 mln, an increase of 15.2% compared to the same period of the previous year.

- **Operating Expenses** totalled EUR 462 mln, basically stable compared to the same period of 2023 (-0.6%). In particular, within the aggregate, **Personnel Expenses**, amounting to EUR 305 mln, were higher than in the corresponding period of the previous year (+5.9%), as a consequence of the higher charges for the renewal of the National Collective Labour Agreement for the credit and financial sector (hereinafter referred to as CCNL - Contratto collettivo nazionale di lavoro). **Other Administrative Expenses**, amounting to EUR 115 mln, were down compared to 31 March 2023 (-13.8%), also thanks to the implementation of a rigorous expenditure management process. **Net Value Adjustments to Property, Plant and Equipment and Intangible Assets**, amounting to EUR 42 mln, registered a decrease of 2.5% compared to the corresponding period of 2023.

- **Cost of Customer Credit** is equal to EUR 106 mln, essentially stable compared with EUR 107 mln recorded in the corresponding period of the previous year. The **Provisioning Rate**[4] is 54 bps (55 bps as at 31 March 2023).

- The **Net Operating Income** as at 31 March 2024 stood at EUR 444 mln, compared to net operating income of EUR 309 mln recorded as at 31 March 2023.

- In addition to the changes in these economic aggregates, there were **non-operating components** amounting to EUR -108 mln as at 31 March 2024 (EUR -88 mln as at 31 March 2023). Non-operating components include:
  - **Net Provisions for Risks and Charges**, equal to EUR -4 mln (EUR -6 mln as at 31 March 2023);
  - **Other Gains/Losses on equity investments**, amounting to zero as at 31 March 2024 (EUR -2 mln as at 31 March 2023); **Restructuring/One-off Costs**, amounting to EUR -8 mln (EUR -6 mln as at 31 March 2023); **Risk and charges associated to the SRF (Single Resolution Fund), DGS (Deposit Guarantee Systems) and similar schemes**, amounting to EUR -75 mln (EUR -58 mln as at 31 March 2023); the **DTA Fee**, amounting to EUR -15m (in line with

[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.

the figure in the same period in 2023); the **Net Gains (Losses) on Property, Plant and Equipment and Intangible Assets measured at fair value**, essentially zero as at 31 March 2024 and 31 March 2023; **Gains (Losses) on Disposals of Investments**, standing at EUR -6.1 mln (it was zero as at 31 March 2023).

- As a result of these trends, combined with the impact on **Taxes** of EUR -4 mln (compared to EUR +15 mln as at 31 March 2023), the Group recorded a **Parent company's net profit (loss) for the period** of EUR 333 mln, compared to a profit of EUR 236 mln in the same period of 2023.

- As at 31 March 2024, the Group's **Total Funding** volumes amounted to **EUR 192.8 bn**, up EUR 5.3 bn compared to 31 December 2023. The growth refers to both Direct Funding (EUR +2.1 bn) and Indirect Funding (EUR +3.2 bn). In particular, as regards Direct Funding, the increase was recorded mainly on Repurchase Agreements (EUR +2.2 bn) and time deposits (EUR +1.4 bn) with a remix of current accounts (EUR +1.0 bn). Bond funding was down (EUR -0.6 bn) as in the first quarter of 2024 it was impacted by the maturity of covered bonds for EUR 1 bn and the senior preferred issue of EUR 500 mln, while the other forms of funding remained stable. The growth in Indirect Funding was recorded both on assets asset management (EUR +1.2 bn) and on assets under custody (EUR +2.0 bn)
  Total Funding compared to 31 March 2023 recorded an increase in volumes of EUR 15.0 bn, both in Direct Funding (EUR +8.7 bn) and in Indirect Funding (EUR +6.3 bn). The performance in Direct Funding shows growth in time deposits (EUR +2.6 bn), Repos Agreements (EUR +4.9 bn) and current accounts (EUR +0.9 bn).

- **Loans to Customers** stood at **EUR 78.4 bn** as at 31 March 2024, up compared to 31 December 2023 (EUR +1.6 bn) mainly due to the increase in repurchase agreements (EUR +1.0 bn) and other funding (+0.4 mln). Current accounts (EUR -0.1 bn), mortgages (EUR +0.2 bn) and the non-performing loans component (EUR +0.1 bn) were essentially stable.
  Compared to 31 March 2023, the aggregate slightly increased (EUR +0.7 bn). The increase in repurchase agreements (EUR +3.0 bn) and in other loans (EUR +0.4 bn) more than offset the decline recorded on mortgages (EUR -2.2 bn), penalised by slowing demand, especially in the residential component, linked to the higher level of interest rates. Current accounts also fell slightly (EUR -0,7 bn).

- As at 31 March 2024, the **coverage of non-performing loan to customers** ratio was **49.5%,** up compared to 31 December 2023 (equal to 49.1%). At individual administrative status level, the changes refer to Unlikely to pay exposures (coverage of which rose from 37.6% to 37.8%). On the other hand, there was a slight decrease in the coverage percentage of Bad Loans (from 68.1% to 67.8%) and Non-performing Past-Due Loans (from 21.7% to 21.3%).

With regard to capital ratios, as at 31 March 2024, the **Common Equity Tier 1 Ratio** stood at **17.9**% (compared to 18.1% as at 31 December 2023 and 14.4% as at 31 March 2023) and the **Total Capital Ratio** stood at **21.3%** (compared to 21.6% as at 31 December 2023 and 18.0% as at 31 March 2023).The same ratios, in the case of profit calculation for the period and a pay-out ratio of 50% of the Profit (Loss) before Tax from Continuing Operations, stood at **18.2%** and **21.6%** on a transitional basis as at 31 March 2024, respectively.

Reference context

In the first quarter of 2024, the global economy recorded some signs of strengthening. The process of global disinflation continued, albeit heterogeneously in the advanced economies, and despite the rise in crude oil prices since the beginning of the year. In terms of activities, services recorded more widespread signs of growth, while manufacturing, although improving, was worse. Tensions in Red Sea shipping have, so far, had limited effects on international trade in goods. The recent Iranian intervention against Israel has fuelled the possibility of an escalation of the conflict in the Middle East. Geopolitical tensions represent the main downside risk to growth and contribute, together with the extent of the ongoing monetary tightening and the fallout from the Chinese real estate crisis, to affect the outlook for the global cycle and to fuel uncertainty.

The **United States** continued to expand, although the growth recorded in the first quarter of the year was lower than expected (+1.6% annualised QoQ for the GDP, in preliminary reading, against a market consensus set at +2.4%). The resilience of the US cycle has, however, so far favoured a break in the disinflationary process, with the level of consumer prices rising from 3.1% YoY recorded in January to 3.5% YoY in March (+0.4% QoQ) supported mainly by the service component (transport and medical); the core figure[5] also rose in March by 0.4% QoQ (against expectations of an increase of 0.3%). The labour market confirmed its strength and the persistence of imbalances between demand and supply of skills; signs of tension came from the commercial real estate sector and the exposure of some US banks to the industry.

In the **Eurozone**, after the cyclical contraction recorded in the second half of 2023, GDP grew again in the first quarter of 2024 (+0.3% YoY the preliminary figures); Germany also recorded cyclical expansion (+0.2% preliminary figures for GDP). The disinflation process continued affecting all major price components but thanks to more resilient services, in April the general index remained unchanged at 2.4% YoY (preliminary figure); the core indicator stood at +2.7% YoY (preliminary figures) from +2.9% YoY in March. The fall in producer prices showed that, at present, the tensions in the Red Sea and the increase in maritime transport costs, although representing an upward risk on prices along the value chains, are unlikely to translate into strong inflationary pressures for Europe. Employment continued to grow and unemployment remained at a low level (at 6.5% in March); the wage trend, albeit with divergences between the various countries, was confirmed as sustained.

The agreement on the reform of the Stability and Growth Pact reached between EU Parliament and Council in February recently obtained the final go-ahead from the Euro chamber. The new budgetary rules reaffirm the centrality of the medium-term debt sustainability analysis (subject to certain numerical criteria) and the role of negotiations with each Member State to define the consolidation process. By September 2024, each Member State will have to submit its national spending, reform and investment plans. Also in February, the EU Commission presented an interim assessment on the Recovery and Resilience Facility, three years after the entry into force of the relevant regulation[6].

Among the **emerging countries**, in China, in the first quarter of the year, GDP accelerated and grew more than expected (+5.3% YoY), driven by the significant contribution of public investments. However, economic activity continued to be held back by the crisis in the real estate sector, for which further support measures were announced, while inflation remained weak (+0.1% YoY in March). India's strong expansion continued, with the country aspiring to become the new production localisation hub for major global manufacturers in a phase of growing geopolitical tensions.

Italy: economic context

In **Italy,** GDP increased in the first quarter (form +0.1% YoY recorded in the fourth quarter of 2023 to +0.3% YoY preliminary figure), reflecting an increase in value added in all sectors (agriculture, forestry and fishing, industry and services) and, on the demand side, a negative contribution from the domestic component (gross of inventories) and a positive contribution form the net foreign component. In April, consumer inflation, after a slightly rising recorded in March decelerated again to 0.9% YoY (preliminary figure); core inflation also slowed slightly (from +2.2% preliminary figure to +2.3% in March). Employment, after having risen sharply at the end of 2023, especially in services and construction, continued to grow; unemployment remained at historically low

[5] Index adjusted for the price components of food and energy goods (typically more volatile)

[6] The resources disbursed to Member States over the three-year period amounted to almost EUR 225 bn (of which EUR 144 bn in grants and the remainder in loans), out of an available total of almost EUR 650 bn; the share of goals and objectives deemed satisfactorily achieved by the Commission or declared achieved by the countries themselves reached almost 40% of those set for the entire programme.

levels (at 7.2% in March). The restrictive loan conditions continued to weigh on the real estate cycle, however, operators in the sector began to expect an improvement in the coming months.

In the first quarter of the year, the Council of Ministers approved some provisions that were necessary for the protection of public finance in the sector of tax benefits and for the enforcement of the decisions of the ECOFIN Council of 8 December 2023, which take into account "objective circumstances" deemed suitable to jeopardize the implementation of certain NRRP Reforms or Investments as originally configured. In particular:

- Italian Law Decree no. 39 of 29 March 2024, currently being discussed in committee, setting out urgent measures on tax relief, other measures on tax matters and related to exceptional events, and financial administration, which, among other things: i) intervenes on building bonuses, putting an end to almost all cases of invoice discount and credit transfer; ii) intervenes on ACE credits, with measures aimed at preventing fraud in the transfer of credits; iii) introduces measures for monitoring Transition 4.0;
- Italian Law Decree 19/2024, also being reviewed by the committee, containing further urgent provisions for the enforcement of the National Recovery and Resilience Plan (NRRP), which introduces, among other things, the new "Transition Plan 5.0", a programme that aims to support investments in the digitalisation and the green transition of companies through an innovative tax credit scheme.

The Government continued to intervene in the field of energy security and support for businesses, finally approving, on 31 January 2024, Law Decree no. 181 of 9 December 2023, containing urgent provisions for the country's energy security, promotion and use of renewable energy sources, support for energy-intensive companies and reconstruction in the areas affected by the exceptional flood events that occurred starting from 1 May 2023.

In April, the government approved the Economic and Financial Document 2024, projecting, under current legislation, an increase in the debt-to-GDP ratio of 2.5 percentage points over the three-year period 2024-26, and a reduction in 2027. The Government's assessments indicated that at the end of 2023 Italy had spent a total of around EUR 46 bn on the implementation of the NRRP, almost half of which was spent last year.

Financial markets and monetary policy

Equity market prices rose in the first quarter due to the receding risk of a global recession and despite uncertainty related to geopolitical tensions and the start/reduction of monetary rate cuts. Since the beginning of the year, as at 31 March 2024: the FTSE Mib gained just under 15% and the Euro Stoxx more than 12%; the S&P500 rose by about 10%, driven by higher-than-expected profits recorded by companies in the technology sector; the Nikkei was brilliant, up by almost 21%. China's Shanghai Shenzhen CSI 300 posted a moderate increase at around +3%, affected by doubts about the strength of the domestic economic recovery motivated by persistent weakness in the real estate sector.

In the same period, yields on long-term government bonds began to rise again in the main advanced economies, reversing the downward trend recorded at the end of 2023; this was primarily a reflection of expectations of a postponement in monetary easing by the Fed caused by a slowdown in US inflation as the economy held up. The US ten-year, as of 31 March 2024, stood at 4.20% (approx. 32 basis points higher than at the end of 2023); the German ten-year rose to 2.30% (from 2.02% as of 31 December 2023). In March, the Italian ten-year bond quoted slightly lower values than those recorded in the first two months of the year, closing the quarter at 3.68%, broadly in line with end-2023 levels (-2 bps). The BTP10Y-Bund differential stood at 138 basis points on 31 March 2024, falling by almost 30 points compared to values at the start of the year and benefiting from the strong demand for Italian government bonds and the strengthening perception of domestic political stability.

At its May meeting, the Federal Reserve maintained the level of the FED Fund rate unchanged in the 5.25%-5.50% range for the sixth consecutive meeting. Due to the lack of further progress on the inflation front during recent months, the Authority declared that it did not consider appropriate to reduce rates until it had the confidence that inflation would achieve a sustainable convergence towards the targets. Governor Powell qualified o forthcoming upward move on rates as unlikely. Market expectations have shifted to a single rate cut expected in 2024 (i.e. in November), compared to the three that were still indicated in the Federal Open Market Committee (FOMC) members' projections last March. The Fed also decided to slow down the pace of its balance sheet reduction: starting from next June, the maximum limit of Treasuries that will be allowed to mature without being replaced, will drop from current USD 60 bn to USD 25 billion per month.

At the April meeting, the ECB left the official interest rates unchanged (4.50% on main refinancing operations, 4% on deposits with the central bank and 4.75% on marginal refinancing operations) but did, in fact, signal the possible start of the rate reduction phase as of the next meeting in June. However, the Board reiterated that it will continue to follow a data-driven approach in determining the appropriate level and duration of the monetary restriction. Moreover, at its March meeting, the ECB made changes to the operational framework for the implementation of monetary policy, stipulating in particular that the Governing Council will continue to steer the stance of monetary policy through the interest rate on deposits with the central bank; the spread between this rate and the rate on main refinancing transactions will be reduced to 15 basis points as of 18 September 2024; at a later stage, the Eurosystem will provide liquidity not only through the main and longer-term refinancing operations with a maturity of three months, but also through structural longer-term refinancing operations and a structural portfolio of securities.

With regard to the amount of the portfolio held as part of the Asset Purchase Program (APP), the ECB confirmed its reduction at a measured and predictable pace. With reference to the Pandemic Emergency Purchase Programme (PEPP), the Governing Council confirmed that it intends to reduce the portfolio in the second half of the year, to end reinvestments at the end of 2024.

Among other monetary authorities, it should be noted that, in March, the Bank of Japan raised official rates for the first time since 2007, bringing them to positive levels, and discontinued its yield curve control strategy.

Shareholders

As at 31 March 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 the communications received pursuant to the applicable legislation and based on other information available, as well as based on information on CONSOB's website, the entities that, as at 31 March 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 31 March 2024

Declarant	% of shares held on the ordinary share capital
Ministero dell'Economia e delle Finanze	39.232%
Norges Bank	3.014%

It should be noted that on 26 March 2024 the MEF completed the sale of 157,461,216 ordinary shares of Banca Monte dei Paschi di Siena S.p.A., equal to 12.5% of the share capital of the Bank, through an Accelerated Book Building transaction. The transaction was finalised on 2 April 2024, therefore on that date the equity investment held by the MEF in BMPS fell from 39.232% to 26.732%.

Lastly, on 29 March 2024, Norges Bank acquired 3.014% of the share capital of Banca MPS and, following subsequent transactions in April 2024, then reduced this investment to below the 3% threshold.

Information on the BMPS share

The BMPS share closed the first quarter of 2024 at a value of EUR 4.20, with growth of +37.9% in the period. The average daily trading volume was around 27.5 million over the quarter.

SHARE PRICE SUMMARY STATISTICS (from 31 12 2023 to 31 03 2024)	
Average	3.61
Minimum	3.09
Maximum	4.35

Rating

The ratings assigned by the rating agencies are provided below:

Rating Agencies	Short-term debt	Outlook	Long-term Debt	Outlook	Last rating action
Moody's	(P)NP	-	Ba3*	Positive	21/11/23
Fitch	B	-	BB	Stable	10/11/23
Morningstar DBRS	R-4	Stable	BB (Low)	Stable	17/05/23

** Long-Term Senior Unsecured Debt Rating*

- On **21 November 2023**, 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 "ba3" from "b1", the long-term deposit rating to "Ba1" from "Ba2", and the long-term senior unsecured debt g to "Ba3" from "B1".
- On **10 November 2023**, **Fitch Ratings** (**Fitch**) improved the Bank's ratings of 2 notches, raising the Long-Term Issuer Default Rating to "BB" from "B+", and the standalone Viability Rating to "bb" from "b+".
- On **17 May 2023**, the rating agency **DBRS Ratings GmbH** (**Morningstar DBRS**) has upgraded the Bank's ratings by 1 notch, bringing the standalone Intrinsic Assessment rating and the long-term senior debt rating to "BB (low)" from "B (high)", and the long-term deposit rating to "BB" from "BB (low)". The subordinated debt rating improved by 2 notches to "B (low)" from "CCC".

It should also be noted that on **15 April 2024**, the **Morningstar DBRS** rating agency increased the Bank's ratings by 2 notches, raising the standalone Intrinsic Assessment and long-term senior debt ratings to "BB (high)" from "BB (low)", and the long-term deposit rating improved 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.

Significant events in the first three months of 2024

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

Significant events after the end of the first three months of 2024

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%.

2022-2026 Group Business Plan

The 2022-2026 Business Plan approved by the Board of Directors of the Parent Company on 22 June 2022 aims to strengthen BMPS in its capacity as a "simple commercial bank in the operation and interaction with customers", with the support of the Group's distinctive factors such as BMPS' brand reputation and historical business, the expertise and motivation of its employees, and the Bank's historical ESG culture.

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

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" structure 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 balance by reactivating its access to the senior preferred bond market with three issues, totalling EUR 1.750 bn, the first of EUR 750 mln in February 2023, the second of EUR 500 mln in August 2023 and the third of EUR 500 mln in March 2024; in April 2024, a covered bond issue of EUR 750 mln was also finalised. These issues were carried out in line with the objectives of the 2023 and 2024 funding plan and in compliance with the MREL targets.

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.

At the end of the annual prudential review and assessment process conducted in 2023, the Bank received the final decision from the ECB regarding the capital requirements to be met on a consolidated basis from 1 January 2024. These requirements are lower than those set for 2023 and are largely met.

Initiatives aimed at fully leveraging Widiba's digital skills within the Group also continue in 2024.

In terms of economic targets, the result in the first quarter of 2024 was significantly better than the Plan's objectives, thanks above all to the increase in revenues; the latter supported by the interest margin, which also benefited in the first months of 2024 from higher interest rates than those implied by the Plan scenario, largely offsetting a commission income 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 the renewal of the bankers' National Collective Labour Agreement and the impact of inflation. The higher cost of credit recorded in the first quarter refer to the current and prospective macroeconomic context.

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

Funding strategy

As part of the Group's Liquidity and Funding Strategy, the maturity profile for the three-year period 2024-2026 is mainly represented by the ECB auctions which, as at 31 March 2024, amounted to EUR 11.5 bn (EUR 13 bn as at 31 December 2023), of which TLTRO III amounted to EUR 3 bn (EUR 5.5 bn as at 31 December 2023), in addition to the MRO and LTRO auctions totalling EUR 8.5 bn (EUR 7.5 bn as at 31 December 2023).

Also in the three-year period 2024-2026, the other maturities are represented by institutional bonds, for a total of EUR 6.6 bn to be repaid; of which:

- EUR 2.1 bn in 2024 (EUR 1.3 bn in covered bonds and EUR 0.75 bn in senior unsecured bonds);
- EUR 1.75 bn in 2025 (EUR 1 bn in covered bonds and EUR 0.75 bn in senior unsecured bonds);
- EUR 2.7 bn in 2026 (EUR 1.1 bn in covered bonds and EUR 1.6 bn in senior unsecured bonds).

In addition, in 2025, the call will be exercised on two Tier 2 subordinated securities issued in January and September 2020, for a nominal amount of EUR 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 due date is in 2026) may be exercised.

In 2026, the call of a senior unsecured of EUR 0.5 bn will be exercisable.

In relation to bond issue activities, two placements 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%.

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

Commitments connected to the 2022-2026 Business Plan

Information on the Commitments revised by the European Commission and made public on 3 October 2022 can be found in the Annual Financial Report as at 31 December 2023 to which reference is made.

It should be noted, with reference to the commitment of the Italian Republic to sell its equity investment in the Bank's share capital, that on 2 April 2024, the Ministry of Economy and Finance finalised the sale of 12.5% of the Bank's share capital through an Accelerated Book Building transaction reserved to Italian and foreign institutional investors. Following this transaction, the equity investment held by the MEF in BMPS fell from 39.232% to 26.73% of the share capital.

Explanatory Notes

The Interim Report on Operations of Monte dei Paschi di Siena Group as at 31 March 2024, approved by the Board of Directors on 6 May 2024, was prepared in consolidated form by applying the recognition and measurement criteria envisaged in IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations by the IFRS Interpretations Committee, as endorsed by the European Commission and effective at the time this interim report was prepared, pursuant to EC Regulation no. 1606 of 19 July 2002.

The document is not drafted pursuant to the provisions of IAS 34 "Interim Financial Statements", since the Monte dei Paschi di Siena Group applies this principle to Half-Yearly Reports but not to quarterly reporting.

With reference to the classification, recognition, valuation and derecognition of the various asset and liability entries, as well as the methods for recognising revenue and costs, the accounting principles used for the preparation of the Interim Report on Operations are unchanged from those applied to the Financial Statements as at 31 December 2023, to which the reader is referred for more detail.

The IAS/IFRS accounting standards and related SIC/IFRIC interpretations, whose mandatory application took effect on 1 January 2024, are listed below.

Regulation (EU) 2023/2579 of 20 November 2023 endorsed the amendment to IFRS 16 "***Leases: lease liability in 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 accounted for 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.

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

The Interim Report as at 31 March 2024 is supplemented by the certification of the Financial Reporting Officer, pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance.

Estimates and assumptions when preparing the Interim Report on Operations

The application of certain accounting standards necessarily implies the use of estimates and assumptions that impact the values of the assets and liabilities recognised in the financial statements as well as the disclosure provided on contingent assets and liabilities. The assumptions underlying the estimates developed take into consideration all available information at the date on which this Interim Report on Operations was drafted as well as the assumptions considered reasonable, also in light of historical experience. By their very nature, it is therefore not possible to exclude that the assumptions used, albeit reasonable, may not be confirmed in the future scenarios in which the Group will be operating. The results that will be achieved in the future therefore could differ from the estimates developed in order to draft this Interim Report on Operations and as a result adjustments may be required, to an extent that cannot currently be predicted or estimated, with respect to the carrying amount of the assets and liabilities recognised in the financial statements. In this regard, please note that estimates could need to be revised following changes in the circumstances on which they were based, the availability of new information or the increased experience gained. Among the main factors of uncertainty that could affect the future scenarios in which the Group will operate, climate and environmental risks must not be underestimated, given the uncertainty that inevitably characterises the forecasts of events that, by nature, could occur over a long-term time horizon, as well as the effects on the global and Italian economies connected to ongoing geopolitical tensions such as the conflicts between Russia and Ukraine and the conflict in the Middle East, which determine significant uncertainties on the Eurozone's economic forecasts, to be taken as the basis for budget estimates. Below are the new developments for the first quarter of 2024.

Macroeconomic forecasts for 2024, 2025 and 2026

On 7 March 2024, the ECB published its periodic update of the macroeconomic forecasts for the Euro area, drafted by its staff with the contribution of the individual national central banks, providing for a gradual acceleration of economic activity during 2024 thanks to an increase in real disposable income, in the presence of falling inflation and robust wage developments, and an improvement in the terms of trade. In the medium term, the recovery would also be supported by the gradual fading of the impact of the ECB's monetary policy tightening. Overall, the average annual growth rate of GDP in real terms is expected to be 0.6% in 2024, rising to 1.5% in 2025 and 1.6% in 2026. In comparison with the projections of last December, the outlook for GDP growth has been revised downwards for 2024 (-20 bps) due to carry-over effects from worse-than-expected data published in the past and recent forward-looking information that point to weaker developments, are unchanged for 2025 and have been subject to a slight upward correction for 2026 (+10 bps).

Overall inflation, as measured by the Harmonised Index of Consumer Prices (HICP), is expected to continue to moderate due to the continued easing of inflationary pressures and the impact of monetary policy tightening, although the pace of decrease would be more modest than that observed in 2023. Overall, in a context in which medium-term inflation expectations are believed to remain anchored to the ECB's 2% target, overall inflation measured on the HICP would fall from 5.4% in 2023 to an average of 2.3% in 2024 (2.7% in December), 2.0% in 2025 (2.1% in December) and 1.9% in 2026 (unchanged from December).

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 5 April and confirmed in the Economic Bulletin of 17 April 2024. Assuming that the international environment, albeit uncertain, does not lead to particular tensions in the energy commodity and financial markets, the scenario forecasts GDP growth to be moderate this year and strengthening thereafter, thanks to the recovery of disposable income and foreign demand. On an annual average, GDP would increase by 0.6% in 2024, 1.0% in 2025 and 1.2% in 2026.

Consumer inflation, equal to 5.9% on average in 2023, would decrease sharply in 2024 to 1.3%, and then rise moderately in the following two years, remaining in any case below 2%. The sharp downsizing in inflation in the current year would mainly reflect the negative contribution of the prices of intermediate goods and energy, only partially offset by the acceleration in wages.

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 March 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 a slight improvement in the two-year period 2024-2025 (+4 bps) and by a downward revision for 2026 (-2 bps). Consequently, the scenarios used for the 2023 Financial Statements were confirmed for the accounting valuations as at 31 March 2024, the estimate of which was developed internally in October 2023, also using the forecasts provided by external providers as a reference.

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 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 Y	Interest rate on Btp's 10-years	Short-term interest rate on lonas to families and companies
Baseline 2023 Financial Statement and Interim report as at 31 March 2024	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 2023 Financial Statement and Interim report as at 31 March 2024	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 2023 Financial Statement and Interim report as at 31 March 2024	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%

$$$$

With regard to management overlay for sector vulnerabilities, for the purpose of this Interim Report on Operations as at 31 March 2024 the Group has decided to continue in substantial methodological continuity from what was done for the 2023 Financial Statement. 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, prudent loan loss provisions as at 31 March 2024 included prudent items of approximately EUR 61.0 mln, an increase of EUR 7.0 mln compared to the figure of EUR 54.0 mln as at 31 December 2023. The upward change with respect to 31 December 2023 is attributable to the increase in the adjustment applied to floating-rate retail mortgages due to the increase in the instalment/income ratio, which reflects the impact of interest rate trends in the last quarter of 2023.

Estimation and assumptions on recoverability of deferred tax assets

In compliance with the provisions of IAS 12 and the communication of ESMA of 15 July 2019, the initial recognition of the DTAs and their subsequent inclusion in the financial statements require a judgement on the likelihood of recovering the amounts recognised. This assessment was carried out in substantial continuity with the assumptions adopted for the Consolidated Financial Statements as at 31 December 2023. For more information in general concerning the methodological approach used by the Group in the valuation of deferred tax assets, please refer to par. 11.8 "Other information" in the Explanatory Notes to the Consolidated Financial Statements - Part B of the MPS Group's 2023 Consolidated Financial Statements.

Going concern

This Interim Report on Operations as at 31 March 2024 was prepared based on a going concern assumption.

After assessment of the evolution of the equity and liquidity positions, with regard to the indications provided in Document no. 2 of 6 February 2009 and Document no. 4 of 3 March 2010, issued jointly by the Bank of Italy, Consob and ISVAP, and subsequent amendments, the Directors can reasonably expect that the Group will continue operating as a going concern in the foreseeable future and therefore deemed it appropriate to prepare this Interim Report on Operations on the basis of the going concern assumption.

Income statement and balance sheet reclassification principles

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

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

It should be noted 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 following are the reclassification criteria adopted for drafting the reclassified income statement:

- The item "**Net Interest Income**" includes the balance of financial statement items 10 "Interest Income and Similar Income" and 20 "Interest Expense and Similar Charges".
- The item "**Net Fee and Commission Income**" includes the balance of financial statement item 40 "Fee and Commission Income", after deducting the cost of customer repayments (EUR -0.8 mln), reported under "Other Net Provisions for Risks and Charges" and the balance of financial statement item 50 "Fee and Commission Expense".
- 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 the associates, equivalent to EUR 15.3 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 +1,2 mln), reclassified in item "Net Profit from Trading, Fair Value Measurement of Assets/Liabilities and Gains from Disposals/Repurchases".
- The item "**Net Profit from Trading, the Fair Value Measurement of Assets/Liabilities and Gains on Disposals/Repurchases**" includes the values of financial statement items 80 "Net Profit (Loss) from Trading", 100 "Gains (Losses) on Disposal/Repurchase", and 110 "Net Profit (Loss) from Other Financial Assets and Liabilities Measured at Fair Value through Profit or Loss", net of the contribution from loans to customers (EUR -0.5 mln) and securities deriving from sale/securitisation transactions of non-performing loans (EUR -8.3 mln) posted to the reclassified item "Cost of Customer Credit". In addition, the aggregate incorporates dividends earned on equity securities other than equity investments (EUR +1.2 mln).
- Item "**Net Profit from Hedging**" includes financial statement item 90 "Net Profit from Hedging".
- Item "**Other Operating Income (Expense)**" includes the balance of financial statement item 230 "Other Operating Expenses (Income)" net of recoveries of indirect taxes and duties and other charges which are stated under the reclassified item "Other Administrative Expenses" (EUR 50.2 mln).
- Item "**Personnel Expenses**" includes the balance of financial statement item 190a "Personnel Expenses" minus the charge component of EUR 4.5 mln, related to exits through the Exodus or access to the Solidarity Fund, and charges of EUR 1.2 mln related to the closure of the Shanghai branch, both reclassified under "Restructuring Charges/One-off Charges".
- 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 75.0 mln, introduced against banks under the Deposit Guarantee Systems (DGS), attributed to the reclassified item "Risks and charges associated to SRF, DGS and Similar Schemes";
    - DTA fee, convertible into tax credit, for an amount of EUR 15.3 mln (posted to the reclassified item "DTA Fee");
    - charges, amounting to EUR 1.7 mln, referring to the closure of branches and of the Shanghai branch, as well as further project initiatives included in the commitments related to the Business Plan, recognised under the reclassified item "Restructuring Costs/One-off Costs".

  This item also includes indirect taxes and duties and other expenses recovered from customers (EUR 50.2 mln), which are posted in the balance sheet under item 230 "Other Operating Expenses/Income".
- Item "**Net Value Adjustments to Property, Plant and Equipment and Intangible Assets**" includes the values of the financial 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".

- Item "**Cost of Customer Credit**" includes the income statement components relating to loans to customers of financial statement items 110b "Net Profit (Loss) on Financial Assets and Liabilities Measured at Fair Value as per Mandatory Requirements" (EUR -0.5 mln), 130a "Net Impairment (Losses) Reversals for Credit Risk on Financial Assets Measured at Amortised Cost" (EUR -111.0 mln), 140 "Gains/Losses from Contractual Changes without Cancellation" (EUR -2.2 mln) and 200a "Net Provisions for Risks and Charges - Commitments and Guarantees Given" (EUR +16.3 mln). The item also includes the income statement components relating to securities deriving from the transfer/securitisation of non-performing loans recognised in item 110b "Net result of other financial assets mandatorily measured at fair" (EUR -8.3 mln).
- The item "**Net impairment (losses)/reversals on securities and loans to bank"** includes the portion relating to securities (EUR -0.8 mln) and loans to banks (EUR -0.1 mln) of financial statement item 130a "Net impairment (losses)/reversals for credit risk of financial assets measured at amortised cost" and financial statement item 130b "Net impairment (losses)/reversals for credit risk of financial assets measured at fair value through other comprehensive income".
- Item "**Net Provisions for Risks and Charges**" includes the balance of financial statement item 200 "Net Provisions for Risks and Charges", reduced by component relative to loans to customers of item 200a "Net Provisions for Risks and Charges - Commitments and Guarantees Given" (EUR +16.3 mln), which was included in 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 an amount of EUR -0.8 mln.
- Item "**Other Gains (Losses) on equity investments**" includes the balance of financial statement item 250 "Gains (Losses) on Investments", cleared of EUR 15.3 mln as the portion of profit of the associates, reclassified under "Dividends, Similar Income and Gains (Losses) on Investments".
- Item "**Restructuring Costs/One-off Costs**" includes the following amounts:
  - costs for EUR 4.5 mln relating to departures through the early retirement plan or access to the Solidarity Fund accounted for in the financial statements in item 190a "Personnel Expenses";
  - charges, amounting to EUR 3.2 million, referring to the closure of branches and the Shanghai branch as well as additional initiatives included in the commitments stated in the Business Plan, under items 190a "Personnel expenses" (EUR -1.2 million), 190b "Other administrative expenses" (EUR -1.7 million) and 210 "Net Adjustments/Recoveries on Property, Plant and Equipment" (EUR -0.3 million).
- Item "**Risks and Charges Associated with SRF, DGS and Similar Schemes**" includes charges related to contributions to deposit-guarantee schemes, amounting to EUR 75.0 mln, recognised under item 190b "Other Administrative Expenses".
- The item "**DTA Fee**" includes the charges relating to the fee on DTAs that can be converted into a tax credit recognised under item 190b "Other Administrative Expenses", for an amount of EUR 15.3 mln.
- Item "**Net Gains (Losses) on Property, Plant and Equipment and Intangible Assets Measured at Fair Value**" includes the balance of financial statement item 260 "Net Gains (Losses) on Property, Plant and Equipment and Intangible Assets Measured at Fair Value".
- Item "**Gains (Losses) on Disposal of Investments**" includes the balance of financial statement item 280 "Gains (Losses) on Disposal of Investments".
- Item "**Income Taxes for the Period**" includes the balance of item 300 "Income Taxes for the Period from Current Operations".

Balance sheet data

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

- Asset item "**Loans to Central Banks**" includes the portion relating to operations with central banks of financial statement item 40 "Financial assets measured at amortised cost".

- The asset item "**Loans to Banks**" includes the portion relating to loans to banks of financial statement item 40 "Financial Assets Measured at Amortised Cost", item 20 "Financial Assets Measured at Fair Value through Profit or Loss" and item 120 "Non-Current Assets Held for Sale and Disposal Groups".

- Asset item "**Loans to Customers**" includes the portion relating to loans to customers of financial statement item 20 "Financial Assets Measured at Fair Value through Profit or Loss", item 40 "Financial Assets Measured at Amortised Cost" and item 120 "Non-Current Assets Held for Sale and Disposal Groups".

- Asset item "**Securities Assets**" includes the portion relating to securities of financial statement item 20 "Financial Assets Measured at Fair Value through Profit or Loss", item 30 "Financial Assets Measured at Fair Value through Other Comprehensive Income", item 40 "Financial Assets Measured at Amortised Cost" and item 120 "Non-Current Assets Held for Sale and Disposal Groups".
- 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".
- Asset item "**Equity Investments**" includes financial statement item 70 "Equity Investments" and the portion related to investments in item 120 "Non-Current Assets Held for Sale and Disposal Groups".
- Asset item "**Property, Plant and Equipment and Intangible Assets**" includes financial statement item 90 "Property, Plant and Equipment", item 100 "Intangible Assets" and the amounts related to property, plant and equipment and intangible assets in item 120 "Non-Current Assets Held for Sale and Disposal Groups".
- Asset item "**Other Assets**" includes financial statement item 60 "Change in Value of Macro-Hedged Financial Assets", item 130 "Other Assets", and the amounts in item 120 "Non-Current Assets Held for Sale and Disposal Groups" not included in the previous items.
- The liability item "**Due to Customers**" includes financial statement item 10b "Financial Liabilities Measured at Amortised Cost - Deposits from Customers" and the component relating to customer securities of financial statement item 10c "Financial Liabilities Measured at Amortised Cost - Debt Securities Issued".
- Liability item "**Securities Issued**" includes 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 Measured 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 financial statement item 10a "Financial Liabilities Measured at Amortised Cost – Due to Banks" relating to operations with banks (excluding central banks).
- Liability item "**On-Balance-Sheet Financial Liabilities Held for Trading**" includes the portion of 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 financial statement items 90 "Employee Severance Pay" and 100 "Provisions for Risks and Charges".
- Liability item "**Other Liabilities**" includes financial statement items 50 "Change in Value of Macro-Hedged Financial Liabilities", 70 "Liabilities Associated with Disposal Groups" and 80 "Other Liabilities".
- The liability item "**Group Net equity**" includes financial statement item 120 "Valuation Reserves", item 130 "Redeemable Shares", item 150 "Reserves", item 170 "Share Capital", item 180 "Treasury Shares" and item 200 "Profit (Loss) for the Period".

Reclassified income statement

Reclassified Consolidated Income Statement				
MONTEPASCHI GROUP	31 03 2024	31 03 2023	Change	
			Abs.	%
Net interest income	587.0	504.5	82.5	16.4%
Net fee and commission income	365.3	331.7	33.6	10.1%
Income from banking activities	**952.3**	**836.2**	**116.1**	**13.9%**
Dividends, similar income and gains (losses) on investments	19.0	18.7	0.3	1.6%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	34.4	25.1	9.3	37.1%
Net profit (loss) from hedging	(0.4)	0.6	(1.0)	n.m.
Other operating income (expenses)	7.4	(1.7)	9.1	n.m.
Total Revenues	**1,012.8**	**878.9**	**133.9**	**15.2%**
Administrative expenses:	(419.7)	(421.1)	1.4	-0.3%
a) personnel expenses	(304.6)	(287.6)	(17.0)	5.9%
b) other administrative expenses	(115.1)	(133.5)	18.4	-13.8%
Net value adjustments to property, plant and equipment and intangible assets	(42.4)	(43.5)	1.1	-2.5%
Operating expenses	**(462.0)**	**(464.6)**	**2.6**	**-0.6%**
Pre-Provision Operating Profit	**550.8**	**414.3**	**136.5**	**32.9%**
Cost of customer credit	**(105.7)**	**(107.2)**	**1.5**	**-1.4%**
Net impairment (losses)/reversals on securities and loans to banks	**(0.8)**	**1.5**	**(2.3)**	**n.m.**
Net operating income	**444.3**	**308.6**	**135.7**	**44.0%**
Net provisions for risks and charges	(4.0)	(6.5)	2.5	-38.5%
Other gains (losses) on equity investments	0.0	(1.6)	1.6	-100.0%
Restructuring costs / One-off costs	(7.7)	(6.2)	(1.5)	24.2%
Risks and charges associated to the SRF, DGS and similar schemes	(75.0)	(58.4)	(16.6)	28.4%
DTA Fee	(15.3)	(15.7)	0.4	-2.5%
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	-	0.1	(0.1)	-100.0%
Gains (losses) on disposal of investments	(6.1)	-	(6.1)	100.0%
Profit (Loss) for the period before tax	**336.2**	**220.3**	**115.9**	**52.6%**
Income tax for the period	(3.5)	15.4	(18.9)	n.m.
Profit (Loss) after tax	**332.7**	**235.7**	**97.0**	**41.2%**
Net profit (loss) for the period including non-controlling interests	**332.7**	**235.7**	**97.0**	**41.2%**
Net profit (loss) attributable to non-controlling interests	-	-	-	n.m.
Parent company's net profit (loss) for the period	**332.7**	**235.7**	**97.0**	**41.2%**

Quarterly trend in reclassified consolidated income statement

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

Revenue trends

As at 31 March 2024, the Group achieved total **Revenues** of **EUR 1,013 mln**, up 15.2% compared to the same period of last year. This trend is mainly due to the growth in the Primary Net Interest, which increased both on the Net Interest Income (+16.4%) and on Net Fee and Commission income (+10.1%).

Revenues in the first quarter of 2024 grew by EUR 20 mln compared to the previous quarter, driven by Net Fee and Commission Income (+8.9%), which more than offset the trend in Net Interest Income (-2.8%).

Net Interest Income as at 31 March 2024 amounted to **EUR 587 mln**, up compared to the same period of 2023 (+16.4%). This growth was mainly driven by the higher contribution of central bank transactions, hedging derivatives and the security portfolio. In particular, a net benefit of EUR 21 mln was recognised in relations with central banks at 31 March 2024, compared to a net cost of EUR 50 mln in the corresponding period of 2023. This benefit reflects, among other things, the change in the net position vis-à-vis the ECB from a debit balance of EUR 5.9 bn as at 31 March 2023 to a credit balance of EUR 2.9 bn as at 31 March 2024. The positive trends mentioned above were partly offset by the higher cost of bond issues, mainly as a result of renewed recourse to the institutional market and, in the commercial segment, by the increase in the cost of customer funding.

Net interest income in the first quarter of 2024 was down slightly compared to the previous quarter (-2.8%), mainly due to the growth in funding volumes, which also reflected in the higher net contribution from central banks transactions and the investment portfolio. In particular, in relations with central banks, the net benefit went from EUR 7 mln in the fourth quarter of 2023 to EUR 21 mln in the first quarter of 2024. This benefit reflects, among other things, the change in the net position vis-à-vis the ECB from a debit balance of EUR 0.7 bn as at 31 December 2023 to a credit balance of EUR 2.9 bn as at 31 March 2024.

Items	31 03 2024	31 03 2023	Chg. Y/Y		1°Q 2024	4°Q 2023	Chg. Q/Q	
			abs.	%			abs.	%
Loans to customers measured at amortised cost	538.4	574.4	(36.0)	-6.3%	538.4	589.4	(51.0)	-8.6%
Loans to Banks measured at amortised cost	27.4	11.3	16.1	n.m.	27.4	28.3	(0.9)	-3.1%
Loans to Central Banks	21.4	(49.7)	71.0	n.m.	21.4	7.1	14.3	n.m.
Government securities and other non-bank issuers at amortised cost	67.4	47.9	19.5	40.7%	67.4	60.7	6.7	11.0%
Securities issued	(115.4)	(79.9)	(35.5)	44.4%	(115.4)	(114.3)	(1.1)	1.0%
Hedging derivatives	1.1	(36.2)	37.3	n.m.	1.1	(2.1)	3.2	n.m.
Trading portfolios	9.3	11.6	(2.3)	-19.8%	9.3	2.8	6.5	n.m.
Portfolios measured at fair value	1.8	1.6	0.2	12.5%	1.8	1.5	0.3	20.0%
Financial assets measured at fair value through other comprehensive income	9.9	12.1	(2.2)	-18.2%	9.9	10.6	(0.7)	-6.6%
Other financial assets and liabilities	25.7	11.4	14.3	n.m.	25.7	20.2	5.5	27.2%
Net interest income	**587.0**	**504.5**	**82.5**	**16.4%**	**587.0**	**604.2**	**(17.2)**	**-2.8%**
of which: interest income on impaired financial assets	*26.3*	*17.4*	*8.9*	*51.1%*	*26.3*	*26.5*	*(0.2)*	*-0.8%*

Net Fee and Commission Income, totalling **EUR 365 mln** as at 31 March 2024, showed an increase compared to the same period of the previous year (+10.1%). The positive performance was mainly attributable to the management/brokerage and advisory business (+18.3%), which benefited from the recovery of asset management (EUR +25 mln). Commissions relating to commercial banking activity also increased, thanks to the contribution of loans and guarantees.
The result for the first quarter of the financial year 2024 was higher than in the previous quarter (+8.9%), due to the increased income from management/brokerage and advisory activities (+25.7%), mainly attributable to asset management.

Net fee and commission income	31 03 2024	31 03 2023	Chg. Y/Y		1°Q 2024	4°Q 2023	Cg. Q/Q	
			abs.	%			abs.	%
Loans	58.5	51.8	6.7	12.9%	58.5	63.0	(4.5)	-7.1%
Current accounts	54.0	61.3	(7.3)	-11.9%	54.0	55.4	(1.4)	-2.6%
Collection and payments services	29.5	31.4	(1.9)	-6.1%	29.5	30.3	(0.8)	-2.5%
Debit and credit card service	21.5	21.5	-	0.0%	21.5	19.6	1.9	9.4%
Guarantees issued and received	6.7	(0.6)	7.3	n.s.	6.7	5.3	1.4	26.4%
Other fee and commission income	11.3	10.9	0.4	3.7%	11.3	15.5	(4.2)	-27.3%
Commercial banking activities	**181.5**	**176.3**	**5.2**	**2.9%**	**181.5**	**189.2**	**(7.7)**	**-4.0%**
Distribution and portfolio management	114.8	89.4	25.4	28.4%	114.8	92.26	22.2	24.0%
Insurance product distribution	54.6	50.8	3.8	7.5%	54.6	46.5	8.1	17.4%
Financial Advisors	(14.9)	(12.6)	(2.3)	18.3%	(14.9)	(13.4)	(1.5)	11.5%
Placement of Securities and currencies	24.2	18.8	5.4	28.7%	24.2	16.2	8.0	9.4
Other management and advisory fees	5.1	9.0	(3.9)	-43.3%	5.1	4.3	0.8	19.8%
Management and Advisory activities	**183.8**	**155.4**	**28.4**	**18.3%**	**183.8**	**146.2**	**37.6**	**25.7%**
Total Net fee and commission income	**365.3**	**331.7**	**33.6**	**10.1%**	**365.3**	**335.3**	**30.0**	**8.9%**

Dividends, Similar Income and Gains (Losses) on Investments as at 31 March 2024 amounted to **EUR 19 mln** and were stable compared to the corresponding period of 2023 (+EUR 0.3 mln). The result for the first quarter of 2024 was lower than in the previous quarter (EUR -15 mln), due to the lower contribution from insurance companies.

Net Profit (Loss) from trading, the fair value measurement of assets/liabilities and net gains on disposal/repurchase as at 31 March 2024 amounted to **EUR 34 mln**, an increase compared to the values recorded in the same period of the previous year (EUR +9 mln) and compared to the previous quarter (EUR +22 mln). The analysis of the main aggregates shows the following:

- **Net profit from trading** was **EUR 46 mln**, compared to the loss of EUR -31 mln recorded in the same period of the previous year (EUR +15 mln) and the result of EUR 6 mln in the previous quarter (EUR +40 mln). The growth is mainly attributable to the greater contribution of market maker activities, which benefited, in the first quarter of 2024, from a favourable market context as well as the positive effects resulting from the early closure of some accounting hedges as part of the margin stabilisation strategy of interest.
- **Net profit (loss) from other financial assets/liabilities measured at fair value through profit or loss** was positive for **EUR 1 mln**, an increase compared to the same period of the previous year (EUR -6 mln) and the previous quarter (EUR -3 mln);
- **Profits from disposal/repurchase** negative results for **EUR 13 mln** compared to EUR +0.1 mln as at 31 March 2023 and compared to EUR +10 mln in the previous quarter. The results described above are due to the restructuring of the investment portfolio, in support of the margin interest income.

Items	31 03 2024	31 03 2023	Chg. Y/Y		1°Q 2024	4°Q 2023	Chg. Q/Q	
			Abs.	%			Abs.	%
Financial assets held for trading	34.3	52.8	(18.5)	-35.1%	34.3	108.9	(74.6)	-68.5%
Financial liabilities held for trading	(2.6)	(54.5)	51.9	-95.2%	(2.6)	(82.0)	79.4	-96.8%
Exchange rate effects	4.5	5.7	(1.2)	-21.1%	4.5	(9.6)	14.1	n.m.
Derivatives	9.8	27.0	(17.2)	-63.7%	9.8	(11.3)	21.1	n.m.
Net profit from trading	**46.0**	**31.0**	**15.0**	**48.2%**	**46.0**	**6.0**	**40.0**	**n.m.**
Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss	1.2	(6.0)	7.2	n.m.	1.2	(3.3)	4.5	n.m.
Disposal/repurchase (excluding loans to customers measured at amortised cost)	(12.8)	0.1	(12.9)	n.m.	(12.7)	9.9	(22.6)	n.m.
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	**34.4**	**25.1**	**9.3**	**37.1%**	**34.5**	**12.6**	**21.9**	**n.m.**

The following items are also included in Revenues:

- **Net profit (loss) from hedging** were **EUR -0.4 mln**, lower than the positive result of EUR 0.6 million in the same period of the previous year, and higher than EUR -2.6 million in the previous quarter;
- **Other operating income/expenses of EUR 7 mln** (compared to a negative result of EUR 2 mln in the same period last year). The contribution of the first quarter 2024 decreased compared to the previous quarter (by EUR 9 mln).

Operating expenses

As at 31 March 2024, **Operating expenses** amounted to **EUR 462 mln**, substantially stable compared to the corresponding period of 2023 (-0.6%) and decreasing compared to the fourth quarter of 2023 (-4.7%). A closer look at the individual aggregates reveals the following:

- **Administrative expenses** which amounted to **EUR 420 mln**, were in line with the corresponding period of 2023 (-0.3%) and down from the previous quarter (-4.7%). A breakdown of the aggregate shows:
  - **Personnel Expenses**, which amounted to **EUR 305 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 the renewal of the National Collective Labour Agreement. The aggregate, on the other hand, was down compared to the previous quarter (-5.1%), which had been penalised by the effects of the aforementioned renewal of the National Collective Labour Agreement, effective from 1 July 2023 and accounted for after the signing of the agreement on 23 November 2023.
  - **Other Administrative Expenses**, amounting to **EUR 115 mln**, were down compared to 31 March 2023 (-13.8%), also thanks to the implementation of a rigorous expenditure management process. The comparison with the previous quarter also shows a decrease (-3.9%).
- **Net value adjustments to property, plant and equipment and intangible assets** amounted to **EUR 42 mln** as at 31 March 2024 and were down from both 31 March 2023 (-2.5%) and the previous quarter (-4.6%).

Type of transaction	31 03 2024	31 03 2023	Chg Y/Y		1°Q 2024	4°Q 2023	Chg Q/Q	
			Abs.	%			Abs.	%
Wages and salaries	(218.1)	(205.8)	(12.3)	6.0%	(218.1)	(230.4)	12.3	-5.3%
Social-welfare charges	(59.5)	(57.6)	(1.9)	3.3%	(59.5)	(61.9)	2.4	-3.9%
Other personnel expenses	(27.0)	(24.2)	(2.8)	11.6%	(27.0)	(28.6)	1.6	-5.6%
Personnel expenses	**(304.6)**	**(287.6)**	**(17.0)**	**5.9%**	**(304.6)**	**(320.9)**	**16.3**	**-5.1%**
Taxes	(51.3)	(51.0)	(0.3)	0.6%	(51.3)	(58.4)	7.1	-12.2%
Furnishing, real estate and security expenses	(20.6)	(27.6)	7.0	-25.4%	(20.6)	(19.9)	(0.7)	3.3%
General operating expenses	(41.6)	(50.4)	8.8	-17.5%	(41.6)	(38.7)	(2.9)	7.5%
Information technology expenses	(29.5)	(28.5)	(1.0)	3.5%	(29.5)	(18.0)	(11.6)	64.2%
Legal and professional expenses	(13.2)	(15.8)	2.6	-16.5%	(13.2)	(16.9)	3.7	-22.0%
Indirect personnel costs	(1.1)	(0.7)	(0.4)	57.1%	(1.1)	(1.5)	0.4	-26.7%
Insurance	(4.0)	(4.6)	0.6	-13.0%	(4.0)	(4.2)	0.2	-4.8%
Advertising, sponsorship and promotions	(0.5)	(3.5)	3.0	-85.7%	(0.5)	(1.4)	0.9	-64.3%
Other	(3.5)	2.0	(5.5)	n.m.	(3.5)	(15.6)	12.1	-77.8%
Expenses recovery	50.2	46.6	3.6	7.7%	50.2	54.9	(4.7)	-8.6%
Other administrative expenses	**(115.1)**	**(133.5)**	**18.4**	**-13.8%**	**(115.1)**	**(119.7)**	**4.6**	**-3.9%**
Property, plant and equipment	(25.7)	(27.0)	1.3	-4.8%	(25.7)	(26.5)	0.8	-3.2%
Intangible assets	(16.7)	(16.5)	(0.2)	1.2%	(16.7)	(17.9)	1.2	-6.7%
Net value adjustments to property, plant and equipment and intangible assets	**(42.4)**	**(43.5)**	**1.1**	**-2.5%**	**(42.4)**	**(44.4)**	**2.0**	**-4.6%**
Operating expenses	**(462.0)**	**(464.6)**	**2.6**	**-0.6%**	**(462.0)**	**(485.0)**	**23.0**	**-4.7%**

As a result of these trends, the Group's **Gross Operating Income** amounted to **EUR 551 mln,** up compared to both 31 March 2023 (EUR 414 mln) and to the previous quarter (EUR 508 mln).

Cost of Customer Credit

As at 31 March 2024, the Group recognised a **Cost of Customer Credit** equal to **EUR 106 mln**, essentially stable compared with EUR 107 mln recorded in the corresponding period of the previous year. The aggregate, which includes the increase in overlays on performing exposures, also improved compared to the previous quarter (equal to EUR 133 mln).
As at 31 March 2024, the ratio between the annualised Cost of Customer Credit and the sum of Customer Loans and the value of securities from sales/securitisations of non-performing loans result in a stable trend, with a **Provisioning Rate** of **54 bps** (55 bps as at 31 March 2023 and 57 bps as at 31 December 2023).

Items	31 03 2024	31 03 2023	Chg. Y/Y		1°Q 2024	4°Q 2023	Chg. Q/Q	
			abs.	%			abs.	%
Loans to customers measured at amortised cost	(119.3)	(94.7)	(24.6)	26.0%	(119.3)	(125.8)	6.5	-5.2%
Modification gains/(losses)	(2.2)	(0.2)	(2.0)	n.m.	(2.2)	(4.2)	2.0	-47.6%
Gains/(losses) on disposal/repurchase of loans to customers measured at amortised cost	-	-	-	n.m.	-	(0.3)	0.3	-100.0%
Net change of Loans to customers mandatorily measured at fair value	(0.5)	(1.1)	0.6	-54.5%	(0.5)	(0.4)	(0.1)	25.0%
Net provisions for risks and charges on commitments and guarantees issued	16.3	(11.2)	27.5	n.m.	16.3	(2.6)	18.9	n.s.
Cost of customer credit	**(105.7)**	**(107.2)**	**1.5**	**-1.4%**	**(105.7)**	**(133.3)**	**27.6**	**-20.7%**

The Group's **Net Operating income** as at 31 March 2024 amounted to **EUR 444 mln**, up from both 31 March 2023 (EUR 309 mln) and the previous quarter (EUR 371 mln).

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

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

- **Net provision for risks and charges** of **EUR -4 mln** as at 31 March 2024, compared to EUR -6 mln of net accruals recognised in the same period of the previous year and EUR 466 mln of net releases in the previous quarter, related to the downgrading of the risk of disbursement of economic resources resulting from the potential settlement of civil and criminal disputes, relating to financial information disclosed in the period 2008-2015, following the favourable rulings issued in the last quarter of 2023.

- **Other gains (losses) on equity investments** with a **zero** amount as at 31 March 2024, compared to a loss of EUR 2 mln recognised in the corresponding period of the previous year and a substantially nil contribution also in the previous quarter

- **Restructuring costs/One-Off Costs** equal to **EUR -8 mln**, compared to a contribution of EUR -6 mln in the first quarter of 2023 and EUR -13 mln in the previous quarter.

- **Risks and charges related to SRF, DGS and similar schemes** equal to **EUR -75 mln**, consisting of the estimated portion to be paid to the FITD (DGS), which, in the previous year, was recognised in the third quarter; in the corresponding period of 2023, the contribution of EUR 58 mln due to the Single Resolution Fund (SRF), not due in the current year, was recognised.

- **DTA fee,** for **EUR -15 mln**, in line with both the same period of the previous year (equal to EUR 16 mln) and the previous quarter (equal to EUR 16 mln). This amount, calculated according to the criteria set forth in Italian Law Decree 59/2016, converted into Italian Law no. 119 of 30 June 2016, represents the fee as at 31 March 2024 on DTAs that can be converted into a tax credit.

- **Net gains (losses) on property, plant and equipment and intangible assets measured at fair value** with a zero contribution as at 31 March 2024, compared to the contribution of EUR +0.1 mln recognised in the same period of 2023 and the contribution of EUR -24 mln recognised in the fourth quarter of 2023, due to the half-yearly revaluation of real estate assets

- **Gains (losses) on disposal of investments**, equal to EUR -6 mln as at 31 March 2024 due to the finalisation of the sale of a property in the quarter, against the zero results of the same period of the previous year and the previous quarter.

As a result of the trends highlighted above, the Group's **Profit for the period before tax** was **EUR 336 mln**, up from EUR 220 mln in the corresponding period of 2023 and down from EUR 784 mln in the fourth quarter of 2023.

Income tax for the period amounted to **EUR -4 million** (EUR +15 million the amount recognised as at 31 March 2023) attributable to taxation resulting from the economic result for the period net of DTA valuation income.

As a result of the trends described above, the **Parent Company's net profit for the period** amounted to **EUR 333 mln euro** as at 31 March 2024, compared to a profit of EUR 236 mln reported as at 31 March 2023 and EUR 1,123 mln reported in the previous quarter.

Reclassified balance sheet

The (i) reclassified balance sheet as at 31 March 2024 compared with the balances set forth 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	31 03 2024	31 12 2023	Chg. abs.	Chg. %
Cash and cash equivalents	16,003.5	14,317.3	1,686.2	11.8%
Loans to central banks	832.4	526.8	305.6	58.0%
Loans to banks	2,313.0	2,582.2	(269.2)	-10.4%
Loans to customers	78,422.9	76,815.6	1,607.3	2.1%
Securities assets	18,175.7	17,276.9	898.8	5.2%
Derivatives	2,734.6	2,776.3	(41.7)	-1.5%
Equity investments	739.1	726.7	12.4	1.7%
Property, plant and equipment/Intangible assets	2,423.1	2,482.7	(59.6)	-2.4%
of which: goodwill	*7.9*	*7.9*	-	*0.0%*
Tax assets	2,153.0	2,150.9	2.1	0.1%
Other assets	2,978.0	2,958.3	19.7	0.7%
Total assets	**126,775.3**	**122,613.7**	**4,161.6**	**3.4%**

Liabilities	31 03 2024	31 12 2023	Chg. abs.	Chg. %
Direct funding	92,718.1	90,639.0	2,079.1	*2.3%*
a) Due to customers	83,204.1	80,558.4	2,645.7	3.3%
b) Securities issued	9,514.0	10,080.6	(566.6)	*-5.6%*
Due to central banks	11,629.3	13,148.2	(1,518.9)	-11.6%
Due to banks	1,304.4	1,350.6	(46.2)	-3.4%
On-balance-sheet financial liabilities held for trading	5,164.3	1,823.2	3,341.1	n.m.
Derivatives	1,396.7	1,361.7	35.0	*2.6%*
Provisions for specific use	1,012.1	1,050.3	(38.2)	-3.6%
a) Provision for staff severance indemnities	72.0	72.0	-	0.0%
b) Provision related to guarantees and other commitments given	138.0	154.3	(16.3)	-10.6%
c) Pension and other post-retirement benefit obligations	3.3	3.4	(0.1)	-2.9%
d) Other provisions	798.8	820.6	(21.8)	-2.7%
Tax liabilities	9.9	9.1	0.8	8.8%
Other liabilities	3,232.8	3,252.4	(19.6)	-0.6%
Group net equity	10,307.1	9,978.5	328.6	3.3%
a) Valuation reserves	25.8	27.9	(2.1)	-7.5%
d) Reserves	2,495.1	445.3	2,049.8	n.m.
f) Share capital	7,453.5	7,453.5	-	0.0%
h) Net profit (loss) for the period	332.7	2,051.8	(1,719.1)	-83.8%
Non-controlling interests	0.6	0.7	(0.1)	-14.3%
Total Liabilities and Shareholders' Equity	**126,775.3**	**122,613.7**	**4,161.6**	**3.4%**

Reclassified Consolidated Balance Sheet - Quarterly Trend

Assets	31 03 2024	31 12 2023	30 09 2023	30 06 2023	31 03 2023
Cash and cash equivalents	16,003.5	14,317.3	13,514.5	11,769.1	14,512.4
Loans to central banks	832.4	526.8	522.6	544.1	656.4
Loans to banks	2,313.0	2,582.2	2,270.1	2,237.9	2,125.8
Loans to customers	78,422.9	76,815.6	77,981.6	76,056.0	77,755.6
Securities assets	18,175.7	17,276.9	18,323.3	19,589.7	18,652.3
Derivatives	2,734.6	2,776.3	3,122.8	3,023.6	3,215.9
Equity investments	739.1	726.7	689.1	677.3	772.0
Property, plant and equipment/Intangible assets	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*
Tax assets	2,153.0	2,150.9	1,922.4	2,065.6	2,219.7
Other assets	2,978.0	2,958.3	2,346.4	2,342.0	1,808.8
Total assets	**126,775.3**	**122,613.7**	**123,192.4**	**120,801.1**	**124,286.0**

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

Customer funding

As at 31 March 2024, the Group's **Total Funding** volumes amounted to **EUR 192.8 bn**, up EUR 5.3 bn compared to 31 December 2023. The growth refers to both Direct Funding (EUR +2.1 bn) and Indirect Funding (EUR +3.2 bn).

The aggregate was up also compared to 31 March 2023 (EUR +15.0 bn), due to the increase in Direct Funding (EUR +8.7 bn) and Indirect Funding (EUR +6.3 bn).

Background

The contraction in overall funding, which characterised 2023, continued at the beginning of 2024, albeit at a less intense pace (-3.5% in February compared to the same period of the previous year), with a reshuffling towards more remunerative instruments for customers; the reduction was partly the result of the contraction in liabilities to the Eurosystem and partly the fall in deposits from ordinary private customers (-1.2% y/y) only partly offset by the increase in bond funding. More specifically, there has been a reallocation of savings from sight deposits towards more remunerative financial instruments such as fixed-term deposits, bonds and assets under administration. The trend in current account payables was therefore negative (down -6% in February YoY), in contrast to a strong increase (+81.2% YoY) in deposits with a fixed term (+10% in the first two months of 2024 compared to December 2023). Deposits of the productive sector (non-financial corporations and family businesses), fell in the first two months of 2024 by -5.9% compared to December 2023 (approx. EUR -30 bn since the beginning of the year), those of consumer households, after falling by an average of approx. -4% in 2023, stabilised in the first months of the year.
Bond funding continued to grow at a rate of +1.2% in February compared to the end of 2023, after significant increases of +16.4% on an annual basis in 2023 The amount of funding at the Eurosystem is expected to decrease further: for the current year, repayments of maturing auctions are expected, which the banks will be able to meet thanks to a large amount of liquidity (EUR 221 bn in February) deposited at the Eurosystem, an amount more than sufficient to close the remaining debt positions of around EUR 140 bn with the ECB.

After rising during 2023, the upward trend in deposit rates at the beginning of the year slowed down significantly: in February, the interest rate on deposits of non-financial corporations and households stood at 1.02% (+5 bps compared to the end of 2023); the rate on current accounts remained essentially stable at 0.55%; the rate on deposits with a fixed maturity stood at 3.45% (an increase of 13 bps in the first two months of 2024). On bonds, the average rate on outstanding amounts, at 2.78% in February, was substantially stable compared to the end of 2023.

On the asset management market, the provisional data for February showed negative net inflows of EUR -5 bn. Funds recorded negative net inflows of EUR -4.6 bn, retail asset management, on the other hand, showed positive net inflows of EUR +850 mln since the beginning of the year. At the category level, savers mainly focused their choices on bond funds (EUR +11.5 bn in net inflows from January to February); while equity funds (EUR -3.6 bn), balanced funds (EUR -3.8 bn) and flexible funds (EUR -5.9 bn) were divested. Total assets under management since the beginning of the year stood at EUR 2,310 bn, broadly in line with the fourth quarter of 2023. For the life insurance market, in the first two months of the year, new business was recorded for EUR 13.8 bn, compared to EUR 12.4 bn in the same period of the previous year, showing a growth of about 11%. In the distribution channel of bank and postal counters, in February 2024, there was growth in the placement of traditional products (+4.5% y/y), and of classic units (+8.8%), while hybrid solutions, which have been shrinking for two years now, recorded a -21.5% trend. With reference to the channels for the placement of life insurance products, the first two months of the year saw an increase in the volume of business in the financial advisor channel, up by 35.8% compared to the same period last year. Similar positive performance in the agency channel (34.4% YoY) and moderate growth in the banking channel (4.9% YoY).

Customer Funding

				Chg Q/Q		Chg Y/Y	
	31 03 2024	31 12 2023	31 03 2023	Abs.	%	Abs.	%
Direct funding	92,718.1	90,639.0	84,067.0	2,079.1	2.3%	8,651.1	10.3%
Indirect funding	100,085.9	96,844.9	93,784.0	3,241.0	3.3%	6,301.9	6.7%
Total funding	**192,804.0**	**187,483.9**	**177,851.0**	**5,320.1**	**2.8%**	**14,953.0**	**8.4%**

Direct Funding volumes stood at **EUR 92.7 bn**, recording an increase compared to the end of December 2023 (EUR +2.1 bn). The increase was recorded mainly on repurchase agreements (EUR +2.2 bn) and time deposits (EUR +1.4 bn) with a remix of current accounts (EUR -1.0 bn). Bond funding was down (EUR -0.6 bn) showing a trend which, in the first quarter of 2024, is attributable to the maturity of covered bonds in the amount of EUR 1 bn and the issue of senior preferred in the amount of EUR 500 mln; other forms of funding were stable.

The aggregate was also up compared to 31 March 2023 (EUR +8.7 bn) as a result of increased transactions in repo transactions (+EUR 4.9 bn) and growth in time deposits (+EUR 2.6 bn) and current accounts (+EUR 0.9 bn).

The market share[7] of the Group on direct funding stood at 3.28% (figure updated to February 2024), down slightly compared to December 2023 (3.39%), while the market share on sight deposits was 4.51%, down 16 bps compared to December 2023.

Direct funding							
Type of transaction	31 03 2024	31 12 2023	31 03 2023	Chg. Q/Q		Chg. Y/Y	
				abs.	%	abs.	%
Current accounts	64,458.6	65,446.3	63,532.3	(987.7)	-1.5%	926.3	1.5%
Time deposits	7,353.0	5,947.6	4,762.1	1,405.4	23.6%	2,590.9	54.4%
Reverse repurchase agreements	8,769.3	6,565.1	3,826.4	2,204.2	33.6%	4,942.9	n.s.
Bonds	9,514.0	10,080.6	9,358.6	(566.6)	-5.6%	155.4	1.7%
Other types of direct funding	2,623.2	2,599.4	2,587.6	23.8	0.9%	35.6	1.4%
Total	**92,718.1**	**90,639.0**	**84,067.0**	**2,079.1**	**2.3%**	**8,651.1**	**10.3%**

Indirect Funding stood at **EUR 100.1 bn**, an increase of EUR 3.2 bn compared to 31 December 2023, both on assets under management (EUR +1.2 bn) and on assets under custody (EUR +2.0 bn). This was due both to the positive market effect and to the positive net flows recorded in the first quarter of 2024, the latter being mainly attributable to assets under custody (due to customers' renewed interest in government bonds, following the rise in their yields).

In comparison with 31 March 2023, indirect funding was up (EUR +6.3 bn), both on the assets under custody segment (EUR +4.8 bn, mainly on the government securities component) and on the asset management (EUR +1.5 bn); also in this case, the positive market effect and the positive net flows recorded in the area of assets under custody have an impact on the trend.

Indirect Funding							
	31 03 2024	31 12 2023	31 03 2023	Chg. Q/Q		Chg. Y/Y	
				abs.	%	abs.	%
Assets under management	58,111.6	56,887.8	56,575.0	1,223.8	2.2%	1,536.6	2.7%
Funds	*27,690.4*	*26,745.5*	*26,274.4*	*944.9*	*3.5%*	*1,416.0*	*5.4%*
Individual Portfolio under Management	*5,155.1*	*4,961.0*	*3,706.9*	*194.1*	*3.9%*	*1,448.3*	*39.1%*
Bancassurance	*25,266.0*	*25,181.3*	*26,593.7*	*84.7*	*0.3%*	*-1,327.6*	*-5.0%*
Assets under custody	41,974.3	39,957.1	37,209.1	2,017.2	5.0%	4,765.2	12.8%
Government securities	*18,743.5*	*18,055.4*	*14,216.6*	*688.1*	*3.8%*	*4,526.9*	*31.8%*
Others	*23,230.8*	*21,901.7*	*22,992.5*	*1,329.1*	*6.1%*	*238.3*	*1.0%*
Total funding	**100,085.9**	**96,844.9**	**93,784.0**	**3,241.0**	**3.3%**	**6,301.9**	**6.7%**

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

Loans to customers

Loans to Customers of the Group stood at **EUR 78.4 bn** as at 31 March 2024, up compared to 31 December 2023 (EUR +1.6 bn) mainly due to the increase in repurchase agreements (EUR +1.0 bn) and other funding (+0.4 mln). Current accounts (EUR -0.1 bn), mortgages (EUR +0.2 bn) and the non-performing loans component (EUR +0.1 bn) were essentially stable.

Compared to 31 March 2023, the aggregate slightly increased (EUR +0.7 bn). The increase in repurchase agreements (EUR +3.0 bn) and in other loans (EUR +0.4 bn) more than offset the decline recorded on mortgages (EUR -2.2 bn), penalised by slowing demand, especially in the residential component, linked to the higher level of interest rates. Current accounts also fell slightly (EUR -0,7 bn).

Background

The negative effects of monetary tightening on the trend in bank lending continued, with a decline of approx. EUR 24 bn in the first two months of 2024 (-1.45% in February compared to the end of 2023). Loans to the private sector (net of repurchase agreements with central counterparties and adjusted for exposures sold and derecognised) again recorded a negative trend change of -2.52% YoY. The effect of official rate rises was transferred more intensely than in the past to the cost of corporate financing; in fact, the contraction in lending to non-financial corporations was more substantial (approx. -3.78% YoY in February) as a result of: (i) a drop in demand for loans by companies as investment in machinery stagnated and the cycle linked to the construction sector and the superbonus came to an end; (ii) supply criteria on loans to companies remained restrictive; (iii) companies increased their recourse to alternative sources of financing and the use of accumulated liquidity, resulting in less recourse to bank debt.
Credit to households also continued to decline, with -1.3% in February YoY. Mortgages for home purchases confirmed the negative trend with a -0.7% in February YoY, affected by the worsening of the outlook for the real estate market. Consumer credit shows the first signs of weakness as, after the positive and progressive growth of the previous year, it recorded substantial stability in the first months of the year compared to the amounts at the end of 2023. Lastly, loans to income-generating households were down significantly (-8.12% in February and -1.26% from the beginning of the year). The expectations of the intermediaries surveyed in March in the quarterly Bank Lending Survey (BLS) of 09 April 2024, were the supply policies in the second quarter of 2024 would ease for non-financial corporations and remain unchanged for households. Non-performing bank loans, net of non-performing loans that were sold and written off, were up 3.4% YoY in February, broadly in line with the average of the last 6 months.

With reference to interest rates on the amounts of loans, there was a slowdown in growth, which saw the rate on loans to non-financial companies at 5.36% in February (+5 bps from December 2023) and the rate on loans to households at +4.27% in February, (with approx. +3 bps from December 2023). On new business transactions, after growing steadily in 2023, the average rate in February fell by -11 bps from the end of 2023 to 5.34%. On new transactions with households, in February, the rate for home purchase loans decreased to 3.89% (-53 bps approx. since December 2023) while the consumer credit rate increased to 8.82% (+32 bps approx. since end-2023).

Loans to customers							
Type of transaction	31 03 2024	31 12 2023	31 03 2023	Change Q/Q		Change Y/Y	
				Abs.	%	Abs.	%
Current accounts	2,668.4	2,755.7	3,358.3	(87.3)	-3.2%	(689.9)	-20.5%
Mortgages	52,047.0	51,837.6	54,268.1	209.4	0.4%	(2,221.1)	-4.1%
Other forms of lending	14,628.1	14,218.7	14,245.2	409.4	2.9%	382.9	2.7%
Repurchase agreements	7,241.3	6,230.0	4,236.2	1,011.3	16.2%	3,005.1	70.9%
Non performing loans	1,838.1	1,773.6	1,647.8	64.5	3.6%	190.3	11.5%
Total	**78,422.9**	**76,815.6**	**77,755.6**	**1,607.3**	**2.1%**	**667.3**	**0.9%**
Stage 1	*66,929.3*	*65,325.6*	*65,101.8*	*1,603.7*	*2.5%*	*1,827.5*	*2.8%*
Stage 2	*9,458.5*	*9,594.1*	*10,817.1*	*(135.6)*	*-1.4%*	*(1,358.6)*	*-12.6%*
Stage 3	*1,834.5*	*1,769.8*	*1,644.1*	*64.7*	*3.7%*	*190.4*	*11.6%*
Purchased or originated credit impaired financial assets	*2.7*	*2.8*	*3.1*	*(0.1)*	*-3.6%*	*(0.4)*	*-12.9%*
Performing loans measured at fair value	*196.0*	*121.2*	*187.6*	*74.8*	*61.7%*	*8.4*	*4.5%*
Non-performing loans measured at fair value	*1.9*	*2.1*	*1.9*	*(0.2)*	*-9.5%*	*(0.0)*	*0.0%*

The Group's market share[8] was 4.38% (updated to Febraury 2024), up from 4.33% in December 2023.

Loans to customers measured at amortised cost	31 03 2024			31 12 2023			31 03 2023			Chg. Q/Q		Chg. Y/Y	
	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	67,028.5	9,832.1	**80,493.5**	65,431.2	9,962.6	**78,871.1**	65,198.1	11,170.4	**79,667.8**				
Adjustments	99.2	373.6	**2,268.5**	105.6	368.5	**2,178.8**	96.3	353.3	**2,101.7**				
Net exposure	66,929.3	9,458.5	**78,225.0**	65,325.6	9,594.1	**76,692.3**	65,101.8	10,817.1	**77,566.1**				
Coverage ratio	*0.1%*	*3.8%*	***2.8%***	*0.2%*	*3.7%*	***2.8%***	*0.1%*	*3.2%*	***2.6%***	*-0.1%*	*0.1%*	*0.0%*	*0.6%*
% on Loans to customers measured at amortised cost	*85.6%*	*12.1%*	***100.0%***	*85.2%*	*12.5%*	***100.0%***	*83.9%*	*13.9%*	***100.0%***	*0.4%*	*-0.4%*	*1.7%*	*-1.8%*

The gross exposure of loans classified in stage 1, amounting to EUR 67.0 bn as at 31 March 2024, increased both compared to 31 December 2023 (amounting to EUR 65.4 bn) due to commercial developments in the first quarter of 2024, and compared to 31 March 2023 (amounting to EUR 65.2 bn).

Positions classified in stage 2, whose gross exposure amounted to EUR 9.8 bn as at 31 March 2024, down from both EUR 10.0 bn as at 31 December 2023 and EUR 11.2 bn as at 31 March 2023.

The coverage level of performing loans remained substantially stable at 2.8% in March.

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

Non-performing exposures of loans to customers

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

The Group's **Total Non-Performing Loans to Customers** as at 31 March 2024 were equal to **EUR 3.6 bn** in terms of gross exposure, up slightly compared to 31 December 2023 (EUR +0.2 bn) and 31 March 2023 (EUR +0.3 bn). In particular:

- the gross bad loan exposure, equal to EUR 1.5 bn, was up slightly compared to 31 December 2023 (EUR 1.4 bn) and to 31 March 2023 (EUR 1.3 bn);
- the gross unlikely-to-pay loan exposure, amounting to EUR 2.1 bn, was slightly higher than both 31 December 2023 (EUR 2.0 bn) and 31 March 2023 (EUR 1.9 bn);
- the gross non-performing past-due loan exposure, amounting to EUR 78.7 mln, is down from EUR 131.1 mln as at 31 December 2023 and up from EUR 49.9 mln as at 31 March 2023.

As at 31 March 2024, the Group's **net exposure in terms of Non-Performing Loans to Customers** amounted to **EUR 1.8 bn**, substantially stable compared to the levels recorded as at 31 December 2023 (amounting to EUR 1.8 bn) and up compared to 31 March 2023 (amounting to EUR 1.6 bn).

Loans to customers		Bad loans	Unlikely to pay	Non-performing Past due Loans	**Total Non-performing loans to customers**	Performing loans	**Total**
31 03 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%***
31 03 2023	Gross exposure	1,344.8	1,913.9	49.9	**3,308.6**	76,557.4	**79,866.0**
	Adjustments	897.1	753.3	10.4	**1,660.8**	449.6	**2,110.4**
	Net exposure	447.7	1,160.6	39.5	**1,647.8**	76,107.8	**77,755.6**
	Coverage ratio	*66.7%*	*39.4%*	*20.8%*	***50.2%***	*0.6%*	***2.6%***
	% on Loans to customers	*0.6%*	*1.5%*	*0.1%*	***2.1%***	*97.9%*	***100.0%***

As at 31 March 2024, the **non-performing loan coverage ratio** was **49.5%**, up compared to 31 December 2023 (equal to 49.1%). At individual administrative status level, the changes refer to Unlikely to pay exposure (coverage of which rose from 37.6% to 37.8%). On the other hand, there was a slight decrease in the coverage percentage of Bad loans (from 68.1% to 67.8%) and Non-performing past-due Loans (from 21.7% to 21.3%).

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.	76.1	130.4	(52.4)	**154.1**	1,541.4	**1,695.5**
	%	5.5%	6.6%	-40.0%	**4.4%**	2.0%	**2.1%**
Y/Y	abs.	114.7	186.9	28.8	**330.4**	500.1	**830.5**
	%	8.5%	9.8%	57.7%	**10.0%**	0.7%	**1.0%**

Changes in coverage ratios

	Bad loans	Unlikely to pay	Non-performing past due exposures	**Total Non-performing loans to customers**	Performing loans	**Total**
Q/Q	*-0.3%*	*0.2%*	*-0.3%*	***0.4%***	*0.0%*	***0.1%***
Y/Y	*1.1%*	*-1.5%*	*0.5%*	***-0.7%***	*0.0%*	***0.2%***

Trend of non-performing loans to customers	1°Q 2024		31 12 2023		4°Q 2023		31 03 2023		Chg. 1°Q 2024/ 4°Q 2023 Total Non-performing loans to customers		Chg. Y/Y Total Non-performing loans to customers	
	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Abs.	%	Abs	%
Gross exposure, opening balance	**3,484.9**	***1,383.4***	**3,484.9**	***1,383.4***	**3,580.9**	***1,523.3***	***4,104.7***	***1,740.6***	**(96.0)**	**-2.7%**	**(619.8)**	**-15.1%**
Increases from performing loans	343.9	*5.2*	1.115.2	*79.3*	390.2	*39.5*	191.6	*5.0*	(46.3)	-11.9%	152.3	79.5%
Transfers to performing loans	(72.2)	-	(190.8)	*(0.3)*	(34.8)	*(0.2)*	(82.3)	-	(37.4)	n.m.	10.1	-12.3%
Collections (including gains on disposals)	(143.7)	*(28.0)*	(649.5)	*(132.4)*	(232.2)	*(73.3)*	(149.0)	*(17.8)*	88.5	-38.1%	5.3	-3.6%
Write-offs (including loss on disposal)	(26.5)	*(22.4)*	(89.8)	*(42.1)*	(44.1)	*(6.4)*	(22.0)	*(19.4)*	17.6	-39.9%	(4.5)	20.5%
+/- Other changes	52.6	*121.3*	(185.1)	*95.5*	(175.1)	*(99.5)*	(734.4)	*(363.6)*	227.7	n.m.	787.0	n.m.
Gross exposure, closing balance	**3,639.0**	***1,459.5***	**3,484.9**	***1,383.4***	**3,484.9**	***1,383.4***	**3,308.6**	***1,344.8***	**154.1**	**4.4%**	**330.4**	**10.0%**
Opening balance of overall adjustments	**(1,711.3)**	**(941.6)**	**(1,967.2)**	**(1,108.6)**	**(1,820.1)**	***(1,002.7)***	**(1,967.2)**	***(1,108.6)***	**108.8**	**-6.0%**	**255.9**	**-13.0%**
Adjustments/write-backs	(108.3)	(27.3)	(385.8)	*(184.6)*	(120.7)	(92.6)	(94.6)	*(36.2)*	12.4	-10.3%	(13.7)	14.5%
+/- Other changes	18.7	*(20.4)*	641.7	*351.6*	229.5	*153.7*	401.0	*247.7*	(210.8)	-91.9%	(382.3)	-95.3%
Closing balance of overall adjustments	**(1,800.9)**	***(989.3)***	**(1,711.3)**	***(941.6)***	**(1,711.3)**	***(941.6)***	**(1,660.8)**	***(897.1)***	**(89.6)**	**5.2%**	**(140.1)**	**8.4%**
Net exposure, closing balance	**1,838.1**	***470.2***	**1,773.6**	***441.8***	**1,773.6**	***441.8***	**1,647.8**	***447.7***	**64.5**	**3.6%**	**190.3**	**11.5%**

Other Financial Assets/Liabilities

As at 31 March 2024, the **Group's Security Assets** amounted to **EUR 18.2 bn**, up from 31 December 2023 (EUR +0.9 bn) mainly due to the increase in financial assets held for trading (EUR +1.0 bn) in connection with market making activities on government securities. Financial assets measured at fair value through other comprehensive income were down slightly (EUR -0.1 bn), while other components remained stable. It should be noted that the market value of customer and bank securities at amortised cost was EUR 9,504.9 mln and EUR 613.2 mln (with implicit capital losses of EUR 545.0 mln and EUR 69.0 mln respectively).

The aggregate is down compared with the figure recorded as at 31 March 2023 (EUR -0.5 bn). The decrease in financial assets measured at fair value with an impact on comprehensive income (EUR -1.3 bn), following maturities in 2023, was partly offset by the increase in securities classified at amortised cost (EUR +0.6 bn), as a result of purchases of government bonds, and the increase in financial assets held for trading (EUR +0.3 bn).

On-balance-sheet financial liabilities held for trading were equal to **EUR 5.2 bn** as at 31 March 2024 and increased compared to both 31 December 2023 (EUR 1.8 bn) and 31 March 2023 (EUR 3.3 bn).

As at 31 March 2024, the **Net Position in Derivatives, a positive EUR 1.3 bn**, was down from both 31 December 2023 (positive EUR 1.4 bn) and 31 March 2023 (positive EUR 1.6 bn).

Items	31 03 2024	31 12 2023	31 03 2023	Chg. Q/Q		Chg. Y/Y	
				abs.	%	abs.	%
Securities assets	18,175.7	17,276.9	18,652.3	898.8	5.2%	(476.6)	-2.6%
Financial assets held for trading	*4,803.3*	*3,810.6*	*4,524.2*	*992.7*	*26.1%*	*279.1*	*6.2%*
Financial assets mandatorily measured at fair value	*228.6*	*245.5*	*305.7*	*(16.9)*	*-6.9%*	*(77.1)*	*-25.2%*
Financial assets measured at fair value through other comprehensive income	*2,411.7*	*2,477.3*	*3,721.4*	*(65.6)*	*-2.6%*	*(1,309.7)*	*-35.2%*
Financial assets held for sale	*0.0*	*0.4*	*0.0*	*(0.4)*	*-100.0%*	*0.0*	*n.m.*
Loans to customers measured at amortised cost	*10,049.9*	*10,061.2*	*9,432.9*	*(11.3)*	*-0.1%*	*617.0*	*6.5%*
Loans to banks measured at amortised cost	*682.2*	*681.9*	*668.1*	*0.3*	*0.0%*	*14.1*	*2.1%*
On-balance-sheet financial liabilities held for trading	(5,164.3)	(1,823.2)	(3,276.3)	(3,341.1)	n.m.	(1,888.0)	57.6%
Net positions in Derivatives	1,337.9	1,414.6	1,607.2	(76.7)	-5.4%	(269.3)	-16.8%
Other financial assets and liabilities	**14,349.3**	**16,868.3**	**16,983.2**	**(2,519.0)**	**-14.9%**	**(2,633.9)**	**-15.5%**

Items	31 03 2024		31 12 2023		31 03 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
Debt securities	17,623.3	-	16,677.9	-	18,047.9	-
Equity instruments and Units of UCITS	552.4	-	599.0	-	604.4	-
Loans	-	5,164.3	-	1,823.2	-	3,276.3
Total	**18,175.7**	**5,164.3**	**17,276.9**	**1,823.2**	**18,652.3**	**3,276.3**

Interbank position

As at 31 March 2024, the **Group's net interbank position** stood at EUR **5.6 bn in loans**, compared to EUR 2.2 bn in loans as at 31 December 2023 and EUR 4.5 bn in funding as at 31 March 2023. The change compared to the previous quarter is mainly attributable to relations with central banks. The decline in funding, due to maturity on 27 March 2024 of the TLTRO tranche for EUR 2.5 bn (the total TLTRO auctions in place as at 31 March 2024 amounted to EUR 3.0 bn), was in fact only partially offset by access to MRO and LTRO auctions for approximately EUR 1 bn (the total MRO and LTRO auctions in place as at 31 March 2024 amounted to EUR 8.5 bn). Liquidity deposited with central banks increased (EUR +1.8 bn on the Depo Facility).

Again, the change compared with 31 March 2023 refers primarily to funding from central banks, essentially reflecting the dynamics illustrated above (TLTRO auction maturities only partly offset by access to MRO and LTRO auctions, added to which is the increase recorded on the Depo Facility).

Interbank balances							
				Chg. Q/Q		Chg. Y/Y	
	31 03 2024	31 12 2023	31 03 2023	abs.	%	abs.	%
Loans to banks	2,313.0	2,582.2	2,125.8	(269.2)	-10.4%	187.2	8.8%
Deposits from banks	1,304.4	1,350.6	1,884.6	(46.2)	-3.4%	(580.2)	-30.8%
Demand deposits with banks (cash)	1,684.3	1,701.6	1,198.8	(17.3)	-1.0%	485.5	40.5%
Net position with banks	**2,692.9**	**2,933.2**	**1,440.0**	**(240.3)**	**-8.2%**	**1,252.9**	**87.0%**
Loans to central banks	832.4	526.8	656.4	305.6	58.0%	176.0	26.8%
Deposits from central banks	11,629.3	13,148.2	19,317.2	(1,518.9)	-11.6%	(7,687.9)	-39.8%
Demand deposits with Central banks (cash)	13,730.6	11,907.5	12,728.2	1,823.1	15.3%	1,002.4	7.9%
Net position with central banks	**2,933.7**	**(713.9)**	**(5,932.6)**	**3,647.6**	**n.m.**	**8,866.3**	**n.m.**
Net interbank position	**5,626.6**	**2,219.3**	**(4,492.6)**	**3,407.3**	**n.m.**	**10,119.2**	**n.m.**

As at 31 March 2024, the operational liquidity position showed an **unencumbered Counterbalancing Capacity amounting to approximately EUR 29.6 bn** broadly in line with 31 December 2023 (EUR 29.8 bn) and up from 31 March 2023 (EUR 25.1 bn).

Other assets

As at 31 March 2024, the nominal value of the total tax credits acquired amounted to EUR 2,622.9 mln (EUR 2,279.4 mln as at 31 December 2023). Taking into account receivables offset to date, totalling EUR 808.1 mln, the residual nominal amount as at 31 March 2024 came to EUR 1,814.8 mln. The corresponding carrying amount, shown in the balance sheet item "Other Assets" at amortised cost, which takes into account the acquisition price and the net amounts accrued 1,616.7 mln as at 31 March 2024 (EUR 1,660.3 mln as at 31 December 2023).

It should also be noted that, as at 31 March 2024, the Parent Company had received requests for the sale of these receivables for a total amount of approximately EUR 1.1 bn, currently being assessed/processed.

The total amount of receivables purchased, taking into account the transfer requests in progress - the latter suitably adjusted to factor in the impact of cases abandoned and/or rejected by the Bank - is in line with the estimate of the total tax capacity or the tax/contribution payments that the Group plans to make and that are available for offsetting with the tax credits from "Building Bonuses".

Shareholders' equity

As at 31 March 2024, the **Shareholders' Equity of the Group and non-controlling interests** amounted to **EUR 10.3 bn**, an increase of EUR 329 mln compared to 31 December 2023, mainly due to the fourth quarter profit.

Compared to 31 March 2023, the Shareholders' Equity of the Group and non-controlling interests increased by EUR 2.2 bn, essentially attributable, also in this case, to the profit recorded in 2023.

Reclassified Consolidated Balance Sheet							
Equity	31 03 2024	31 12 2023	31 03 2023	Chg Q/Q		Chg Y/Y	
				abs.	%	abs.	%
Group Net Equity	10,307.1	9,978.5	8,128.9	328.6	3.3%	2,178.2	26.8%
a) Valuation reserves	25.8	27.9	7.2	(2.1)	-7.5%	18.6	n.m.
d) Reserves	2,495.1	445.3	432.5	2,049.8	n.m.	2,062.6	n.m.
f) Share capital	7,453.5	7,453.5	7,453.5	-	0.0%	-	0.0%
h) Net profit (loss) for the period	332.7	2,051.8	235.7	(1,719.1)	-83.8%	97.0	41.2%
Non-controlling interests	0.6	0.7	0.9	(0.1)	-14.3%	(0.3)	-33.3%
Shareholders' equity of the Group and Non-controlling interests	**10,307.7**	**9,979.2**	**8,129.8**	**328.5**	**3.3%**	**2,177.9**	**26.8%**

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 with Common Equity Tier 1 capital in addition to the overall capital requirement (OCR). Failing to comply with this capital guideline is not, at any rate, equivalent to failing to comply with the capital requirements.

Lastly, it should be noted that as of 1 January 2019, the Capital Conservation Buffer (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 31 March 2024:

- CET1 Ratio of 8.56%;
- Tier 1 Ratio of 10.58%
- Total Capital Ratio of 13,27%.

These ratios include, in addition to P2R, 2.5% in terms of Capital Conservation Buffer and 0.018% in terms of Countercyclical Capital Buffer (CCyB)[9].

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 consolidated level for groups and at individual level for banks not belonging to groups.

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

As at **31 March 2024**, the Group's level of capital on a transitional basis was as shown in the following table:

[9] Calculated considering the exposure as at 31 March 2024 in the various countries in which MPS Group operates and the requirements established by the competent national authorities.

Categories/Values	31 03 2024	31 12 2023	Chg. 31 12 2023	
			Abs.	%
OWN FUNDS				
Common Equity Tier 1 (CET1)	8,659.6	8,726.7	(67.1)	-0.77%
Tier 1 (T1)	8,659.6	8,726.7	(67.1)	-0.77%
Tier 2 (T2)	1,645.9	1,680.4	(34.5)	-2.05%
Total capital (TC)	10,305.5	10,407.1	(101.6)	-0.98%
RISK-WEIGHTED ASSETS				
Credit and Counterparty Risk	36,194.9	36,047.8	147.1	0.41%
Credit valuation adjustment risk	372.8	398.2	(25.4)	-6.38%
Market risks	2,205.7	2,121.1	84.6	3.99%
Operational risk	9,699.7	9,531.9	167.8	1.76%
Total risk-weighted assets	**48,473.1**	**48,099.0**	**374.1**	**0.78%**
CAPITAL RATIOS				
CET1 capital ratio	**17.86%**	**18.14%**	**-0.28%**	
Tier1 capital ratio	**17.86%**	**18.14%**	**-0.28%**	
Total capital ratio	**21.26%**	**21.64%**	**-0.38%**	

Compared to 31 December 2023, the CET1 recorded a decrease of EUR -67 mln.

This decrease is mainly attributable to the net effect of: (i) increase in deductions related to DTAs (Deferred Tax Assets that are based on future profitability and do not arise from temporary differences); (ii) decrease in deductions from intangible assets (software) and (iii) decrease in the sterilisation of the IFRS 9 impact related to the first-time application of the accounting standard as required by EU Regulation 2017/2935, attributable to the change in the filter from 50% to 25%.

Tier 2 fell by EUR -35 mln compared to the end of December 2023, due for EUR -38 mln to the amortisation of Tier 2 subordinated instruments and for EUR +3 mln to the increase in the contribution to Tier 2 of the excess value adjustments over expected losses.

Hence, the Total Capital Ratio reflects an overall decrease in own funds of EUR -102 mln.

The RWAs recorded a slight increase compared to the values as at 31 December 2023 (EUR +0.37 bn). In particular, there was a slight increase in RWAs relating to credit and counterparty risk (EUR +0.15 bn) and operational risk (EUR 0.17 bn), while market risks remained substantially stable.

With regard to capital ratios, the CET1 capital ratio stood at 17.9% as at 31 March 2024 (compared to 18.1% as at 31 December 2023) and the Total Capital Ratio was 21.3% (compared to 21.6% as at 31 December 2023). The same ratios, in the case of calculation of the profit for the first quarter and considering the pro-rata deduction of the 2024 dividend, would be 18.2% and 21.6%, respectively.

As at 31 March 2024, the Parent Company, on a consolidated basis, meets all capital requirements, including those related to the P2G.

As at 31 March 2024 the Group, on a transitional basis, has a 6.7% leverage ratio, higher than the regulatory minimum of 3%.

MREL Capacity

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

With the letter of 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").

As at 1 January 2024, the Parent Company must comply, on a consolidated basis, with an MREL for 24.07% in terms of TREA, to which the Combined Capital Reserve Requirement (CBR) of 2.52%[10] must be added, as well as 6.05% in terms of LRE. 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 31 March 2024, the Group had values higher than the set out requirements:

- an MREL capacity of 28.86% in terms of TREA and 10.76% in terms of LRE ("Leverage Ratio Exposure Measure"); and
- an MREL subordination capacity of 21.63% in terms of TREA and 8.07% 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.

[10]The CBR includes the Capital Conservation Buffer of 2.5% and the Countercyclical Capital Buffer of 0.018% as at 31 March 2024.

Disclosure on risks

Main risks and uncertainties

Detailed information on the risks and uncertainties to which the Group is exposed is provided in the Consolidated Financial Statements as at 31 December 2023, to which reference is made.

Exposure to sovereign debt risk

Below is a breakdown of the Group's exposure to sovereign debt risk in government bonds, loans and credit derivatives as at 31 March 2024.

The exposure is broken down by accounting categories.[11]

COUNTRY	DEBT SECURITIES					LOANS	CREDIT DERIVATIVES
	Financial assets measured at fair value through profit or loss		Financial assets measured at fair value through other comprehensive income		Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets held for trading
	Nominal	Fair value=book value	Nominal	Fair value=book value	Book value	Book value	Nominal
Argentine	0.4	-	-	-	-	-	-
Belgium	-	-	8.0	3.5	-	-	-
France	-	-	5.0	2.0	10.9	-	-
Italy	-	-	1,718.9	1,595.1	8,029.3	1,667.4	2,066.3
Mexico	0.1	0.1	15.0	11.9	-	-	-
Peru	-	-	2.0	1.6	-	-	-
Portugal	0.3	0.2	19.7	11.3	3.0	-	-
Romania	-	-	30.0	25.3	-	-	-
Spain	1.2	1.1	-	-	723.8	-	-
United States	-	-	46.2	36.9	-	-	-
South Africa	-	-	5.0	5.0	-	-	-
Total 31 03 2024	**2.0**	**1.4**	**1,849.8**	**1,692.6**	**8,767.0**	**1,667.4**	**2,066.3**
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 31 March 2024, the residual duration of the exposures to the most significant component of sovereign debt (Italian government bonds) was 8.55 years.

[11] It should be noted that "financial assets designated at fair value through profit or loss" are shown net of short positions on debt securities (cash receivables included in financial liabilities held for trading).

Main types of legal, employment and tax risks

As at 31 March 2024, the following were pending:

- legal proceedings with relief sought, where quantified, totalling EUR 3.556,4 mln;
- out-of-court claims with relief sought, where quantified, totalling EUR 54.1 mln;
- risks associated with contractual guarantees with relief sought, where quantified, of EUR 299.4 mln.

These amounts, in accordance with IAS 37, include all disputes, out-of-court claims and contractual risks for which the risk of economic resources disbursement deriving from potential loss has been assessed as possible or probable and, therefore, do not include those for which the risk has been assessed as remote. The aforementioned risks were specifically and carefully analysed by the Group, particularly where 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 information available at the time. The complexity of corporate situations and transactions underlying the disputes imply significant elements of judgment that may affect both the "whether" and the "quantity" and the relative timing of manifestation 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

As at 31 March 2024, the following were pending:

- legal disputes with a total relief sought, where quantified, of EUR 3,452.3 mln. In particular:
  - approx. EUR 1,642.1 mln as relief sought regarding disputes for which there is a "likely" risk of losing the case, for which provisions of EUR 450.8 mln have been allocated;
  - approximately EUR 1,810.2 mln as relief sought attributable to disputes for which there is a "potential" risk of losing the case;
- out-of-court claims for a total relief sought, where quantified, of approximately EUR 54.1 mln, of which EUR 42.5 mln classified with a "likely" risk of losing the case and EUR 11.6 mln with a "possible" risk of losing the case.

The main information of the cases that have the greatest relevance by macro-category and the significant developments that occurred in the first quarter of the individually significant disputes is illustrated below, with reference made to the Notes to the 2023 Consolidated Financial Statements for previous periods and the precise indication of the individual relevant cases.

Disputes regarding compound interest, interest rates and conditions

For this type of dispute, provisions for risks of EUR 93.1 mln (against a total relief sought of EUR 220.8 mln), compared to EUR 97.9 mln as at 31 December 2023 (against a relief sought of EUR 227.7 mln).

Dispute regarding bankruptcy rescindments

The provisions for risks recognised for this type of dispute as at 31 March 2024 amounted to EUR 15.2 mln (total relief sought of EUR 45.5 mln), compared to EUR 17.0 mln as at 31 December 2023 (against a relief sought of EUR 52.6 mln).

Derivative litigation

The total relief sought in these disputes as at 31 December 2023 was EUR 122.0 mln (EUR 124.2 mln as at 31 December 2023), while allocated provisions totalled EUR 43.9 mln (a decrease of EUR 45.5 mln compared to 31 December 2023).

Dispute with purchasers of subordinated bonds issued by Group companies

The total relief sought in these disputes as at 31 March 2024 was EUR 33.1 mln (EUR 34.7 mln as at 31 December 2023), while allocated provisions amounted to EUR 14.6 mln (a decrease of EUR 0.9 mln compared to 31 December 2023).

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

As at 31 March 2024, the Parent Company is exposed to civil actions, to the consequences of decisions arising from criminal proceedings (955/16 and 33714/16) 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 1,326 mln, broken down as follows (data in EUR mln):

Type of dispute	31 03 2024	31 12 2023
Civil dispute	670	685
Filed civil claim cp 955/16	160	160
Filed civil claim cp 33714/16	495	495
Total legal proceedings	**1,325**	**1,340**

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

The case is currently pending before the Court of Cassation, in detail with a ruling published on 9 November 2023, the Court of Appeal of Milan rejected the claims of the Funds and the cross-appeals in their entirety, while the appeals of Banca MPS and the other defendants were upheld. On 9 January 2024, the Funds filed an appeal before the Court of Cassation.

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

Criminal proceeding no. 955/16

On 11 December 2023, the Court of Appeal of Milan overturned the first instance ruling that had sentenced all the defendant natural persons and the Parent Company pursuant to Italian Legislative Decree 231/01. 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.

At the request of the Judge-Rapporteur, the Chairperson of the Court of Appeal of Milan granted a postponement of the filing of the grounds of the judgment, scheduled for 11 March 2024, for a further 90 days. The new filing deadline is therefore 8 June 2024.

Only after the grounds of the judgment have been filed, will it be known whether the Public Prosecutor intends to challenge the verdict before the Court of Cassation.

Criminal proceedings no. 33714/16

At the hearing of 22 April 2024, the Judge for the Preliminary Hearing read the order concerning the issues on civil action, ordering the exclusion mainly for formal defects of almost 300 civil parties with a relief sought, where quantified, of approximately EUR 13 mln.

At the same hearing, the Bank's defence also raised the preliminary issues concerning the nullity and unusability of the expert's report, to which the Public Prosecutors replied, requesting the rejection thereof, a request joined by all the civil parties.

The judge reserved his decision and adjourned the hearing to 30 May 2024 as scheduled.

Other disputes

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

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

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

The first instance trial before the Court of Caltanissetta is still pending, at the hearing of 17 April 2024 the cross-examination of witnesses did not take place due to the death of one of them. By order of 22 April 2024, the Judge rejected the request for substitution of the aforementioned deceased witness submitted by the opposing party and any other preliminary investigation requested by the 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 appeal is still pending before the Rome Court of Appeal after being filed on 5 December 2023 by EUR S.p.A. against the first instance ruling. The first hearing is scheduled for 3 March 2025. Negotiations are underway between the parties for the settlement of the dispute.

Banca Monte dei Paschi di Siena S.p.A. vs. Impresa S.p.A. in extraordinary administration

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.

2. Employment law disputes

As at 31 March 2024, tax disputes were pending for which the total relief sought, where quantified, was equal to approximately EUR 62.1 mln. In particular:

- approx. EUR 42.7 mln in relief sought for disputes for which there is a "likely" risk of losing the case, for which provisions of about EUR 32.9 mln have been made;
- approx. EUR 19,4 mln as relief sought for disputes for which there is a "potential" risk of losing the case.

3. Tax disputes

As at 31 March 2024, tax disputes were pending for which the total relief sought, where quantified, was equal to approximately EUR 42.0 mln. In particular:

- approx. EUR 17.5 mln as relief sought regarding disputes for which there is a "likely" risk of losing the case, for which provisions of approx. EUR 17.1 mln have been made;
- approx. EUR 24,5 mln as relief sought for disputes for which there is a "potential" risk of losing the case.

Compensation for transactions in diamonds

By 31 March 2024, more than twelve thousand requests were received for a total countervalue of approximately EUR 318 mln, almost all of which were completed (approx. EUR 0.3 mln of which in the first three months of 2024), covered for the countervalue net of the market value of the stones from the provision for risks and charges set aside in previous financial years. As at 31 March 2024, the transactions completed represented 92.3% of the total volume of diamond offers reported by the Parent Company. Residual provisions for risks and charges recognised against the compensation initiative amounted to EUR 2.5 mln at the end of March 2024. As at the same date, the stones returned were recognised for a total value of EUR 62,7 mln.

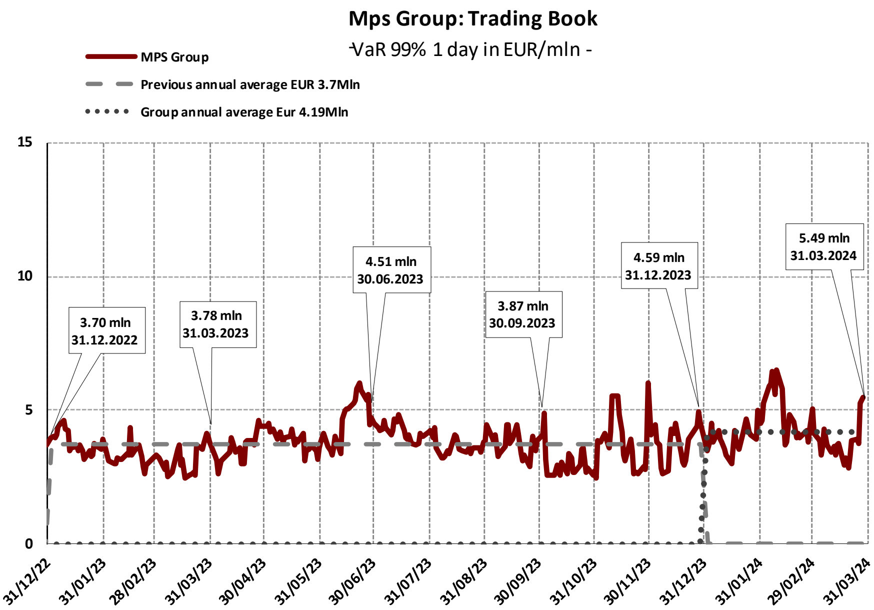
Market risks

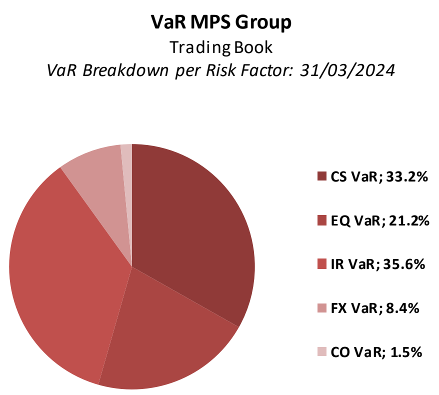
The market risks of the Group's Regulatory Trading Book, measured as VaR, amounted to EUR 5.49 mln as at 31 March 2024, an increase over the end of 2023 (EUR 4.59 mln) and the average for the year (EUR 4.19 mln). VaR volatility resulted from auctions on Italian government bonds for primary dealer activities, with temporary changes in the overall Italy's credit spread risk exposure, primarily short term.

During the first three months of the year, VaR trends in the Group trading books were affected the proprietary trading activities of the Parent Company in the Credit Spread – Interest Rate segment (transactions in Italian government bonds and hedges based on swaps and long futures) and, to a lesser extent, by Client Driven activities in the Equity segment related to the structuring of bancassurance products.

As at 31 March 2024, the entire segment of securities measured at amortised cost, with related hedges, has an interest rate sensitivity of approximately EUR -2 mln per bps, of which EUR -1.75 mln per bps for the Italian government segment alone, in addition to a sensitivity to the Italian credit spread of approximately EUR -5.39 mln per bps. At the same date, the entire government sector saw an implicit loss of EUR 521.8 mln, of which EUR 428.9 mln for Italian government securities alone. For positions in FVOCI securities, with related accounting hedges, there is an interest rate sensitivity of approximately EUR -0.61 mln per bps, of which EUR -0.41 mln per bps for the Italian government segment. The sensitivity to the Italian credit spread for this accounting category amounts to approximately EUR -0.48 mln per bps.

In the first three months of the year, the average holding of Italian sovereign bonds in the Group's trading portfolios was low (EUR 0.12 bn in nominal terms), lower than the average figure for 2023 (EUR 0.39 bn).





The breakdown of the VaR shows that IR is the main risk factor, accounting for 35.6% of the Group's PNV Gross VaR, immediately followed by CS at 33.2%, EQ at 21.2%, FX at 8.4% and CO at 1.5%.

Mps Group

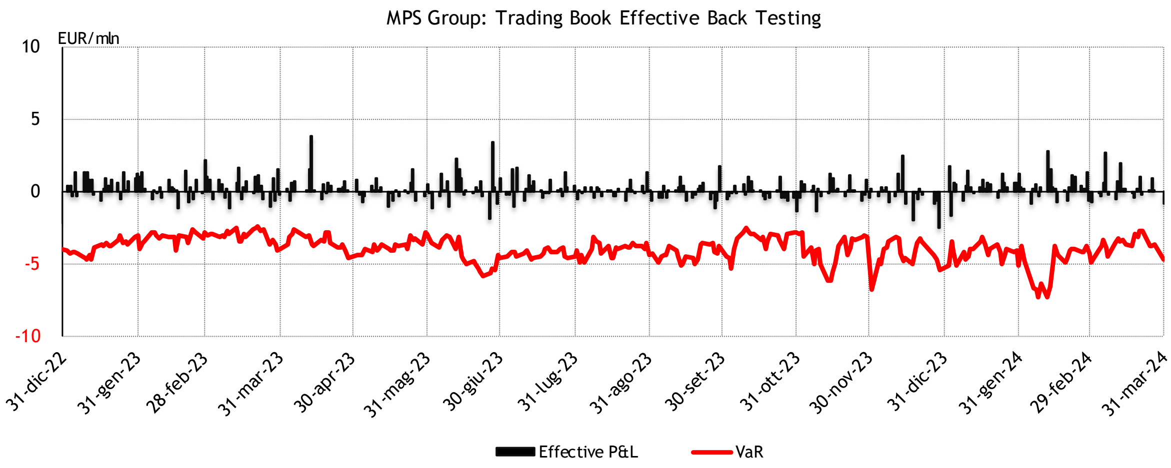
VaR PNV 99% 1 day in EUR/mln

	VaR	Data
End of period	5.49	28/03/2024
Minimum	2.83	20/03/2024
Maximum	6.49	09/02/2024
Average	4.19	

During the first quarter of 2024, the VaR of the Group's Regulatory Trading Book fluctuated between a low of EUR 2.83 mln on 20 March 2024 and a high of EUR 6.49 mln on 9 February 2024, with an average value of EUR 4.19 mln. The Regulatory Trading Book VaR as at 31 March 2024 amounted to EUR 5.49 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 quarter of 2024:



No exceptions were noted in the first quarter of 2024.

Results by Operating Segment

Identification of Operating Segments

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

It should be noted that the financial results for the first quarter of 2024, as well as the number of customers as at 31 March 2024, 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, please 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 31 March 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.

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), Foreign Branche, the merged entity MPS Leasing & Factoring S.p.A. (for the first half of 2023) and the foreign bank MP Banque;
- ***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;
  - 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 reports the main income statement and balance sheet aggregates that characterised the Group's operating segments as at 31 March 2024:

SEGMENT REPORTING	Operating Segments								Corporate Center		Total MPS Group	
Primary segment	Retail banking		Wealth Management		Corporate Banking		Large Corp. & Investment Banking					
(EUR mln)	31/03/24	Chg % Y/Y	31/03/24	Chg % Y/Y	31/03/24	Chg % Y/Y	31/03/24	Chg % Y/Y	31/03/24	Chg % Y/Y	31/03/24	Chg % Y/Y
PROFIT AND LOSS AGGREGATES												
Total Revenues	604.4	42.8%	47.9	18.5%	338.2	16.7%	93.8	39.6%	(71.6)	n.m.	1,012.8	15.2%
Operating expenses	(288.0)	-0.4%	-28.8	4.7%	-102.4	2.7%	-18.1	-20.4%	(24.7)	-3.5%	(462.0)	-0.6%
Pre Provision operating Profit	316.5	n.m.	19.1	47.8%	235.8	24.0%	75.7	70.5%	(96.3)	n.m.	550.8	32.9%
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(47.2)	n.m.	0.3	n.m.	-31.3	-38.9%	-14.4	83.9%	(13.9)	-62.5%	(106.5)	0.7%
Net Operating Income	269.2	n.m.	19.4	n.m.	204.5	47.3%	61.3	67.6%	(110.2)	n.m.	444.3	44.0%
	31/03/24	Chg. % 31/12	31/03/24	Chg. % 31/12	31/03/24	Chg. % 31/12	31/03/24	Chg. % 31/12	31/03/24	Chg. % 31/12	31/03/24	Chg. % 31/12
BALANCE SHEET AGGREGATES												
Gross Interest-bearing loans to customers (*)	32,020	-0.1%	479	-7.9%	31,486	1.7%	3,955	0.3%	11,297	11.2%	79,237	2.1%
Direct funding	43,405	0.2%	2,747	4.7%	22,030	1.7%	3,197	-1.8%	21,339	7.9%	92,718	2.3%
Indirect Funding	59,184	3.6%	15,723	2.4%	6,318	6.9%	8,526	6.9%	10,335	-1.3%	100,086	3.3%
Assets under management	*45,250*	*2.4%*	*10,556*	*1.6%*	*1,888*	*0.3%*	*37*	*0.6%*	*380*	*-4.2%*	*58,112*	*2.2%*
Assets under custody	*13,934*	*7.6%*	*5,168*	*4.0%*	*4,429*	*10.0%*	*8,489*	*7.0%*	*9,955*	*-1.2%*	*41,974*	*5.0%*

(*) The value shown in the Group as well as that in the operating segments is represented by Gross Interest-Bearing Loans to Customers, therefore not including loss provisions.

Retail Banking

Business areas

Retail MPS

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

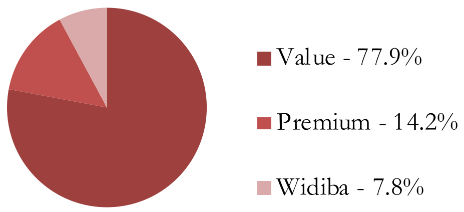
Banca Widiba

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

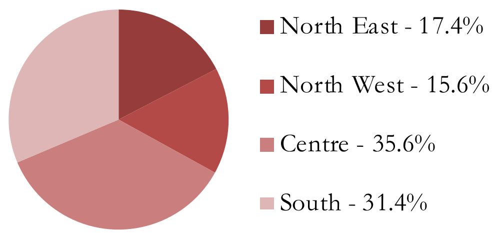
Customers

Retail Banking customers number approximately 3.4 mln and include approximately 247,000 exclusive customers of Banca Widiba. The total number of Banca Widiba customers, including those shared with the Parent Company, is approximately 270,100, of which approximately 108,900 on the Financial Advisor Network channel, approximately 112,000 on the Self-service channel, and approximately 49,200 customers migrated from the MPS branch network.

Breakdown by type



Breakdown by geography

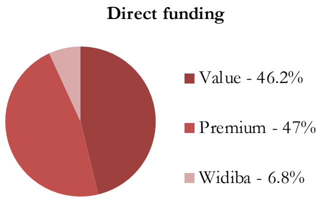


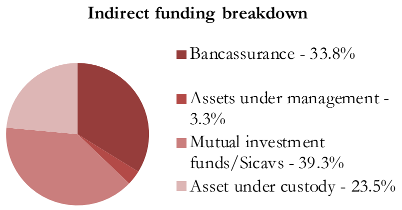
Income statement and balance sheet results

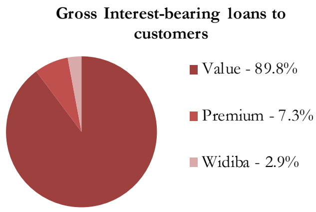
As at 31 March 2024, **Total Funding** for Retail Banking amounted to approximately **EUR 102.6 bn**, up by EUR 2.1 bn from the end of 2023 and roughly EUR 5.7 bn compared to the levels at March 2023. More specifically:

- **Direct Funding** amounting to **EUR 43.4 bn**, was stable compared to 31 December 2023, as a result of the remix between the on-demand component (EUR -0.4 bn), medium/long-term technical forms (EUR -0.3 bn) and short-term funding (EUR +0.8 bn). The aggregate recorded a decrease in comparison with 31 March 2023 (EUR -0.6 bn), as a result of the decline in sight deposits (EUR -1.3 bn) and medium/long-term deposits (EUR -1.6 bn), only partially offset by the growth in short-term deposits (EUR +2.4 bn);
- **Indirect Funding**, amounting to **EUR 59.2 bn**, increased by EUR 2.1 bn compared to levels at the end of December 2023, thanks to the growth in assets under custody (EUR +1.0 bn) and assets under management (EUR +1.1 bn). The aggregate was also up compared to 31 March 2023 (EUR +6.3 bn), both on the asset management component (EUR +2.0 bn) and on the assets under custody component (EUR +4.3 bn);
- **Gross Interest-Bearing Loans to Retail Banking Customers** amounted to **EUR 32.0 bn**, in line with December 2023 and down from 31 March 2023 (EUR -0.6 bn).

RETAIL BANKING - BALANCE SHEET AGGREGATES							
(Eur mln)	31 03 2024	31 12 2023	31 03 2023	Chg. abs. Q/Q	Chg. % Q/Q	Chg. abs Y/Y	Chg. % Y/Y
Direct funding	**43,405**	**43,320**	**44,007**	**85**	**0.2%**	**(601)**	**-1.4%**
Assets under management	*45,250*	*44,176*	*43,240*	*1,074*	*2.4%*	*2,010*	*4.6%*
Assets under custody	*13,934*	*12,953*	*9,667*	*980*	*7.6%*	*4,266*	*44.1%*
Indirect Funding	**59,184**	**57,129**	**52,907**	**2,055**	**3.6%**	**6,277**	**11.9%**
Total Funding	**102,589**	**100,450**	**96,914**	**2,140**	**2.1%**	**5,676**	**5.9%**
Gross Interest-bearing loans to customers	**32,020**	**32,044**	**32,604**	**(24)**	**-0.1%**	**(584)**	**-1.8%**







With regard to profit and loss, as at 31 March 2024, Retail Banking achieved total **Revenues** of approx. **EUR 604 mln**, up by 42.8% compared to the first quarter of 2023. A breakdown of the aggregate shows:

- Net Interest Income amounted to approx. EUR 355 mln, up by EUR 157 mln compared to 31 March 2023, driven by the increased contribution of collection;
- Net Fee and Commission Income equal to EUR 238 mln, up by 12.5% compared to the corresponding period of the previous year;
- Other Income from Banking and Insurance Business amounted to approximately EUR 13 mln, down by EUR 1 mln compared to the corresponding period of the previous year.

Considering the impact of Operating Expenses, which were down by 0.4% compared to the previous year, Retail Banking generated a **Gross Operating Income** of about **EUR 316 mln** (about EUR 134 mln at 31 March 2023). Cost of Credit totalled **EUR -47 mln** (EUR -5 mln as at 31 March 2023).

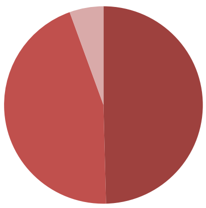
The **Net Operating Result** as at 31 March 2024 was **positive, amounting to EUR 269 mln**.

The non-operating components amounted to EUR -5 mln (equal to EUR -0.9 mln as at 31 March 2023).
The **Result before Tax from Continuing Operations** was **EUR 265 mln** (EUR +128 mln as at 31 March 2023).

The ***cost-income ratio*** of the Operating Segment is **47.6%** (68.3% as at 31 March 2023).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	31 03 2024	31 03 2023	Abs.	%
Net interest income	*354.6*	*197.9*	*156.7*	*79.2%*
Net fee and commission income	*237.7*	*211.2*	*26.5*	*12.5%*
Other Revenues from Banking and Insurance Business	*12.9*	*14.4*	*(1.5)*	*-10.3%*
Other operating expenses/income	*(0.8)*	*(0.2)*	*(0.6)*	*n.m.*
Total Revenues	**604.4**	**423.3**	**181.1**	**42.8%**
Operating expenses	*(288.0)*	*(289.0)*	*1.0*	*-0.4%*
Pre Provision Operating Profit	**316.5**	**134.3**	**182.1**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(47.2)	(5.0)	(42.2)	n.m.
Net Operating Income	**269.2**	**129.3**	**139.9**	**n.m.**
Non-operating components	**(4.5)**	**(0.9)**	**(3.7)**	**n.m.**
Profit (loss) before tax from continuing operations	**264.7**	**128.5**	**136.2**	**n.m.**

Breakdown of revenues



Results for the subsidiary

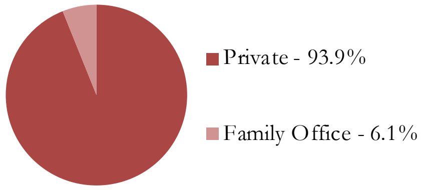
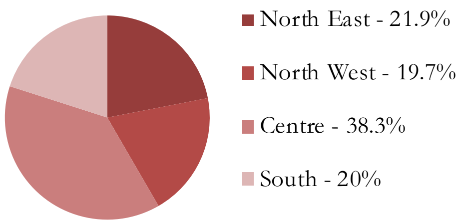
Banca Widiba S.p.A.: as at 31 March 2024, **Total Funding** of Banca Widiba amounting to around **EUR 10.2 bn**, up by EUR +0.4 bn compared to 31 December 2023 (concentrated on Indirect Inflows benefiting from positive net funding inflows of around EUR +112 mln and favourable financial market effects of around EUR 250 mln) and by around EUR +1.1 bn compared to 31 March 2023.

With regard to economic results, as at 31 March 2024 Banca Widiba realised **Total Revenues** of **EUR 33.4 mln**, a slight increase of EUR 0.5 mln (+1.7%) compared to the same period of the previous year, due to a slight increase in Net Interest Income (EUR +0.8 mln), while Net Fee and Commission Income of EUR 5.0 mln remained substantially at the same levels of the first quarter of the previous year, highlighting a sharp rise in gross commission income on Indirect Inflows offset by higher commission expense on the Financial Advisor Network.

Gross Operating Income stood at **EUR 18.7 mln** (up by EUR 3.3 mln, +22%), absorbing the figure of Operating Expenses (EUR 14.7 mln in the quarter, down by EUR 2.8 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 0.4 mln, lower by EUR 0.4 mln compared to March 2023, **Net Operating Income** was **EUR 18.3 mln,** an increase of EUR 3.7 mln compared to the first quarter of the previous year.

Non-operating items absorb provisions of EUR 0.7 million on certain items of the provision for risks and charges, EUR 0.6 million for charges related to the Eurovita transaction, and EUR 4.0 million for DGS charges. As a result of 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 13.0 mln**, slightly down (EUR -0.7 mln) compared to the first quarter of the previous year.

Wealth Management

<table>
<tr><th>Business areas</th><th>Customers</th></tr>
<tr><td rowspan="3">Funding, lending, provision of insurance products, financial and non-financial services to private customers.
Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on not strictly financial services (tax planning, real estate, art & legal advisory).
Fiduciary and trust services (through the subsidiary MPS Fiduciaria).</td><td>There are around 35,600 private customers.</td></tr>
<tr><td>Breakdown by type

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

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

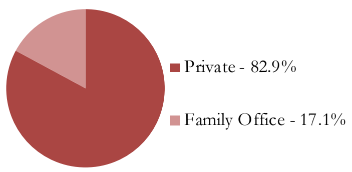
Income statement and balance sheet results

As at 31 March 2024, **Total Funding** from Wealth Management amounted to **EUR 18.5 bn**, up by EUR 0.5 bn compared to 31 December 2023 and up by EUR 0.7 bn compared to 31 March 2023. More specifically:

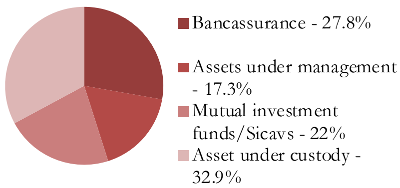
- **Direct Funding** was equal to **EUR 2.7 bn**, slightly up on December 2023 levels (EUR 0.1 bn) and stable compared to 31 March 2023;
- **Indirect Funding**, stood at **EUR 15.7 bn**, up by EUR 0.4 bn compared to 31 December 2023, due to the increase in both assets under custody (EUR +0.2 bn) and assets under management (EUR +0.2 bn) and by EUR 0.7 bn compared to the first quarter of 2023 thanks to assets under custody, which rose by EUR 0.9 bn, while assets under management fell by EUR 0.3 bn;
- **Gross Interest-Bearing Loans to Customers** were essentially in line with both 31 December 2023 and the end of 2023, standing at **EUR 0.5 bn**.

WEALTH MANAGEMENT - BALANCE SHEET AGGREGATES							
(EUR mln)	31 03 2024	31 12 2023	31 03 2023	Chg Abs Q/Q	Chg % Q/Q	Chg Abs Y/Y	Chg % Y/Y
Direct funding	**2,747**	**2,623**	**2,702**	**124**	**4.7%**	**44**	**1.6%**
Assets under management	*10,556*	*10,394*	*10,812*	*161*	*1.6%*	*(256)*	*-2.4%*
Assets under custody	*5,168*	*4,967*	*4,241*	*200*	*4.0%*	*927*	*21.9%*
Indirect Funding	**15,723**	**15,362**	**15,053**	**362**	**2.4%**	**671**	**4.5%**
Total Funding	**18,470**	**17,985**	**17,755**	**485**	**2.7%**	**715**	**4.0%**
Gross Interest-bearing loans to customers	**479**	**519**	**568**	**(41)**	**-7.9%**	**(89)**	**-15.7%**

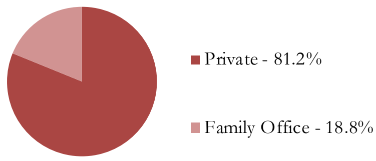
Direct funding



Indirect funding breakdown



Gross Interest-bearing loans to customers



With regard to profit and loss, Wealth Management achieved total **Revenues** of approx. **EUR 48 mln** as at 31 March 2024, up 18.5% compared to the same period of last year. A breakdown of the aggregate shows:

- Net Interest Income amounted to approx. EUR 15 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 approximately EUR 30 mln, down by 6.8% compared to 31 March 2023;
- Other Income from Banking and Insurance Business amounted to EUR 3 mln, down by EUR 1 mln YoY.

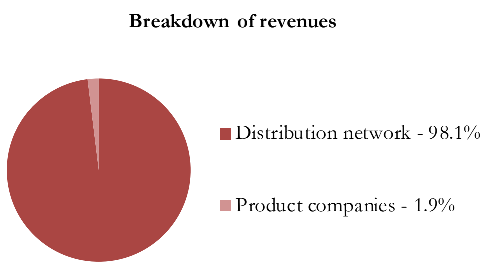
Considering the impact of operating expenses, which were up by 4.7% compared to the previous year, Wealth Management generated a **Gross Operating Income** of about **EUR 19 mln** (about EUR 13 mln at 31 March 2023). Including Cost of Credit equal to EUR 0.3 mln, the **Net Operating Income** totalled **EUR 19 mln.**

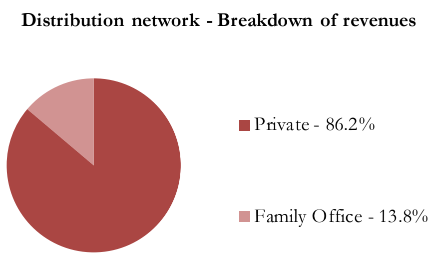
The non-operating components, equal to EUR +0.1 mln, were stable compared to 31 March 2023.

The **Result before Tax from Continuing Operations** was **EUR 19 mln** (EUR 8 mln as at 31 March 2023).

The ***cost-income ratio*** of the Operating Segment is **60.1%** (68.0% in the first quarter of 2023).

WEALTH MANAGEMENT - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR men)	31 03 2024	31 03 2023	Abs.	%
Net interest income	*15.1*	*8.7*	*6.4*	*73.0%*
Net fee and commission income	*29.9*	*28.0*	*1.9*	*6.8%*
Other Revenues from Banking and Insurance Business	*3.0*	*3.7*	*(0.7)*	*-19.7%*
Other operating expenses/income	*(0.1)*	*(0.0)*	*(0.1)*	*n.m.*
Total Revenues	**47.9**	**40.4**	**7.5**	**18.5%**
Operating expenses	*(28.8)*	*(27.5)*	*(1.3)*	*4.7%*
Pre Provision Operating Profit	**19.1**	**12.9**	**6.2**	**47.8%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	0.3	(4.5)	4.8	n.m.
Net Operating Income	**19.4**	**8.4**	**11.0**	**n.m.**
Non-operating components	**0.1**	**0.1**	**0.0**	**-5.6%**
Profit (loss) before tax from continuing operations	**19.5**	**8.5**	**11.0**	**n.m.**



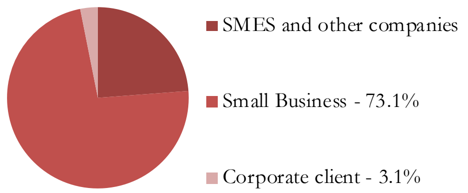


Results for the subsidiary

MPS Fiduciaria: as at 31 March 2024, the subsidiary achieved a profit of EUR 0.1 mln (EUR 0.2 mln as at 31 March 2023).

Corporate Banking

Corporate Banking includes the income statement/balance sheet results of corporate customers (SME, Corporate Client and small business segments), Foreign Branches, the merged entity MPS Leasing & Factoring (for the first half year of 2023) and the foreign bank MP Banque;

<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 117,400 Corporate customers of the Parent Company, directly followed by Corporate Banking.</td></tr>
<tr><td>Breakdown by type

</td></tr>
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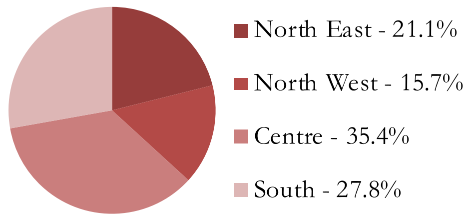
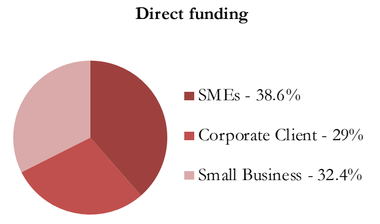
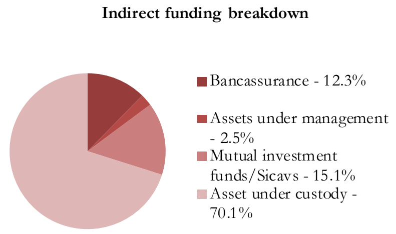

</td></tr>
</table>

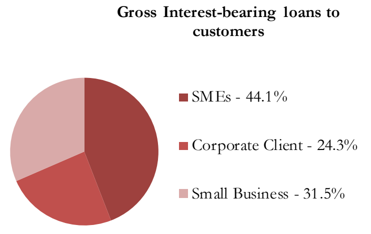
Income statement and balance sheet results

Total Funding from Corporate Banking as at 31 March 2024 amounted to **EUR 28.3 bn**, up compared to 31 December 2023 (EUR +0.8 bn), due to the increase in Direct Funding (EUR +0.4 bn) and Indirect Funding (EUR +0.4 bn). The aggregate was also up compared to March 2023 (EUR +3.7 bn), as a result of the increase in Direct Funding (EUR +2.8 bn) and, in part, in Indirect Funding (EUR +0.9 bn).
With regard to lending, as at 31 March 2024, **Gross Interest-Bearing Loans to Corporate Banking Customers** stood at approximately **EUR 31.5 bn**, up compared to 31 December 2023 (EUR +0.5 bn) but down compared to 31 March 2023 (EUR -0.5 bn).

CORPORATE BANKING - BALANCE SHEET AGGREGATES							
(EUR mln)	31 03 2024	31 12 2023	31 03 2023	Chg abs Q/Q	Chg % Q/Q	Chg abs Y/Y	Chg % Y/Y
Direct funding	**22,030**	**21,660**	**19,207**	**370**	**1.7%**	**2,823**	**14.7%**
Assets under management	*1,888*	*1,883*	*2,064*	*5*	*0.3%*	*(175)*	*-8.5%*
Assets under custody	*4,429*	*4,026*	*3,330*	*403*	*10.0%*	*1,100*	*33.0%*
Indirect Funding	**6,318**	**5,910**	**5,393**	**408**	**6.9%**	**924**	**17.1%**
Total Funding	**28,348**	**27,570**	**24,601**	**778**	**2.8%**	**3,747**	**15.2%**
Gross Interest-bearing loans to customers	**31,486**	**30,956**	**31,957**	**530**	**1.7%**	**(470)**	**-1.5%**







For profit and loss aggregates, as at 31 March 2024, Corporate Banking **Revenues** came to **EUR 338 mln** (+16.7% compared to the previous year). A breakdown of the aggregate shows:

- Net Interest Income was EUR 233 mln, up EUR 46 mln YoY mainly due to the higher contribution of funding;
- Net Fee and Commission Income amounted to EUR 102 mln, increased compared to the same period last year (+3.1%);
- Other Income from Banking and Insurance Business were equal to EUR 5 mln, slightly down compared to the levels recorded in the first quarter of 2023.

Considering the impact of Operating Expenses, up by 2.7% compared to the same period of the previous year, **Gross Operating Income** amounted to **EUR 236 mln** (about EUR 190 mln at 31 March 2023).

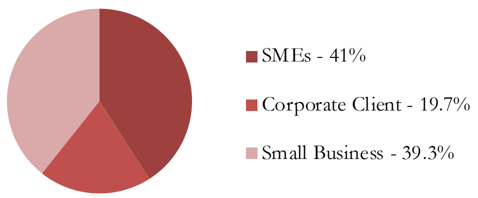
The **Net Operating Income** stood at **EUR 204 mln** (EUR 139 mln as at 31 March 2023) against a Cost of Credit of EUR -31 mln (compared to EUR -51 mln as at 31 March 2023).
The non-operating components amounted to EUR 3 mln, compared to EUR -4 mln in the first quarter of 2023.

The **Result before Tax from Continuing Operations** was **EUR 207 mln** (EUR 135 mln as at 31 March 2023).

The Corporate Banking ***cost-income ratio*** stood at **30.3%** (34.4% as at 31 March 2023).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	31 03 2024	31 03 2023	Abs.	%
Net interest income	*232.9*	*186.8*	*46.1*	*24.7%*
Net fee and commission income	*101.9*	*98.8*	*3.1*	*3.1%*
Other Revenues from Banking and Insurance Business	*5.5*	*5.7*	*(0.2)*	*-3.3%*
Other operating expenses/income	*(2.0)*	*(1.3)*	*(0.7)*	*50.8%*
Total Revenues	**338.2**	**289.9**	**48.4**	**16.7%**
Operating expenses	*(102.4)*	*(99.7)*	*(2.7)*	*2.7%*
Pre Provision Operating Profit	**235.8**	**190.1**	**45.7**	**24.0%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(31.3)	(51.3)	20.0	-38.9%
Net Operating Income	**204.5**	**138.9**	**65.6**	**47.3%**
Non-operating components	**2.9**	**(3.7)**	**6.6**	**n.m.**
Profit (loss) before tax from continuing operations	**207.3**	**135.2**	**72.2**	**53.4%**

Distribution network - Breakdown of revenues



Results of the main subsidiaries

- **MP Banque[12]:** profit of approximately EUR 4.9 mln as at 31 March 2024 compared to a profit of approximately EUR 3.6 mln posted in the first quarter of 2023.

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

Large Corporate & Investment Banking

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 1,030 Large Group customers of the Parent Company are directly supported by Large Corporate & Investment Banking.

Income statement and balance sheet results

Total Funding from Large Corporate & Investment Banking as at 31 March 2024 amounted to EUR 11.7 bn, an increase of EUR 0.5 bn compared to 31 December 2023, mainly due to the increase in indirect funding (EUR +0.6 bn). The aggregate was also up compared to March 2023 (EUR +1.6 bn), as a result of the increase in Direct Funding (EUR +1.3 bn) and, in part, in Indirect Funding (EUR +0.3 bn).
With regard to lending, as at 31 March 2024, **Gross Interest-Bearing Loans to Large Corporate & Investment Banking Customers** stood at **EUR 4.0 bn**, stable compared to 31 December 2023 and down by EUR 2.0 bn compared to 31 March 2023.

Large Corporate and Investment Banking - BALANCE SHEET AGGREGATES

(EUR mln)	31 03 2024	31 12 2023	31 03 2023	Chg Abs Q/Q	Chg % Q/Q	Chg Abs Y/Y	Chg % Y/Y
Direct funding	**3,197**	**3,257**	**1,929**	**(60)**	**-1.8%**	**1,268**	**n.m.**
Assets under management	*37*	*37*	*37*	*0*	*0.6%*	*0*	*0.6%*
Assets under custody	*8,489*	*7,935*	*8,196*	*554*	*7.0%*	*293*	*3.6%*
Indirect Funding	**8,526**	**7,972**	**8,233**	**554**	**6.9%**	**293**	**3.6%**
Total Funding	**11,723**	**11,229**	**10,162**	**494**	**4.4%**	**1,560**	**15.4%**
Gross Interest-bearing loans to customers	**3,955**	**3,942**	**5,943**	**13**	**0.3%**	**(1,988)**	**-33.4%**

For profit and loss aggregates, as at 31 March 2024, Large Corporate and Investment Banking **Revenues** came to **EUR 94 mln** (+39.6% compared to the corresponding period of 2023). A breakdown of the aggregate shows:

- Net Interest Income amounted to EUR 43 mln, up by EUR 14 mln YoY;
- Net Fee and Commission Income was up 69.9% compared to the first quarter of 2023, standing at EUR 23 mln;
- Other Revenues from Banking and Insurance Business amounted to EUR 28 mln, up compared to the same period of the previous year (EUR 24 mln), thanks to the positive trend recorded for finance activities by the merged entity MPS Capital Services.

Considering the impact of Operating Expenses, down by 20.4% compared to 31 March 2023, **Gross Operating Income** amounted to **EUR 76 mln** (EUR 44 mln as at 31 March 2023).

The **Net Operating Income** stood at **EUR 61 mln** (EUR 37 mln as at 31 March 2023) against a Cost of Credit of approximately EUR -14 mln (compared to EUR -8 mln as at 31 March 2023).

The non-operating components were equal to approx. EUR 0.1 mln, an improvement on the EUR -11 mln recorded in the corresponding period of 2023.

The **Profit (loss) before tax from continuing operations** was **EUR 61 mln** (EUR 25 mln as at 31 March 2023).

The Large Corporate Banking & Investment **cost-income ratio** stood at **19.3%** (33.9% as at 31 March 2023).

Large Corporate & Investment Banking - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	31 03 2024	31 03 2023	Abs.	%
Net interest income	*43.1*	*29.2*	*13.9*	*47.8%*
Net fee and commission income	*22.7*	*13.4*	*9.3*	*69.9%*
Other Revenues from Banking and Insurance Business	*28.0*	*24.3*	*3.8*	*15.5%*
Other operating expenses/income	*(0.0)*	*0.4*	*(0.4)*	*n.m.*
Total Revenues	**93.8**	**67.2**	**26.6**	**39.6%**
Operating expenses	*(18.1)*	*(22.8)*	*4.7*	*-20.4%*
Pre Provision Operating Profit	**75.7**	**44.4**	**31.3**	**70.5%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(14.4)	(7.8)	(6.6)	83.9%
Net Operating Income	**61.3**	**36.6**	**24.7**	**67.6%**
Non-operating components	**0.1**	**(11.2)**	**11.2**	**n.m.**
Profit (loss) before tax from continuing operations	**61.4**	**25.4**	**36.0**	**n.m.**

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 intragroup entries and the results of the companies consolidated under the equity method and those held for sale.

With regard to Non-Performing Customers managed centrally by the Non-Performing Loans Unit, as at 31 March 2024, Gross Interest-Bearing Loans to Customers amounted to EUR 1.3 bn; the contribution to the economic results of the Corporate Centre was EUR 1 mln in Revenues, EUR -13 mln in Operating Expenses and EUR -12 mln in the Cost of Credit.

With regard to finance activities, sales of securities completed in the first quarter of 2024 amounted to EUR 939 mln, mainly classified at amortised cost; securities amounting to approximately EUR 40 mln are overdue, almost entirely classified in the portfolio of financial assets measured at fair value through other comprehensive income. Securities were repurchased as offsetting, for approximately EUR 984 mln, classified at amortised cost.

Prospects and outlook on operations

After the contraction during 2023 of credit to the private sector, in 2024, with the expected economic improvement, the decline in inflation and a more accommodative monetary policy, a return, albeit moderate, to the expansion of credit to households and a halt to the decline in credit to businesses is expected. For households, the effect of high interest rates and uncertainty about the outlook for the real estate market make demand for mortgages weak. In addition, with the reduction of the Superbonus at the beginning of the year, durable consumption related to retrofitting is expected to decrease, so the lower interest rates, higher disposable income and the positive wealth effect due to the good performance of the markets will mainly contribute to support the growth of financing. For companies, the decrease in construction investment and the slowdown in investment in machinery and equipment will lead to a modest demand for credit in the current year, however, even as interest rates begin to fall, loans may show moderate growth. 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 only over a longer period of time to the growth of employment. Credit quality, with the resilience shown so far from the loan portfolio to rising rates, is expected to remain good with only some marginal 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. The most dynamic funding component in the coming months will be bonds, which are expected to grow again at a fast pace. Indirect funding will continue to favour assets under custody in the coming months over forms of assets under management.

In addition, the reduction of banks' exposure to the Eurosystem will continue with the repayments of maturing auctions, which, however, are not expected to show 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).

The profitability of the system remains positive but is expected to slow down compared to the brilliant results of 2023, due to the expected gradual closing of the banking spread. Commissions related to asset management and intermediation in the coming months will still be affected by households' preference for government bonds, while a greater contribution is expected from the insurance and protection sector. 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, despite the prospect of lower interest rates and the increase in the cost of funding, and from the positive trend in commission income, also supported by targeted commercial initiatives in the wealth management area.

In terms of operating expenses, the rationalisation and efficiency measures aimed at limiting the impacts of inflationary dynamics on costs and the effects of the renewal of the sector National Collective Labour Agreement in November 2023 will continue.

The cost of risk in 2024 is expected to reach levels close to those of 2023, also thanks to the maintenance of high franchise standards and the continuous improvement of the monitoring process.

The capital position is expected to remain at high levels.

DECLARATION OF THE FINANCIAL REPORTING OFFICER

Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr Nicola Massimo Clarelli, declares that the accounting information contained in this Interim Report on Operations as at 31 March 2024 corresponds to the underlying documentary evidence and accounting records.

Siena, 6 May 2024

Signed by

the Financial Reporting Officer

Nicola Massimo Clarelli