Monte dei Paschi di Siena Group
Consolidated interim report
as at 30 september 2023

Interim Report on Operations
Monte dei Paschi di Siena Group
30 September 2023

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

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Introduction

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obligation for listed companies to publish interim reports on operations (as at 31 March and as at 30 September) was repealed, allowing issuers to decide on a voluntary basis whether to disclose periodic financial information in addition to the annual and half-yearly reports.

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

This Interim Report on Operations, which is not subject to limited audit requirements, provides a description of the most significant activities and results that have determined the operating performance of the Montepaschi Group as at 30 September 2023, both in regard to the Group as a whole and to the different business segments.

Results in brief

Below are the main economic and financial values of the Montepaschi Group as at 30 September 2023, compared with those for the same period of the previous year and at the end of the previous year, respectively. The Alternative Performance Measures (APMs) identified by the Directors to facilitate the understanding of the economic and financial performance of the Group's operations are also presented. The APMs, which are built using the reclassified data reported in the Reclassified Income Statement and Reclassified Balance Sheet chapters, are based on accounting data, corresponding to those used in internal performance management and management reporting systems, and consistent with the most commonly used metrics within the banking industry, thereby ensuring the comparability of reported figures. The APMs are not envisaged by the IAS/IFRS international accounting standards and, although they are calculated on financial statement data, they are not subject to 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, with the exception of some changes, 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)	30 09 2023	30 09 2022**	Chg.
Net interest income	1,687.9	1,037.2	62.7%
Net fee and commission income	986.6	1,055.7	-6.5%
Other income from banking business	125.7	163.8	-23.3%
Other operating income and expenses	4.1	24.2	-82.9%
Total Revenues	2,804.2	2,280.9	22.9%
Operating expenses	(1,357.8)	(1,601.8)	-15.2%
Cost of customer credit	(307.0)	(320.0)	-4.1%
Other value adjustments	(0.3)	1.4	n.m.
Net operating income (loss)	1,139.2	360.5	n.m.
Non-operating items	(217.0)	(1,111.4)	-80.5%
Parent company's net profit (loss) for the period	928.6	(334.4)	n.m.
EARNINGS PER SHARE (EUR)	30 09 2023	30 09 2022**	Chg.
Basic earnings per share	0.737	(35.962)	n.m.
Diluted earnings per share	0.737	(35.962)	n.m.
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	30 09 2023	31 12 2022	Chg.
Total assets*	123,192.4	120,235.3	2.5%
Loans to customers	77,981.6	76,265.3	2.3%
Direct funding	89,414.6	81,997.6	9.0%
Indirect funding	92,516.6	92,420.7	0.1%
of which: assets under management	55,751.8	57,733.6	-3.4%
of which: assets under custody	36,764.8	34,687.1	6.0%
Group net equity*	8,807.1	7,860.1	12.0%
OPERATING STRUCTURE	30 09 2023	31 12 2022	Chg.
Total headcount - end of period	16,793	17,020	(227)
Number of branches in Italy	1,362	1,362	n.m.

** The balance sheet values as at 31 December 2022 were restated, compared to those published at the reporting date, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the insurance associates. For further details of the items affected, see the paragraph on "Adoption of the accounting standards IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments in the companies AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni" in the Explanatory Notes to this Half-Yearly Report.*

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

ALTERNATIVE PERFORMANCE MEASURES			
MONTEPASCHI GROUP			
PROFITABILITY RATIOS (%)	30 09 2023	31 12 2022	Chg.
Cost/Income ratio**	48.4	67.6	-19.2
ROE (on average equity)*	14.9	(2.5)	17.4
Return on Assets (RoA) ratio	1.0	(0.1)	1.1
ROTE (Return on tangible equity)*	15.1	(2.6)	17.7
CREDIT QUALITY RATIOS (%)	30 09 2023	31 12 2022	Chg.
Net NPE ratio	2.2	2.2	n.m.
Gross NPL ratio	3.5	3.6	-0.1
Rate of change of non-performing loans to customers	1.8	(19.6)	21.4
Bad loans to customers/ Loans to Customers	0.7	0.6	0.1
Loans to customers measured at amortised cost - Stage 2/Performing loans to customers measured at amortised cost	13.9	14.9	-1.0
Coverage of non-performing loans to customers	50.8	48.1	2.7
Coverage of bad loans to customers	65.8	65.1	0.7
Provisioning	0.52	0.55	-0.03
Texas Ratio*	32.6	35.5	-2.9

** The values as at 31 December 2022 were restated, compared to those published at the reporting date, following the retrospective application of the new IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" by the associates. For further details of the items affected, see the paragraph on "Adoption of the accounting standards IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments in the companies AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni" in the Explanatory Notes to this Half-Yearly Report.*

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

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

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

Return On Tangible Equity (ROTE): ratio between the annualised Net profit (loss) for the period and the average between the tangible shareholders' equity[1] at the end of period and the shareholders' equity at the end of the previous year.

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

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

[2] EBA GL/2018/10.

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

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

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

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

Texas Ratio: ratio between gross non-performing loans to customers and the sum, in the denominator, of the relative loss provisions and tangible shareholders' equity.

REGULATORY MEASURES			
MONTEPASCHI GROUP			
CAPITAL RATIOS (%)	30 09 2023	31 12 2022	Chg.
Common Equity Tier 1 (CET1) ratio - phase in	16.0	16.6	-0.6
Common Equity Tier 1 (CET1) ratio - fully loaded	16.0	15.6	0.4
Total Capital ratio - phase in	19.5	20.5	-1.0
Total Capital ratio - fully loaded	19.5	19.5	n.m.
FINANCIAL LEVERAGE INDEX (%)	30 09 2023	31 12 2022	Chg.
Leverage ratio - transitional definition	6.2	5.8	0.4
Leverage ratio - fully phased	6.1	5.4	0.7
LIQUIDITY RATIO (%)	30 09 2023	31 12 2022	Chg.
LCR	166.1	192.3	-26.2
NSFR	130.8	134.1	-3.3
Encumbered asset ratio	30.5	31.9	-1.4
Loan to deposit ratio	87.2	93.0	-5.8
Spot counterbalancing capacity (bn of Eur)	28.1	25.5	2.6

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

Common equity Tier 1* (CET1) *ratio: ratio between primary[4] quality capital and total *risk-weighted assets* (RWA)[5].

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

Financial leverage ratio: indicator calculated as the ratio between Tier 1 capital[6] and total assets, introduced by Basel regulations with the objective of containing the increase in leverage in the banking sector and strengthening risk-based requirements through a different measure based on financial statement aggregates.

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

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

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

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

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

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

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

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

Executive summary

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

- **Net Interest Income** amounted to EUR 1,688 mln, up significantly compared to the same period of 2022 (+62.7%). This growth was mainly driven by (i) the greater contribution of the commercial sector, which benefited from higher interest income on loans, generated by the increase in interest rates, only partially offset by the higher interests on collections; (ii) the increased income for the portfolio of securities due to higher returns. On the other hand, the contribution from relations with central banks was down compared to last year, following the ECB's monetary policy decisions, which introduced a rise in reference rates and some changes, starting from 23 November 2022, to the terms and conditions applied to the existing TLTRO III auctions. In fact, a cost of EUR 362 mln (plus a further EUR 56 mln in interest expense relating to MRO auctions) was recorded on the latter in the first nine months of 2023, compared to the benefit of EUR 162 mln recorded in the same period of the previous year; this effect was only partially offset by the income on liquidity deposited with central banks, equal to EUR 328 mln as at 30 September 2023, compared to the cost of EUR 46 mln as at 30 September 2022. The cost of market funding also increased, following the rise in rates and new issues in 2023.

- **Net fee and commission income**, totalling EUR 987 mln, declined compared to the same period of the previous year (-6.5%), primarily due to income from asset management (-8.5%). In this context, the lower commissions from asset management were offset by the higher commissions recorded on the securities service due to customers' renewed interest in fixed-rate investments (mainly government bonds). Also down was the fee and commission income from traditional banking services and income from credit service as a result of enhancement of the internal consumer finance factory, launched last year and partly penalising the intermediation of third-party products.

- **Other income from banking business**, equal to EUR 126 mln, decreased by EUR 38 mln compared to the corresponding period of the previous year, mostly due to profit being lower by almost EUR 50 mln as a result of the sale of securities classified in the banking book.

- **Other operating income/expenses** equal EUR 4 mln, compared to the total of EUR 24 mln recorded as at 30 September 2022.

- As a result of the trends described above, **Total revenues** amounted to EUR 2,804 mln, an increase of 22.9% compared to the same period of the previous year.

- **Operating expenses** totalled EUR 1,358 mln, improving on the same period of 2022 (-15.2%) across all components. In particular, within the aggregate, **Personnel expenses**, equal to EUR 859 mln, were down by 19.5%, benefiting from the downward trend in the workforce, mainly due to the exits through Early retirement plan/access to the Solidarity Fund, pursuant to the agreement with the trade unions executed on 4 August 2022. **Other administrative expenses**, amounting to EUR 368 mln, improved by 6.7%, also thanks to the implementation of a rigorous expenditure management process. **Net value adjustments to property, plant and equipment and intangible assets** totalled EUR 131 mln, a decrease of 6.9%.

- The **Cost of customer credit** stood at EUR 307 mln, down compared to the same period of the previous year (-4.1%). The **Provisioning Rate**[7] is 52 bps (55 bps as at 31 December 2022).

- The **Net Operating Income** as at 30 September 2023 stood at EUR 1,139 mln, compared to net operating income of EUR 360 mln in the corresponding period of 2022.

- In addition to the changes in these economic aggregates, there were **non-operating components** amounting to EUR -217 mln as at 30 September 2023 (EUR -1,111 mln in the corresponding period of 2022). Non-operating components include: **Net provisions for risks and charges**, equal to EUR +5 mln (EUR +43 mln as at 30 September 2022), **Other gains (losses) on investments**, equal to EUR -3 mln (EUR +4 mln as at 30 September 2022), **Restructuring/One-off costs**, equal to EUR -10 mln (EUR -928 mln as at 30 September 2022, including provisions allocated for the early retirement

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

incentive/solidarity fund as agreed with the Trade Unions on 4 August 2022), costs associated with **SRF (Single Resolution Fund), DGS (Deposit Guarantee Systems) and similar schemes**, equal to EUR -134 mln (EUR -172 mln as at 30 September 2022), the **DTA fee** equal to EUR -47 mln (in line with the same period of 2022), the **Net gains (losses) on property, plant and equipment and intangible assets measured at fair value**, equal to EUR -29 mln (EUR -11 mln as at 30 September 2022), **Gains (losses) on disposal of investments**, equal to EUR +0.4 mln (EUR +0.8 mln as at 30 September 2022).

- As a result of these trends, combined with the positive impact on **taxes** of EUR 6 mln (compared to the positive total of EUR 417 mln in the same period 2022), the Group recorded a **Profit for the period attributable to the Parent Company of EUR 929 mln**, compared to a loss of EUR 334 mln in the same period of 2022. With specific reference to the provisions of Italian Law no. 136/2023 on windfall taxation of excess bank profits, the Parent Company's Board of Directors, taking the option offered by the aforementioned measure, resolved to propose that the Shareholders' Meeting, called to approve the 2023 financial statements, establish a non-distributable profit reserve not less than EUR 308.9 mln (a similar approach was taken by Banca Widiba for a reserve of EUR 3.8 mln) without impacts on the income statement.

- As at 30 September 2023, the Group's **Total Funding** volumes amounted to EUR 181.9 bn, up EUR 3.1 bn compared to 30 June 2023 and driven by Direct Funding (EUR +5.3 bn). Indirect Funding was down (EUR -2.2 bn). In particular, as regards Direct Funding, the increase was recorded mainly on current accounts (EUR +2.3 bn) and repurchase agreements (EUR +2.4 bn). Bonds were also up (EUR +0.5 bn), which include the senior preferred issue of EUR 500 mln completed in the third quarter of 2023 and other forms of funding (EUR +0.1 bn), while time deposits remain stable. The decrease in Indirect Funding was recorded on assets under custody (EUR -1.1 bn) and on assets under management (EUR -1.1 bn) and is essentially due to a negative market effect; positive net inflows were also recorded on assets under custody in the third quarter of 2023, linked to renewed interest from customers in government bonds as related returns increased.

  Total Funding compared to 31 December 2022 recorded an increase in volumes of EUR 7.5 bn due to the increase in Direct Funding (EUR +7.4 bn), while Indirect Funding remained relatively stable (EUR +0.1 bn). The trend in Direct Funding shows an increase in repurchase agreements (EUR +6.2 bn) and in the bond component (EUR +1.3 bn), the latter following placement of the aforementioned senior preferred bonds for EUR 500 mln in the third quarter of 2023, in addition to the EUR 750 mln placement completed in the first quarter of 2023.

- **Loans to customers** amounted to EUR 78.0 bn as at 30 September 2023, up compared to 30 June 2023 (EUR +1.9 bn) mainly due to the increase in repurchase agreements (EUR +2.4 bn). Current accounts, however, were down slightly (EUR -0.3 bn), while mortgages (EUR -0.2 bn) and other loans (EUR -0.1 bn) were essentially stable. There was a slight increase in the non-performing loans component (EUR +0.1 bn).

  The aggregate was up (EUR +1.7 bn) compared to 31 December 2022. The increase in repurchase agreements (EUR +2.6 bn) and in other loans (EUR +0.6 bn) more than offset the decline recorded since the beginning of the year on mortgages (EUR -1.4 bn), penalised by slowing demand, especially in the residential component, linked to the higher level of interest rates. Current accounts also fell slightly (EUR -0.1 bn).

- As at 30 September 2023, **coverage of non-performing loans** was 50.8%, up compared to 31 December 2022 when it was 48.1%. At individual administrative status level, the changes refer to bad loans (coverage of which rose from 65.1% to 65.8%) and unlikely to pay (coverage of which rose from 37.5% to 41.3%). The coverage ratio of non-performing past due loans was down, however (from 22.7% to 21.0%).

With regard to capital ratios, as at 30 September 2023 the ***Common Equity Tier 1 Ratio*** stood at **16.0%** (compared to 15.9% as at 30 June 2023 and 16.6% as at 31 December 2022) and the ***Total Capital Ratio*** at **19.5%** (compared to 19.4% as at 30 June 2023 and 20.5% as at 31 December 2022). The same ratios, for the calculation of profit for the third quarter, stood at **16.7%** and **20.2%**, respectively.

Reference context

The restrictive stance of monetary policies, the moderate expansion of activity in China and international tensions, associated with protraction of the war in Ukraine and fuelled by the recent Israeli-Palestine conflict, affect the weakness of the global economic cycle and add to the uncertainty over growth prospects. In the summer, in the main advanced economies, the decline in manufacturing continued and services slowed. Inflation continued its gradual return to normal, but in the third quarter reduced oil supply caused a rise in international prices and natural gas prices also increased in Europe. After a shy recovery at the beginning of the year, world trade slowed yet again.

In the **United States**, growth was solid despite monetary tightening: in the third quarter, GDP accelerated to a 4.9% annualised qoq (preliminary figure) from +2.1% in the second quarter. Domestic demand supported the expansion, with consumption promoted by households' recourse to savings accumulated in the pandemic (now running out) and an upward wage trend; the labour market is gradually increasing the jobs on offer and excess demand is adjusting. The general price index recorded a slight increase in the summer (to 3.7% YoY in both August and September) while core inflation continued to gradually decrease (to 4.1% YoY in September). In August, Fitch downgraded its United States country rating to AA+ (with stable outlook). In October, the Government's stopgap funding bill avoided a shutdown of federal agencies, guaranteeing additional time to reach an agreement on raising the debt ceiling.

In the **Eurozone**, growth recorded a weak cyclical contraction in the third quarter of the year (preliminary figure -0.1% qoq): manufacturing weakness was joined by services, while household spending stagnated once again. In the summer months, signs of a slowdown in employment emerged but the labour market remained resilient with unemployment lows substantially unchanged (at 6.4% in August). The wages trend also strengthened. The recomposition of inflation continued: in October, the general index fell to 2.9% YoY according to preliminary estimates, while core inflation, though slowing, stood at 4.2% YoY; however, the recent increase in energy prices could have an impact on these dynamics.

As regards the European tax governance reform, the legislative proposals presented by the EU Commission to amend budgetary rules in view of deactivation of the general escape clause of the Stability and Growth Pact, planned for the end of the year, have not yet been approved. As part of the Recovery and Resilience Facility, since July thirteen additional countries have submitted a request to change their NRRP,[8] also including a new chapter of measures for the European *REPowerEU* programme. In the same period, new funds for over EUR 21 bn were disbursed; since the launch of the programme, a total of almost EUR 175 bn has been distributed to the various Member States.

Among the **emerging countries**, in the third quarter China recorded higher than expected growth (at 4.9% YoY), which may bring the government's target for 2023 GDP closer to being achieved. However, YoY inflation was zero in September and the real estate crisis forced Beijing to take new support actions for the sector. The financial difficulties of real estate[9] companies were reflected in the deterioration of consumer confidence, with negative repercussions on trade and property prices, and in the diminishing confidence of international investors. Among the other economies, India instead recorded a brilliant expansion (+7.8% YoY in the second quarter) 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**, growth recorded a zero economic change in the third quarter of the year (preliminary figure), after the stronger-than-expected dip recorded in the second quarter (-0.4% qoq). On the demand side, the GDP trend reflected an essentially stationary consumption and a decrease in investments, also attributable to tighter financing conditions. Exports were affected by the low buoyancy of global and European demand. The phase of weakness in non-manufacturing activities has now involved the services sector. On the labour market, in the summer months, employment slowed, albeit remaining at historically high levels, while wage pressures from contract renewals appeared to be contained. Profit margins narrowed in the various sectors. Inflation decelerated considerably in October, standing at 1.8% YoY (preliminary estimate). The slowdown in the net price index for energy and fresh

[8] These are Austria, Belgium, Cyprus, Croatia, Finland, Greece, Italy, Latvia, Poland, Romania, Slovenia, Sweden and Hungary; the previous amendment requests submitted by France, Malta and Slovakia obtained final approval from the EU Council last July.

[9] After Evergrande's default on foreign debt, one of the companies recently announcing financial difficulties is Country Garden, the leading Chinese real estate company in terms of turnover, which in recent weeks delayed the payment of interest several times on its foreign currency bonds.

food was less marked (to 4.2% YoY from 4.6% YoY in September). The tightening of financing conditions weighed on the real estate market with house prices slowing further.

In the third quarter, the Government confirmed the energy sector measures contained in Italian Law Decree no. 57 of 29 May 2023, which includes the measures to combat electricity price increases originally envisaged in Law Decree 79/2023. Then with Italian Law Decree 131/2023, approved at the end of September, action was also ordered to mitigate the effects of energy price increases for the fourth quarter of 2023. The measures to ensure timely implementation of the National Recovery and Resilience Plan were confirmed.

With Italian Law Decree 104/2023, approved in August, the Government introduced an extraordinary tax on banks for 2023. The final version of the measure (Italian Law 136/2023) states that the tax base is determined on the change in interest margins and that the rate is equal to 40%; in any event, withdrawal cannot exceed 0.26% of the value of risk-weighted assets relating to the financial year prior to that in progress as at 1 January 2023. For almost all banks, the amount of the tax would be determined by the restriction based on risk-weighted assets. The regulation also provides that, in place of payment, the banks can allocate funds to a non-distributable reserve for an amount not less than 2.5 times the tax due. The revenue collected will depend on the choices of individual banks with regard to paying the tax or creating reserves.

The Council of Ministers also approved the Update to the Economy and Finance Document 2023 (NADEF 2023) on 27 September. According to the framework it outlines, net debt is expected to fall over the next three years to 3.1% by the end of 2026, with a trend less favourable than that forecast in April's Economy and Finance Document. Given this framework under current legislation, for 2024 the Executive has set a net debt target of 4.3% of GDP, approximately 0.7% higher than the trend forecast. The next budget is expected to be substantially zero in the next two years, with programmatic net debt expected to be 3.6% of GDP in 2025 and 2.9% in 2026. The Government intends that the budget deviations will, among other things, finance the following measures: i) extension of the tax wedge cut on labour in 2024; (ii) launch of the tax reform; (iii) household support measures; (iv) public sector contract renewals. Debt to GDP is expected to decline marginally over the next three years.

With regard to the NRRP, in August the Government submitted a request to amend the National Recovery and Resilience Plan: most of the corrections concerned a reduction in the quantitative results to be achieved or the extension of implementation times. The updated Plan also includes a new chapter of measures for the *REPowerEU* programme (works for approx. EUR 19 bn). After EU Council approval of the proposed amendment (presented in July) for certain goals and objectives relating to the fourth instalment, in September Italy requested the payment (EUR 16.5 bn). On 9 October, it received EUR 18.5 bn relating to the III tranche of funds of the Recovery and Resilience Facility, bringing the total funds obtained so far to over EUR 85 bn.

Financial markets and monetary policy

During the third quarter, the stock markets showed signs of nervousness: monetary tightening and a slowdown in the economic cycle, the crisis in the Chinese real estate sector, geopolitical tensions, downgrading of US public debt, were all factors that increased their volatility. From the beginning of the year to 30 September 2023, however, the main lists showed progress: the FTSE Mib gained over 19%, the Euro Stoxx around 10% and the S&P 500 just under 12%. The Nikkei was brilliant, rising by over 22%. The Chinese Shenzhen, on the other hand, lost almost 5%, reflecting fears about the intensity of the domestic economic recovery.

Despite an increase in risk aversion, a factor that typically favours a decline in risk-free government yields, in the USA and the Eurozone the third quarter yields increased based on forecasts of high monetary rates remaining for longer and with the gradual implementation of Fed and ECB asset disposal plans. The US 10-year yield closed at 4.57% as at 30 September 2023 (around 70 basis points higher than at the end of 2022); the German yield also increased to 2.84% from 2.57% on 31 December 2022. A modest increase for the Italian 10-year yield, which stood at 4.78% as at 30 September 2023 (7 basis points higher than year end 2022). The review of growth prospects and the trajectory of Italian debt reduction affected the perception of country risk, with the BTP10Y-Bund spread widening at the end of the quarter to approximately 194 basis points (a level below the 214 points at year end 2022 but higher than the 160 basis points recorded in July). In October, the Rating Agencies S&P and DBRS confirmed their Italy ratings at BBB and BBB (high), respectively, keeping their outlook stable.

At the November meeting, the Fed, by unanimous decision of FOMC members[10], maintained the level of the Fed Fund rate unchanged in the 5.25%-5.50% range, confirming the pause in the rates increase cycle. In its statement, the Authority stressed that the expansion of the US economy was higher than expected and that the road to reaching the inflation targets is "still very long". The FOMC members did not discuss any timing for the start of a

[10] The Fed's Federal Open Market Committee

hypothetical monetary easing. The Authority instead reiterated that monetary policy decisions will continue to be taken "meeting by meeting" based on economic data, not excluding the possibility of further future increases. At the next meeting in December, the Fed will release the new macroeconomic projections.

At the October meeting, the ECB paused its monetary tightening by keeping interest rates at the same levels set in September (interest rate on main refinancing operations at 4.50%, on central bank deposits at 4% and on marginal refinancing operations at 4.75%). The Authority reiterated that "the ECB reference interest rates have reached levels that, maintained for a sufficiently long period, will substantially contribute to a timely return of inflation to the target rate". The ECB will continue to follow a data-dependent approach to determine the appropriate level and duration of the squeeze. In the macroeconomic projections updated to September, the Authority raised the medium-term inflation trend forecasts and significantly lowered the Eurozone GDP forecasts.

With regard to the Asset Purchase Programme (APP) portfolio, the ECB confirmed its reduction at a measured and predictable pace, given that since last July the Eurosystem no longer reinvests the principal repaid on maturing securities. With regard to the PEPP (*Pandemic Emergency Purchase Programme*), the Governing Council confirmed the flexible reinvestment of principal repaid on securities maturing under the programme, at least until the end of 2024. During the October meeting, the ECB did not discuss changes to either the compulsory reserve or the PEPP reinvestment.

Impact of the Russia-Ukraine conflict

In line with the recommendations formulated by the supervisory authorities (ESMA and CONSOB)[11], designed to ensure proper monitoring of valuation issues impacted by the conflict and a complete and transparent financial statement disclosure, provided below are the Group's credit exposures directly or indirectly impacted by the conflict, to allow understanding of the extent of the phenomenon and the actions undertaken by the Group to constantly monitor the credit risks linked to the Ukrainian conflict.

With reference to uncertainties associated with the reference macroeconomic scenario, also as a result of the conflict, please refer to the previous paragraph "Reference context".

The impacts of the conflict are constantly monitored by the Group, as part of an ordinary and no longer a crisis regime, considering it no longer necessary to strengthen governance of the phenomenon, also in relation to the constant reduction of exposures.

The impacts directly related to the Russia-Ukraine conflict are marginal for the Group, taking into account that it has no operations located in Russia or Ukraine and that credit exposures to customers residing in the aforementioned countries or indirectly related to Russian or Ukrainian counterparties are immaterial. In detail, as at 30 September 2023, the exposures are represented by loans and unsecured loans with a balance of approximately EUR 6.4 mln and are classified as stage 2.

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

With reference to the indirect impacts on credit quality, note that in 2022 the initiatives implemented through contact campaigns, in relation to customers in sectors potentially most exposed to the increase in energy prices and to difficulties in sourcing commodities, triggered by the conflict in question, came to an end. As a result of these initiatives, no elements emerged that would require taking action different to that already envisaged as part of ordinary credit monitoring activities.

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

Shareholders

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

According to the communications received pursuant to applicable legislation and based on other information available, as well as on information provided by the CONSOB website, the only entity that, as at 30 September 2023, directly and/or indirectly held ordinary shares representing holdings in excess of 3% of the share capital of the Issuer and not falling among the exemption cases set forth in art. 119-bis of the Issuers' Regulations was the Ministry of Economy and Finance with 64.23%.

Information on the BMPS share

The BMPS share closed the third quarter of 2023 at a value of EUR 2.42, with growth of +4.9% in the period. The average daily trading volume was around 14.6 million over the quarter.

SHARE PRICE SUMMARY STATISTICS (from 30/06/2023 to 30/09/2023)	
Average	2.52
Minimum	2.23
Maximum	2.79

Rating

The ratings assigned by the rating agencies are provided below:

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

* *Long-Term Senior Unsecured Debt Rating*

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

Significant events in the first nine months of 2023

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

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

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

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

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

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

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

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

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

On **30 June**, an agreement was reached between the five leading Italian insurance companies (Allianz Italia, Intesa Sanpaolo Vita, Generali Italia, Poste Vita and UnipolSai), twenty-five banks distributing Eurovita policies and some of the main Italian banks (Intesa Sanpaolo, BPER Banca, Banco BPM, BMPS, Credit Agricole and Mediobanca) on a system transaction to protect Eurovita policyholders, as a result of which IVASS, in order to guarantee to all parties involved the technical time required to complete the Transaction, extended the suspension of early surrender of insurance and capitalisation contracts entered into with Eurovita S.p.A. to 31 October 2023. The overall transaction envisages the sale of the Eurovita business complex - including, *inter alia*, the contracts and accounts relating to insurance products and brokerage contracts with distributors and the assets held in the related segregated accounts - first to a new insurance company, Cronos Vita S.p.a., investee of the five insurance companies mentioned above then, within 18-24 months, the transfer of individual business units to each of them.

The Parent Company was involved in the above-mentioned "system" solution both directly, in negotiation of the pool loan, for the portion made available by the System Banks (EUR 980 mln in total, of which EUR 74.6 mln as BMPS share), and indirectly, through the subsidiary Banca Widiba S.p.A., as placement bank for the Eurovita products (essentially Class III) with its customers, involved in relation to the agreements concerning the rebalancing of costs of the Transaction. On 27 Septermber 2023, together with the parties involved in the Transaction, each according to their respective roles, the Parent Company and Banca Widiba SpA signed the final agreements, specifically the pool financing agreement and the cost rebalancing agreement respectively, which transposed the principles and terms ot the preliminary agreements signed last 30 June.

The above-mentioned arrangements were approved by the competent supervisory authorities on 31 October 2023. Therefore, at the reference date of this Interim Report on Operations, there are no legal obligations for the Group that could have valuation effects any other impact as at 30 September 2023. In any event, at present, analysis of the commitments that may be made, based on information known to date, does not reveal a material impact on the Group.

On **28 July 2023**, the EBA announced the results of its 2023 EU-wide stress test in which Banca MPS also participated.

The 2023 EU-wide stress test was conducted by the EBA, in collaboration with the ECB and the European Systemic Risk Board (ESRB). The adverse stress test scenario was developed by the ECB and ESRB and covers a three-year time horizon (2023-2025). The stress test was conducted assuming a static balance sheet at the end of December 2022 as well as a series of constraints on the evolution of the income statement.

The post-stress test fully loaded Common Equity Tier 1 ratio (CET1%) of Banca MPS as at 2025 (in brackets the change compared to the 15.64% as at 31 December 2022) is equal to:

- Base scenario
  18.61% (+297 bps) which rises to 19.83% (+419 bps), factoring in the effect of the reduction in personnel costs indicated below;
- Adverse scenario
  10.13% (-551 bps) rising to 11.98% (-366 bps), factoring in the effect of the reduction in personnel costs indicated below.

For the Parent Company Banca MPS, due to methodological constraints as indicated in the note from the EBA, the results do not consider the benefits - in terms of higher profits and capital generation - of the reduction in personnel costs of EUR 857 mln in the period 2023-2025, resulting from the exit on 1 December 2022 of over 4,000 staff.

The 2023 European stress test does not envisage meeting minimum thresholds: it is designed to be used for the Supervisory Review and Evaluation Process (SREP). The results will provide support to the competent authorities in assessing the Group's ability to meet prudential capital requirements in stress scenarios.

On *29 August 2023*, the Parent Company successfully concluded the placement of a 4-year Senior Preferred unsecured fixed-rate bond issue (with early repayment option after 3 years), intended for institutional investors, for an amount of EUR 500 mln and a coupon set at a level of 6.75%.

Significant events after the end of the first nine months of 2023

On **7 November 2023**, the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. resolved to adopt a favourable approach, at the time of approval of the 2023 draft financial statements and once the profit capacity has been verified, of putting a proposal to the Shareholders' Meeting which, as part of the allocation of profit for the year, envisages allocation to the non-distributable reserve of an amount not less than EUR 308.9 mln, corresponding to 2.5 times the amount of the tax of approximately EUR 123.5 mln, in place of payment of the windfall tax calculated on the increase in net interest income, availing itself of the option offered by Italian Law Decree no. 104 of 10 August 2023 converted with amendments to Law no. 136 of 9 October 2023. The Parent Company has instructed the subsidiary involved in the measure, Banca Widiba, to adopt a similar approach, with a consequent allocation to the non-distributable reserve for the MPS Group of approximately EUR 312.7 mln, corresponding to 2.5 times the total tax of approximately EUR 125.1 mln.

2022-2026 Group Business Plan

The 2022-2026 Business Plan approved by the Parent Company's Board of Directors on 22 June 2022 aims to strengthen the Parent Company in its nature as a "simple commercial bank in the operation and interaction with customers".

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 profile, reopening access to the senior preferred bond market with two issues, the first for EUR 750 mln and the second for EUR 500 mln, carried out in February and August 2023, respectively, in line with the objectives of the 2023 *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.

In terms of economic and financial targets, the result for the first nine months of 2023, as well as the profitability indicators (*Cost income*, ROE, ROTE, ROA), were all better than forecast in the Plan, continuing to benefit, among other things, from the rise in interest rates despite a market context that is worse than expected as regards asset management. Operating expenses in the first nine months of the year were also better than forecasts as a result of the greater participation in the personnel redundancy process and the careful control of costs, despite the impacts of persistent inflation.

As regards ESG, in the first nine months of 2023, in addition to what is reported in more detail in the Annual Financial Report as at 31 December 2022 and in the 2022 Non-Financial Statement:

- ESG criteria/objectives were integrated into the 2023 remuneration policies in order to determine variable remuneration;
- credit strategies were further integrated with new ESG logics in order to take into account the customer's sustainability and a new credit standard, the ESG questionnaire, was integrated into investment and financing policies, as well as the definition of the strategic direction to be developed with the customer;
- the path of working alongside companies in developing their *business* according to ESG sustainability objectives continued, in line with NRRP guidelines, offering a contribution to Italy's business fabric through partnerships with SACE New Green Deal and other specific initiatives;
- decarbonisation objectives were defined on the first three high emission-intensity sectors, in line with commitments deriving from joining the Net Zero Banking Alliance (NZBA). More specifically:
    - for the Power Generation sector, a 77% reduction in financed emissions (scopes 1 and 2) is expected, starting from a base of 196 thousand tonnes of CO_2 equivalent;
    - for the Oil & Gas sector, a 40% reduction in financed emissions (scopes 1, 2 and 3) is expected, starting from a base of 656 thousand tonnes of CO_2 equivalent;
    - for the Iron & Steel sector, a 29% reduction in financed emissions (scopes 1 and 2) is expected, starting from a base of 1,067 thousand tonnes of CO_2 equivalent.

Achievement of the objectives of reducing financed emissions will be pursued with further integration of these objectives into the strategies, credit processes and lending to customers operating in the sectors concerned, to support their decarbonisation strategies;

- the "Mutuo Mio Immobili Green" ("My Green Mortgage") product was released (intended for properties in APE energy classes A and B), the Advisor was appointed for issue of the Green and Social Bond (GSS) and definition of the ESG framework began;
- the Gender Equality Policy was published, in line with the Code of Ethics. The Policy is inspired by the document "Rules on Inclusion" and establishes real commitments for the creation of an environment in which equality, inclusion and diversity are transformed from principles into actions;
- the Group Directive on Sustainability and ESG was supplemented to implement the Bank's commitments on social equality, gender equality and inclusion.

Funding strategy

As part of the Group's Liquidity and Funding Strategy, the profile of the maturities for the 2023-2025 three-year period is represented primarily by the TLTRO III auctions, to which the Parent Company had access until June 2021, for a total of EUR 29.5 bn broken down as follows: EUR 4 bn maturing in 2022; EUR 20 bn maturing in 2023 and EUR 5.5 bn in 2024. As at 30 September 2023, with regard to redemptions on maturity and early redemptions in 2022 and 2023, the total for TLTRO auctions stood at EUR 5.5 bn. The Parent Company also has a weekly MRO auction which as at 30 September 2023 was equal to EUR 5.5 bn and two quarterly LTRO auctions which as at 30 September 2023 totalled EUR 2 bn. Consequently, the total debt to the ECB as at 30 September amounted to EUR 13 bn.

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

On 29 August 2023, the Parent Company closed the placement of a senior preferred bond of EUR 500 mln maturing in September 2027, callable in September 2026, and with a 6.75% coupon.

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

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

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

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

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

***Commitments* connected to the 2022-2026 Business Plan**

The disclosure on Commitments reviewed by the European Commission and made public on 3 October 2022 is provided in the Consolidated Financial Statements as at 31 December 2022 and in the Half-Yearly Report as at 30 June 2023, to which reference is made.

With reference to the Italian Republic's commitment to sell the share capital of the Bank, note that on 20 October 2023 the Ministry of Economy and Finance announced that it had identified UBS and Jefferies as financial advisors and Clifford Chance as lawyers who will assist the ministry in identifying the best ways to dispose of the controlling interest in Banca Monte dei Paschi di Siena and will provide this support in all the transaction implementation phases.

Explanatory Notes

The Interim Report on Operations of Monte dei Paschi di Siena Group as at 30 September 2023, approved by the Board of Directors on 7 November 2023, was prepared in consolidated format by applying the recognition and measurement criteria envisaged in IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations by the IFRS Interpretations Committee, as endorsed by the European Commission and effective at the time this interim report was prepared, pursuant to EC Regulation no. 1606 of 19 July 2002.

The document is not drafted pursuant to the provisions of IAS 34 "Interim financial statements", since the Monte dei Paschi di Siena Group applies this principle to half-yearly 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 standards used for the preparation of the Interim report on operations are unchanged from those applied to the Financial Statements as at 31 December 2022, to which the reader is referred for more detail, without prejudice to the first application from 1 January 2023 of the new accounting standards, IFRS 17 "Insurance contracts" and IFRS 9 "Financial Instruments", by associate insurance companies "AXA MPS Assicurazioni Danni S.p.A." and "AXA MPS Assicurazioni Vita S.p.A.", as described below.

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

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

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

The Group does not carry out insurance activities. The introduction of the new standard assumes exclusively indirect significance since the Group holds equity investments in associates in the capital of the insurance companies "AXA MPS Assicurazioni Danni S.p.A." and "AXA MPS Assicurazioni Vita S.p.A.", consolidated in the Group Financial Statements with the synthetic equity method. The first-time application of both standards had an impact on the Group's shareholders' equity from 1 January 2023 of EUR 62.4 mln, broken down as follows:

- AXA MPS Assicurazioni Vita: EUR 42.1 mln recognised respectively in the item "Reserves" for EUR -150.2 mln and in the item "Valuation reserves" for EUR 192.3 mln;
- AXA MPS Assicurazioni Danni: EUR 20.3 mln recognised respectively in the item "Reserves" for EUR 3.8 mln and in the item "Valuation reserves" for EUR 16.5 mln.

Regulation no. 2022/357 of 2 March 2022 endorsed the amendment to IAS 1 "**Disclosure of Accounting Policies (Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements")** and the amendment to IAS 8 "**Definition of Accounting Estimates (Amendments to IAS 8)**", both published by the IASB on 12 February 2021. The amendments are aimed at helping companies to identify the disclosure to be made on accounting policies, so as to provide more useful information to investors and other primary users of the financial statements. In detail, the amendments to IAS 1 require companies to provide information on material accounting standards, i.e. those that make it possible to understand the information reported in the financial statements on material transactions. The amendments to IAS 8 are aimed at clarifying how to distinguish changes in accounting policies from changes in accounting estimates. The amendments to both standards are effective for financial years starting on or after 1 January 2023, with early application permitted. No significant impacts derive for the Group from the aforementioned amendments.

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

The Interim Report as at 30 September 2023 is supplemented by the certification of the Financial Reporting Officer, pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance.

Estimates and assumptions when preparing the Interim report on operations

The application of certain accounting standards necessarily implies the use of estimates and assumptions that impact the values of the assets and liabilities recognised in the financial statements as well as the disclosure provided on contingent assets and liabilities. The assumptions underlying the estimates developed take into consideration all available information at the date on which this Interim Report on Operations was drafted as well as the assumptions considered reasonable, also in light of historical experience. By their very nature, it is therefore not possible to exclude that the assumptions used, albeit reasonable, may not be confirmed in the future scenarios in which the Group will be operating. The results achieved in the future therefore could differ from the estimates developed in order to draft this Interim Report on Operations and as a result adjustments may be required, to an extent that cannot currently be predicted or estimated, with respect to the carrying amount of the assets and liabilities recognised in the financial statements. In this regard, please note that estimates could need to be revised following changes in the circumstances on which they were based, the availability of new information or the increased experience gained. Among the main factors of uncertainty that could affect the future scenarios in which the Group will operate, the effects on the global and Italian economies connected to current geopolitical tension and developments in Parent Company legal disputes should not be underestimated. After overcoming the Covid-19 health crisis, economic recovery was influenced by the effects of increasingly restrictive monetary and credit conditions for businesses and households, as a direct consequence of rising inflation, obstacles related to geopolitical tension between Russia and Ukraine as well as the recent conflict in the Middle East and, lastly, the increasingly serious and frequent impacts related to climate change.
The following are the new aspects and refinements in the valuation processes introduced during the first nine months of 2023.

Macroeconomic forecasts for 2023, 2024 and 2025

On 14 September 2023, the ECB published the periodic update to the macroeconomic forecasts for the Eurozone. The short-term prospects for growth in the Eurozone have deteriorated, while in the medium term the economy should gradually return to a moderate expansion with recovery in both domestic and foreign demand. Economic activity in the area grew at a modest pace in the first half of 2023, despite the high level of back orders in the manufacturing sector and the fall-off in high energy prices. Moreover, these effects have largely disappeared and economic indicators point to stagnation in the short term in the face of more restrictive financing conditions, weak business and consumer confidence and low foreign demand in the context of strengthening of the euro. Growth should become stronger from 2024 - though still partly held back by less favourable financing conditions due to tightening of the ECB's monetary policy - driven by the improvement in real income thanks to the drop in inflation, the lively dynamics of nominal wages and to the still low level, albeit slightly increasing, of unemployment.

In detail, the GDP overall average annual growth rate in real terms is expected to drop to 0.7% in 2023 (from 3.4% in 2022), and then rise to 1.0% in 2024 and 1.5% in 2025. Compared to the macroeconomic projections of June 2023, the outlook for GDP growth has been revised downwards by 0.2, 0.5 and 0.1 percentage points, respectively for 2023, 2024 and 2025, reflecting the considerable weakening of the short-term prospects indicated above.

Headline inflation measured on the harmonised index of consumer prices (HICP) should continue to decline over the projection horizon due to the easing of cost pressures and supply-side bottlenecks, as well as the impact of the tightening of monetary policy, while remaining above the overall figure until early 2024. In detail, the aforementioned index was revised upwards slightly compared to last June's projections for 2023 and 2024, averaging 5.6% (5.4% in the June projections) and 3.2% (3.0% in June) due to the increase in listed prices for energy futures, while it is expected to fall to 2.1% for 2025 (2.2% in June) as the effects of appreciation of the euro, the tightening of financing conditions and the weakening of cyclical conditions act as a brake on the rate calculated net of energy and food.

With regard to the dynamics of Italian GDP, the latest estimates provided by Bank of Italy experts published in the October 2023 Economic Bulletin showed a baseline scenario trend in GDP which, after the strong recovery in the first quarter of 2023 (0.6%) supported by all the main components of domestic demand, saw a strong reduction in the second quarter (-0.4%), reflecting the decline in industry value added and the end of the services expansion, and grew at a slower pace over the remainder of the three-year forecast, held back by the tightening of the lending conditions and weak international trade, partly offset by the effects of a return to normal of inflationary pressure and with stronger public investments planned in the NRRP. On average for the year, GDP should increase by 0.7% in 2023, 0.8% in 2024 and 1.0% in 2025.

In terms of inflation, consumer inflation should average 6.1% this year and decrease to 2.4% in 2024 and 1.9% in 2025. The downward trend reflects above all the sharp slowdown in import prices, largely determined by the drop in price of energy commodities.

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

	Year	GDP	Italian residential Property Price Index	Italian non-residential Property Price Index	Unemployment rate	Investments in building construction
Baseline	2023	0.78%	0.98%	0.62%	7.88%	1.47%
	2024	0.78%	1.42%	1.36%	7.92%	-4.64%
	2025	0.95%	1.80%	1.27%	7.81%	-0.30%
	AVG	0.84%	1.40%	1.09%	7.87%	-1.16%
Severe but plausible	2023	0.06%	0.41%	0.13%	8.09%	-0.46%
	2024	0.25%	1.23%	1.34%	8.79%	-6.68%
	2025	0.59%	1.36%	1.06%	9.49%	-2.50%
	AVG	0.30%	1.00%	0.85%	8.79%	-3.21%
Best	2023	1.83%	1.35%	1.15%	7.56%	3.91%
	2024	1.26%	1.44%	1.34%	7.05%	-2.35%
	2025	1.48%	2.16%	1.55%	6.20%	1.61%
	AVG	1.52%	1.65%	1.34%	6.94%	1.06%
Extreme Worst	2023	-1.22%	0.72%	0.30%	8.38%	-3.36%
	2024	-0.32%	0.52%	1.39%	9.68%	-12.16%
	2025	0.05%	-0.59%	0.46%	11.05%	-4.87%
	AVG	-0.50%	0.22%	0.72%	9.70%	-6.80%

For the forward-looking conditioning of ECL estimation parameters, Group policy envisages use of the macroeconomic scenario defined and updated by the Study and Research Function at least annually, as well as every time the latest available baseline scenario shows a net cumulative change in GDP that, in absolute value, is greater than or equal to 0.5% over a 3-year period compared with the scenario currently in use. The forecasts updated to July 2023 in relation to the basic macroeconomic scenario, though GDP remains unchanged compared to the scenario in use, recorded a deterioration in property price indices and a decline in investments in construction. Therefore, for reasons of prudence, the Group included these effects in the cost of credit in this Interim Report on Operations, with early updating of the scenarios being used. This estimate entailed higher adjustments on the cost of credit for a total of EUR 21.7 mln.

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With regard to management overlay for sector vulnerabilities, for the purpose of the Interim Report on Operations as at 30 September 2023 the Group has decided to apply substantial methodological continuity with that implemented since the first quarter of 2022

The application of "post-model adjustment" to the results of the ECL estimation methodologies, within the flexibility framework allowed by IFRS 9 and in light of the greater prudence necessary for the significant uncertainties deriving from the current and forward-looking contexts, on the one hand to take more strongly into account the uncertainties and risks of the forecasts, and on the other to grasp the effects of an evolutionary context that could originate from unobserved and unforeseeable events such as conflicts and serious crises.

The adjustment provisions for credit exposures as at 30 September 2023 include prudential elements for approximately EUR 208.7 mln, up by around EUR 20.1 mln, EUR 64.6 mln and EUR 100.3 mln, respectively, compared to EUR 188.6 mln as at 30 June 2023, EUR 144.1 mln as at 31 March 2023 and EUR 108.4 mln as at 31 December 2022. The increase compared to 30 June 2023 is mainly attributable to floating rate retail mortgages in order to take advantage of higher forward-looking risk due to rising interest rates and the reduction in disposable income.

As at 30 September 2023, analyses on the annualised default rates observed during the first half of 2023 led the Group to reclassify a total of EUR 478 mln in stage 2 relating to: i) the floating rate retail mortgages included compared to the previous year, deterioration of the instalment/income ratio and of the forecast score as they migrated from classes with risk lower than A5 to classes with higher risk (from A5 to A7) or with a stable A7 forecast score [12] and ii) retail and corporate customer portfolio with turnover of less than EUR 50 mln with A8 forecast score.

Estimation and assumptions on recoverability of deferred tax assets

In compliance with the provisions of IAS 12 and the communication of ESMA of 15 July 2019, the initial recognition of the DTAs and their subsequent inclusion in the financial statements require a judgement on the likelihood of recovering the amounts recognised. This valuation was determined on the basis of the income projections contained in the 2022-2026 Business Plan, approved by the Board of Directors of the Parent Company on 22 June 2022, updating the 2023 result to that expected on the basis of the latest internal estimates. 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 2022 Consolidated Financial Statements.

Other matters

Windfall tax on excess bank profit

Italian Law no. 136 of 9 October 2023 (published on the same date in Official Gazette no. 236), converting Law Decree no. 104/2023, in art. 26 envisages a windfall tax on the increase in net interest income determined by applying, to the individual bank (on an individual basis), a rate equal to 40% on the total net interest income for 2023 which exceeds the 2021 net interest income by at least 10%. The amount of the tax cannot exceed 0.26% of the Risk Weighted Assets of the individual bank (on an individual basis) as at 31 December 2022 and is not deductible for IRES and IRAP purposes.

The combined provisions of this measure result in a windfall tax for the Bank and the Group of EUR 123.5 mln and EUR 125.1 mln, respectively, due to activation of the aforementioned cap.

As an alternative to payment of the tax, at the time of approval of the 2023 financial statements, banks can opt to allocate an amount not less than 2.5 times the calculated tax to a non-distributable reserve identified for this purpose. The measure also sanctions that, in the event of losses for the year, or profits for the year for an amount lower than necessary, the reserve may also be set up or supplemented by using the profits of previous years in priority order, starting from the most recent followed by other available reserves. In addition, if the reserve is subsequently used for profit distribution, the tax increased - from 30 June 2024 - to the interest rate on deposits with the ECB must be paid within 30 days of the relative shareholders' resolution.

The accounting treatment of the tax in question falls within the scope of application of IFRIC 21 "Levies" on the basis of which the liability relating to payment of a tax arises when the "binding event" occurs, i.e. when the payment obligation arises, identified not only as achievement of an interest margin higher than the amount established by law, but also by the decision not to arrange payment and instead establish a special non-distributable reserve.

[12] The forecast score represents an internal management metric adopted by the Group which classifies customers in 8 classes of increasing risk from A1 to A8, where A8 represents the highest risk class.

On 7 November 2023, as illustrated in the section "Significant events after the end of the first nine months of 2023", the Bank resolved to adopt a favourable approach, at the time of approval of the 2023 draft financial statements and once the profit capacity has been verified, of putting a proposal to the Shareholders' Meeting which, as part of the profit allocation, envisages allocation to a reserve of EUR 308.9 mln as envisaged in the aforementioned law. A similar approach was adopted by the subsidiary Widiba.

The characteristics of the law and the aforementioned resolution did not result in any obligation for the Bank and the Group at the reference date of this Interim Report on Operations, therefore there was no impact on the income statement.

Going concern

This Interim Report on Operations as at 30 September 2023 was prepared based on a going concern assumption.

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

Income statement and balance sheet reclassification principles

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

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

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

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

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

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

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

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

Income statement data

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

- The item "**Net interest income**" was cleared of the portion relative to customer repayments of EUR -0,1 mln, for which provisions were made in the item "Other net provisions for risks and charges".
- The item "**Net fee and commission income**" includes the balance of financial statement item 40 "Fee and commission income", which was cleared of the portion of reimbursements to customers referring to previous years (EUR +3.5 mln), recognised under item "Other net provisions for risks and charges" and the balance of item 50 "Fee and commission expense".
- Item "**Dividends, similar income and gains (losses) on investments**" incorporates item 70 "Dividends and similar income" and the relevant portion of profits from investments in the associate AXA, equivalent to EUR 56.5 mln, included in item 250 "Gains (losses) on investments". The aggregate is shown net of the dividends earned on equity securities other than equity investments (EUR 5.6 mln), reclassified in item "Net profit from trading, fair value measurement of assets/liabilities and gains from disposals/repurchases".
- The item "**Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases**" includes the values of items 80 "Net profit (loss) from trading", 100

"Gains/(losses) on disposal/repurchase" after deducting the contribution of loans to customers (EUR -0.2 mln) and 110 "Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss", net of the contribution from loans to customers (EUR -0.1 mln) and securities deriving from sale/securitisation transactions of non-performing loans[13] (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 +5.6 mln).

- Item "**Net profit from hedging**" includes financial statement item 90 "Net profit from hedging".
- The item "**Other operating income/expenses**" includes the balance of item 230 "Other operating expenses/income" net of:
  - stamp duty and other expenses recovered from customers, which are now under the reclassified item "Other administrative expenses" (EUR 142.5 mln);
  - recovery of training expenses, reclassified as decreases in "Personnel expenses" (EUR 2.8 mln) and "Other administrative expenses" (EUR 1.0 mln).
- The Item "**Personnel expenses**" includes the balance of item 190a "Personnel expenses" from which net positive components for EUR 3.9 mln were excluded, reclassified under "Restructuring/one-off costs". The item also incorporates the recovery of training costs (EUR 2.8 mln) recognised in the financial statements under item 230 "Other operating expenses/income".
- Item "**Other administrative expenses**" includes the balance of financial statement item 190b "Other administrative expenses", reduced by the following cost items:
  - expenses, amounting to EUR 133.8 mln, resulting from the EU Deposit Guarantee Schemes Directive (hereinafter "DGSD") and Bank Recovery Resolution Directive (hereinafter "BRRD") for the resolution of bank crises, posted under the reclassified item "Risks and charges associated with SRF, DGS and similar schemes";
  - DTA fee, convertible into tax credit, for an amount of EUR 47.2 mln (posted to the reclassified item "DTA fee");
  - charges of EUR 12.1 mln, relating to initiatives also aimed at complying with the commitments undertaken with DG Comp, stated under reclassified item "Restructuring costs/One-off costs".
  - charges, amounting to EUR 1.4 mln, referring to the branch closures envisaged in the Business Plan, recognised under the reclassified item "Restructuring costs/*One-off* costs".

  The item also incorporates the following amounts, recognised in the financial statements under item 230 "Other operating expenses/income":

  - stamp duty and other expenses recovered from customers (EUR 142.5 mln);
  - recovery of training expenses (EUR 1.0 mln).

- Item "**Net value adjustments to property, plant and equipment and intangible assets**" includes the values of the financial statements items 210 "Net value adjustments/write-backs on property, plant and equipment" and 220 "Net value adjustments/write-backs on intangible assets".
- Item "**Cost of customer credit**" includes the income statement components relating to loans to customers of items 100a "Gains/losses on disposal or repurchase of financial assets measured at amortised cost" (EUR +0.2 mln), 110b "Net profit (loss) on financial assets and liabilities measured at fair value as per mandatory requirements" (EUR -0.1 mln), 130a "Net impairment (losses)/reversals for credit risk on financial assets measured at amortised cost" (EUR -300.0 mln), 140 "Gains/losses from contractual changes without cancellation" (EUR -2.6 mln) and 200a "Net provisions for risks and charges - commitments and guarantees given" (EUR -12.8 mln). The item also includes the income statement components relating to securities deriving from the transfer/securitisation of non-performing loans recognised in item 110b "Net result of other financial assets measured at fair value as per mandatory requirements" (EUR +8.3 mln).
- The item "**Net impairment losses on securities and bank loans**" includes the portion relating to securities (EUR -1.9 mln) and loans to banks (EUR +0.6 mln) of item 130a "Net impairment (losses)/reversals for credit risk of financial assets measured at amortised cost" and item 130b "Net impairment (losses)/reversals for credit risk of financial assets measured at fair value through other comprehensive income".
- Item "**Other net provisions for risks and charges**" includes the balance of financial statement item 200 "Net provisions for risks and charges", reduced by component relative to loans to customers of item 200a "Net provisions for risks and charges - commitments and guarantees given" (EUR -12.8 mln), which was included in the specific item "Cost of customer credit". The item also includes the reimbursements to customers relating

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

to past years recognised in the financial statements under "Net interest income" for EUR -0.1 mln and "Fee and commission income" for EUR +3.5 mln.

- Item "**Other gains (losses) on investments**" includes the balance of item 250 "Gains (losses) on investments", cleared of EUR 56.5 mln as the portion of profit of the associate AXA, reclassified under "Dividends, similar income and gains (losses) on investments".
- Item "**Restructuring costs/One-off costs**" includes the following amounts:
  - positive net components of EUR 3.9 mln relating to departures through the early retirement plan or access to the Solidarity Fund accounted for in the financial statements in item 190a "Personnel expenses";
  - charges of EUR 12.1 mln, relating to project initiatives, also aimed at complying with the commitments undertaken with DG Comp, accounted for in the financial statements under item 190b "Other administrative expenses".
  - charges of EUR 1.4 mln, referring to branch closures envisaged in the Business Plan and accounted for in the financial statements under item 190b "Other administrative expenses".
- Item "**Risks and charges associated with SRF, DGS and similar schemes**" includes expenses deriving from the EU Deposit Guarantee Schemes Directive (DGSD) and the Bank Recovery and Resolution Directive (BRRD), equivalent to EUR 133.8 mln, posted in the financial statements under item 190b "Other administrative expenses".
- Item "**DTA fee**" includes expenses related to the fees paid on DTAs that can be converted into tax credit as set forth in art. 11 of Law Decree no. 59 of 3 May 2016, converted into Law no. 119 of 30 June 2016, recognised in the financial statements under item 190b "Other administrative expenses", for EUR 47.2 mln.
- Item "**Net gains (losses) on property, plant and equipment and intangible assets measured at fair value**" includes the balance of financial statement item 260 "Net gains (losses) on property, plant and equipment and intangible assets measured at fair value".
- Item "**Gains (losses) on disposal of investments**" includes the balance of financial statement item 280 "Gains (losses) on disposal of investments".
- Item "**Income taxes for the period**" includes the balance of item 300 "Income taxes for the period from current operations".

Balance sheet data

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

- Asset item "**Loans to central banks**" includes the portion relating to operations with central banks of item 40 "Financial assets measured at amortised cost".
- The asset item "**Loans to banks**" includes the portion relating to loans to banks of financial statement items 40 "Financial assets measured at amortised cost", item 20 "Financial assets measured at fair value through profit or loss" and item 120 "Non-current assets held for sale and disposal groups".
- Asset item "**Loans to customers**" includes the portion relating to loans to customers of financial statement items 20 "Financial assets measured at fair value through profit and loss", 40 "Financial assets measured at amortised cost" and 120 "Non-current assets held for sale and disposal groups".
- Asset item "**Securities assets**" includes the portion relating to securities of item 20 "Financial assets measured at fair value through profit and loss", item 30 "Financial assets measured at fair value through other comprehensive income", item 40 "Financial assets measured at amortised cost" and item 120 "Non-current assets held for sale and disposal groups".
- The asset item "**Derivatives**" includes the portion relating to derivatives of items 20 "Financial assets measured at fair value through profit or loss" and 50 "Hedging derivatives".
- Asset item "**Equity investments**" includes item 70 "Equity Investments" and the portion related to investments in item 120 "Non-current assets held for sale and disposal groups".
- Asset item "**Property, plant and equipment and intangible assets**" includes item 90 "Property, plant and equipment", item 100 "Intangible assets" and the amounts related to property, plant and equipment and intangible assets in item 120 "Non-current assets held for sale and disposal groups".
- Asset item "**Other assets**", includes item 60 "Change in value of macro-hedged financial assets", item 130 "Other assets", and the amounts in item 120 "Non-current assets held for sale and disposal groups" not included in the previous items.

- The liability item "**Due to customers**", includes financial statement item 10b "Financial liabilities measured at amortised cost – due to customers" and the component relating to customer securities of financial statement item 10c "Financial liabilities measured at amortised cost - Debt securities issued".
- Liability item "**Securities issued**" includes item 10c "Financial liabilities measured at amortised cost - Debt securities issued", excluding the component relating to customer securities, and item 30 "Financial liabilities measured at fair value".
- Liability item "**Due to Central Banks**" includes the portion of item 10a "Financial liabilities measured at amortised cost – due to banks" relating to operations with central banks.
- Liability item "**Due to banks**" includes the portion of item 10a "Financial liabilities measured at amortised cost – due tobanks" relating to operations with banks (excluding central banks).
- Liability item "**On-balance-sheet financial liabilities held for trading**" includes the portion of item 20 "Financial liabilities held for trading" net of the amounts relating to derivatives for trading.
- Liability item "**Derivatives**" includes item 40 "Hedging derivatives" and the portion related to derivatives in item 20 "Financial liabilities held for trading".
- Liability item "**Provision for specific use**" includes item 90 "Employee severance pay" and item 100 "Provisions for risks and charges".
- Liability item "**Other liabilities**" includes items 50 "Change in value of macro-hedged financial liabilities", 70 "Liabilities associated with disposal groups" and 80 "Other liabilities".

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

Reclassified income statement

Reclassified Consolidated Income Statement				
MONTEPASCHI GROUP	30 09 2023	30 09 2022*	Change	
			Abs.	%
Net interest income	1,687.9	1,037.2	650.7	62.7%
Net fee and commission income	986.6	1,055.7	(69.1)	-6.5%
Income from banking activities	**2,674.4**	**2,092.9**	**581.5**	**27.8%**
Dividends, similar income and gains (losses) on investments	72.8	81.4	(8.6)	-10.6%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	54.7	73.8	(19.1)	-25.9%
Net profit (loss) from hedging	(1.8)	8.6	(10.4)	n.m.
Other operating income (expenses)	4.1	24.2	(20.1)	-83.1%
Total Revenues	**2,804.2**	**2,280.9**	**523.3**	**22.9%**
Administrative expenses:	(1,226.5)	(1,460.8)	234.3	-16.0%
a) personnel expenses	(858.7)	(1,066.6)	207.9	-19.5%
b) other administrative expenses	(367.8)	(394.2)	26.4	-6.7%
Net value adjustments to property, plant and equipment and intangible assets	(131.3)	(141.0)	9.7	-6.9%
Operating expenses	**(1,357.8)**	**(1,601.8)**	**244.0**	**-15.2%**
Pre-Provision Operating Profit	**1,446.4**	**679.1**	**767.3**	**n.m.**
Cost of customer credit	**(307.0)**	**(320.0)**	**13.0**	**-4.1%**
Net impairment (losses)/reversals on securities and loans to banks	**(0.3)**	**1.4**	**(1.7)**	**n.m.**
Net operating income	**1,139.2**	**360.5**	**778.7**	**n.m.**
Net provisions for risks and charges	5.1	42.7	(37.6)	-88.1%
Other gains (losses) on equity investments	(3.1)	3.7	(6.8)	n.m.
Restructuring costs / One-off costs	(9.6)	(928.5)	918.9	-99.0%
Risks and charges associated to the SRF, DGS and similar schemes	(133.8)	(172.2)	38.4	-22.3%
DTA Fee	(47.2)	(47.1)	(0.1)	0.2%
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(28.8)	(10.8)	(18.0)	n.m.
Gains (losses) on disposal of investments	0.4	0.8	(0.4)	-50.0%
Profit (Loss) for the period before tax	**922.2**	**(751.0)**	**1,673.2**	**n.m.**
Tax (expense)/recovery on income from continuing operations	6.3	416.5	(410.2)	-98.5%
Profit (Loss) after tax	**928.5**	**(334.5)**	**1,263.0**	**n.m.**
Net profit (loss) for the period including non-controlling interests	**928.5**	**(334.5)**	**1,263.0**	**n.m.**
Net profit (loss) attributable to non-controlling interests	(0.1)	(0.1)	-	0.0%
Parent company's net profit (loss) for the period	**928.6**	**(334.4)**	**1,263.0**	**n.m.**

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

Quarterly trend in reclassified consolidated income statement							
MONTEPASCHI GROUP	2023			2022*			
	3°Q 2023	2°Q 2023	1°Q 2023	4°Q 2022	3°Q 2022	2°Q 2022	1°Q 2022
Net interest income	605.0	578.3	504.5	498.4	378.7	336.3	322.2
Net fee and commission income	316.6	338.3	331.7	309.0	326.7	359.5	369.5
Income from banking activities	**921.6**	**916.6**	**836.2**	**807.4**	**705.4**	**695.8**	**691.7**
Dividends, similar income and gains (losses) on investments	19.7	34.4	18.7	30.2	30.2	24.0	27.2
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	7.6	22.0	25.1	0.4	(8.6)	6.9	75.6
Net profit (loss) from hedging	(1.9)	(0.5)	0.6	(2.4)	0.8	3.2	4.6
Other operating income (expenses)	6.0	(0.2)	(1.7)	3.3	0.3	23.7	0.2
Total Revenues	**953.0**	**972.3**	**878.9**	**838.9**	**728.1**	**753.6**	**799.2**
Administrative expenses:	(399.2)	(406.2)	(421.1)	(459.9)	(480.3)	(488.8)	(491.7)
a) personnel expenses	(284.3)	(286.7)	(287.6)	(326.9)	(354.0)	(356.8)	(355.9)
b) other administrative expenses	(114.8)	(119.5)	(133.5)	(132.9)	(126.3)	(132.0)	(135.8)
Net value adjustments to property, plant and equipment and intangible assets	(44.8)	(43.0)	(43.5)	(46.5)	(47.1)	(46.6)	(47.3)
Operating expenses	**(444.0)**	**(449.2)**	**(464.6)**	**(506.4)**	**(527.4)**	**(535.4)**	**(539.0)**
Pre-Provision Operating Profit	**509.1**	**523.1**	**414.3**	**332.6**	**200.7**	**218.2**	**260.2**
Cost of customer credit	**(102.1)**	**(97.7)**	**(107.2)**	**(96.9)**	**(95.1)**	**(113.7)**	**(111.3)**
Net impairment (losses)/reversals on securities and loans to banks	**(1.9)**	**0.1**	**1.5**	**(2.5)**	**(0.3)**	**2.1**	**(0.4)**
Net operating income	**405.1**	**425.5**	**308.6**	**233.1**	**105.3**	**106.6**	**148.5**
Net provisions for risks and charges	7.5	4.1	(6.5)	(40.7)	121.8	(50.1)	(29.0)
Other gains (losses) on equity investments	(1.8)	0.3	(1.6)	-	2.5	(0.7)	1.9
Restructuring costs / One-off costs	(13.1)	9.7	(6.2)	(2.9)	(925.4)	(2.9)	(0.2)
Risks and charges associated to the SRF, DGS and similar schemes	(75.2)	(0.2)	(58.4)	(7.5)	(83.5)	-	(88.7)
DTA Fee	(15.7)	(15.7)	(15.7)	(15.8)	(15.7)	(15.7)	(15.8)
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	-	(28.9)	0.1	(20.3)	-	(10.8)	-
Gains (losses) on disposal of investments	0.2	0.2	-	-	-	0.9	(0.1)
Profit (Loss) for the period before tax	**306.9**	**395.0**	**220.3**	**145.9**	**(795.1)**	**27.4**	**16.8**
Tax (expense)/recovery on income from continuing operations	2.7	(11.8)	15.4	10.1	407.6	3.0	5.9
Profit (Loss) after tax	**309.6**	**383.2**	**235.7**	**156.0**	**(387.5)**	**30.4**	**22.7**
Net profit (loss) for the period including non-controlling interests	**309.6**	**383.2**	**235.7**	**156.0**	**(387.5)**	**30.4**	**22.7**
Net profit (loss) attributable to non-controlling interests	-	(0.1)	-	-	-	(0.1)	-
Parent company's net profit (loss) for the period	**309.6**	**383.3**	**235.7**	**156.0**	**(387.5)**	**30.5**	**22.7**

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

Revenue trends

As at 30 September 2023, the Group achieved total **Revenues** of **EUR 2,804 mln**, up 22.9% compared to the same period of last year.

This trend is attributable to the growth in Net Interest Income which, as regards lending, benefits from the favourable interest rate scenario, in a context of careful monitoring of the cost of funding. The positive performance of Net interest income more than offset the decrease in Net fee and commission income, recorded above all on income from asset management and on the credit segment due to the changing market scenario, and the lower contribution of Other income from banking business (which in the first nine months of 2022 incorporated substantial profits deriving in particular from the disposal of securities classified in the Parent Company's banking book) and Other operating income and expenses.

Revenues in the third quarter of 2023 amounted to EUR 953 ml, slightly down from the previous quarter (-2.0%) due to the lower contribution from revenue of financial operations. Primary net interest and other banking income was stable, within which the continued growth of Net Interest Income (+4.6%) offset the decrease in Net fee and commission income (-6.4%) which was also affected by seasonality factors typical of the third quarter, as well as the cost-cutting monoeuvre on current account, whict impacted the quarter by about EUR 5.0 mln.

Net Interest Income amounted to **EUR 1,688 mln** as at 30 September 2023, up significantly compared to the same period of 2022 (+62.7%). This growth was mainly driven by (i) the greater contribution of the commercial sector, which benefited from higher interest income on loans, generated by the increase in interest rates, only partially offset by the higher interests on collections and (ii) the higher contribution of the portfolio of securities, following higher returns. In relations with central banks, a net cost of EUR 90 mln was recognised as at 30 September 2023, compared to the net benefit of EUR 116 mln in the corresponding period of 2022. This performance is attributable to the ECB's monetary policy decisions, which introduced a rise in reference rates and some changes, starting from 23 November 2022, to the terms and conditions applied to existing TLTRO III auctions. In fact, a cost of EUR 362 mln (plus a further EUR 56 mln in interest expense relating to MRO and LTRO auctions) was recorded on the latter in the first nine months of 2023, compared to the benefit of EUR 162 mln recorded in the same period of the previous year; this effect was only partially offset by the income on liquidity deposited with central banks, equal to EUR 328 mln as at 30 September 2023, compared to the cost of EUR 46 mln as at 30 September 2022. The cost of market funding also increased compared to the corresponding period of the previous year, following the rise in rates and new issues in 2023 (senior preferred bonds for EUR 750 mln in the first quarter of 2023 and EUR 500 mln in the third quarter of 2023).

In the third quarter of 2023, net interest income also increased compared to the previous quarter (+4.6%) thanks to the higher contribution of commercial loans (which continue to benefit from the rate increase), combined with careful monitoring of funding costs. Income from the portfolio of securities rose also. The net cost of relations with central banks increased, however, compared to the previous quarter. The decrease in interest expense on TLTRO auctions (EUR 77 mln in the third quarter of 2023 and EUR 144 mln in the second quarter of 2023, respectively), following maturities at the end of June 2023 (EUR 11 bn) and the end of September 2023 (EUR 3 bn), was more than offset by a lower benefit on deposited liquidity (EUR 110 mln in the third quarter of 2023 compared to EUR 131 mln in the previous quarter) and a higher cost of MRO and LTRO auctions (EUR 55 mln in the third quarter of 2023 compared to the EUR 2 mln recorded in the second quarter of 2023).

Items	30 09 2023	30 09 2022*	Chg. Y/Y		3°Q 2023	2°Q 2023	Chg. Q/Q	
			Abs.	%			Abs.	%
Loans to customers measured at amortised cost	1,789.5	1,044.2	745.3	71.4%	617.1	597.9	19.2	3.2%
Loans to Banks measured at amortised cost	64.3	1.6	62.7	n.m.	28.0	110.6	(82.6)	-74.7%
Loans to Central Banks	(90.0)	115.6	(205.6)	n.m.	(22.0)	(14.9)	(7.1)	47.3%
Government securities and other non-bank issuers at amortised cost	156.7	86.3	70.4	81.6%	56.4	52.4	4.0	7.6%
Securities issued	(268.4)	(234.3)	(34.1)	14.6%	(95.5)	(93.0)	(2.5)	2.7%
Hedging derivatives	(88.4)	(54.4)	(34.0)	62.5%	(23.8)	(28.4)	4.6	-16.2%
Trading portfolios	37.5	27.9	9.6	34.4%	10.4	15.5	(5.1)	-32.9%
Portfolios measured at fair value	5.7	4.4	1.3	29.5%	2.0	2.1	(0.1)	-4.8%
Financial assets measured at fair value through other comprehensive income	35.6	34.3	1.3	3.8%	12.0	11.5	0.5	4.3%
Other financial assets and liabilities	45.4	11.6	33.8	n.m.	20.4	(75.4)	95.8	n.m.
Net interest income	**1,687.9**	**1,037.2**	**650.7**	**62.7%**	**605.0**	**578.3**	**26.7**	**4.6%**
of which: interest income on impaired financial assets	*57.5*	*44.1*	*13.4*	*30.4%*	*20.6*	*19.5*	*1.1*	*5.6%*

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

Net fee and commission income as at 30 September 2023, totalling **EUR 987 mln**, declined compared to the same period of the previous year (-6.5%). This decrease is mainly attributable to income from asset management (-8.5%), in which the lower commissions from asset management, linked to the evolution of the macroeconomic scenario, were partially offset by higher income recorded on the securities segment, due to customers' renewed interest in fixed-rate investments (mainly government bonds). Also down was the fee and commission income from traditional banking services, compared to the same period of the previous year (-2.6%), mainly due to the lower demand of loans and to the reduction in revenue from current accounts. Commission on third-party consumer credit, amounted to EUR 11 mln compared to EUR 26 mln in the same period of previous year, as a result of enhancement of in-house consumer finance factory, launched last year.

The contribution for the third quarter of 2023 is lower than in the previous quarter (-6.4%) despite the good performance of asset management commissions. Commissions from traditional banking services were down (-10.2%), affected by the cost-cutting manoeuvre on current accounts, which had an impact of approximately EUR 5.0 mln on the third quarter, and by the slowdown typical of the third quarter of the year.

Services/values	30 09 2023	30 09 2022*	Change Y/Y		3°Q 2023	2°Q 2023	Change Q/Q	
			Abs.	%			Abs.	%
Asset under management fees	**425.8**	**465.6**	**(39.8)**	**-8.5%**	**141.2**	**140.6**	**0.6**	**0.4%**
Product placement	107.1	146.5	(39.5)	-26.9%	35.5	33.1	2.4	7.2%
Continuing fees	318.7	319.1	(0.3)	-0.1%	105.7	107.5	(1.8)	-1,7%
Fees and commissions from traditional activities	**549.3**	**564.2**	**(14.9)**	**-2.6%**	**172.7**	**192.4**	**(19.7)**	**-10.2%**
Credit fees	279.9	285.2	(5.3)	-1.9%	90.0	95.2	(5.2)	-5.5%
Cards and payments	131.9	136.3	(4.4)	-3.3%	43.7	46.5	(2.8)	-6.0%
Current accounts and others	137.5	142.6	(5.1)	-3.6%	39.0	50.7	(11.7)	-23.0%
Commissions on third-party consumer credit	**11.5**	**25.9**	**(14.4)**	**-55.6%**	**2.7**	**5.3**	**(2.6)**	**-49.5%**
Net fees and commissions income	**986.6**	**1.055.7**	**(69.1)**	**-6.5%**	**316.6**	**338.3**	**(21.7)**	**-6.4%**

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

Dividends, similar income and gains (losses) on equity investments amounted to **EUR 73 mln**, down by EUR 9 mln compared to 30 September 2022. The trend is attributable to lower income generated by insurance investments in AXA associates. The result for the third quarter of 2023 was down compared to the previous quarter (EUR -15 mln), also in relation to the lower contribution from the aforementioned AXA companies, as well as lower dividends recognised in the third quarter.

Net profit (loss) from trading, fair value measurement of assets/liabilities and gains on disposals/repurchase as at 30 September 2023 amounted to **EUR 55 mln**, a decrease of EUR 19 mln compared to the values recorded in the same period of the previous year (inclusive of consistent profits on the transfer of securities), and with a result in the third quarter of 2023 down by EUR 14 mln compared to the previous quarter. The analysis of the main aggregates shows the following:

- **Net profit from trading** was **EUR 55 mln**, compared to the loss of EUR -17 mln recorded in the same period of the previous year. The growth is mainly attributable to market maker activities on the reference markets, which in the current year benefited from a more favourable operating environment (also following the rates increase). The result for the third quarter of 2023, positive for EUR 6 mln, was down compared to the previous quarter (EUR -11 mln), also due to lower dividends on equity securities other than equity investments.
- **Net profit (loss) from other assets/liabilities measured at fair value through profit or loss was essentially zero**, down compared to EUR 42 mln recorded in the same period of the previous year, which had benefited from higher capital gains recorded, in particular, on UCITS and on bond liabilities. The result in the third quarter of 2023 was EUR 3 mln lower than that of the previous quarter.
- **Gains (losses) from disposal/repurchase** (excluding loans to customers at amortised cost) **were essentially zero** (EUR 0.2 mln as at 30 September 2023), in line with the portfolio management strategy; the figure for the first nine months of 2022 (EUR 49 mln) included gains achieved from the sale of government bonds in the Parent Company's portfolio of Financial assets measured at amortised cost.

Items	30 09 2023	30 09 2022	Chg. Y/Y		3°Q 2023	2°Q 2023	Chg. Q/Q	
			Abs.	%			Abs.	%
Financial assets held for trading	68.0	(453.4)	521.4	n.m.	(32.7)	47.9	(80.6)	n.m.
Financial liabilities held for trading	16.3	358.9	(342.6)	-95.5%	66.2	4.6	61.6	n.m.
Exchange rate effects	2.4	13.5	(11.1)	-82.2%	2.7	(6.0)	8.7	n.m.
Derivatives	(31.8)	63.9	(95.7)	n.m.	(29.9)	(28.9)	(1.0)	3.5%
Trading results	**54.9**	**(17.1)**	**72.0**	**n.m.**	**6.3**	**17.6**	**(11.3)**	**-64.2%**
Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss	(0.4)	41.8	(42.2)	n.m.	1.3	4.3	(3.0)	-69.8%
Disposal/repurchase (excluding loans to customers measured at amortised cost)	0.2	49.1	(48.9)	-99.6%	-	0.1	(0.1)	-100.0%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	**54.7**	**73.8**	**(19.1)**	**-25.9%**	**7.6**	**22.0**	**(14.4)**	**-65.4%**

The following items are also included in Revenues:

- **Net hedging gains (losses)** were **EUR -2 mln** (compared to the positive result of EUR 9 mln in the same period of the previous year), with a result in the third quarter of 2023 of EUR -2 mln (compared to the EUR -1 mln in the previous quarter).
- **Other operating income/expenses recorded income for EUR 4 mln** (compared to the income of EUR 24 mln in the same period of the previous year), with a positive result of EUR 6 mln for the third quarter of 2023 (an improvement compared to near zero in the previous quarter).

Operating expenses

As at 30 September 2023, **Operating expenses** amounted to **EUR 1,358 mln**, an improvement compared to the corresponding period of 2022 (-15.2%); the total for the third quarter of 2023 also improved (-1.2%) compared to the previous quarter. A closer look at the individual aggregates reveals the following:

- **Administrative expenses** amounted to **EUR 1,226 mln**, down compared to the corresponding period of 2022 (-16.0%), with a downward trend in the third quarter of 2023 compared to the previous quarter (-1.7%). A breakdown of the aggregate shows:
  - **Personnel expenses**, amounting to **EUR 859 mln**, were down compared to the corresponding period in the previous year (-19.5%), benefiting from the reduction of the workforce, mainly due to the exits through Early retirement plan/access to the Solidarity Fund, pursuant to the agreement with the trade unions executed on 4 August 2022. The balance for the third quarter of 2023 was also slightly down than the previous quarter (-0.8%).
  - **Other administrative expenses**, amounting to **EUR 368 mln**, were down compared to 30 September 2022 (-6.7%), also thanks to a continuous cost optimisation process. The total for the third quarter of 2023 also showed an improvement compared to the previous quarter (-3.9%).
- **Net adjustments to property, plant and equipment and intangible assets** amounted to **EUR 131 mln** as at 30 September 2023, down compared to 30 September 2022 (-6.9%); comparison between the third quarter of 2023 and the previous quarter shows an increase (+4.2%) mainly attributable to investments in new software.

Type of transaction	30 09 2023	30 09 2022*	Chg Y/Y		3°Q 2023	2°Q 2023	Chg Q/Q	
			Abs.	%			Abs.	%
Wages and salaries	(615.3)	(766.6)	151.3	-19.7%	(204.4)	(205.1)	0.7	-0.3%
Social-welfare charges	(169.9)	(209.3)	39.4	-18.8%	(55.9)	(56.4)	0.5	-0.9%
Other personnel expenses	(73.5)	(90.7)	17.2	-19.0%	(24.0)	(25.2)	1.2	-4.8%
Personnel expenses	**(858.7)**	**(1,066.6)**	**207.9**	**-19.5%**	**(284.3)**	**(286.7)**	**2.4**	**-0.8%**
Taxes	(152.6)	(166.9)	14.3	-8.6%	(49.3)	(52.3)	3.0	-5.7%
Furnishing, real estate and security expenses	(72.2)	(68.2)	(4.0)	5.9%	(23.9)	(20.7)	(3.2)	15.5%
General operating expenses	(130.0)	(136.3)	6.3	-4.6%	(38.1)	(41.5)	3.4	-8.2%
Information technology expenses	(93.0)	(96.9)	3.9	-4.0%	(30.3)	(34.2)	3.9	-11.4%
Legal and professional expenses	(44.6)	(55.1)	10.5	-19.1%	(13.4)	(15.4)	2.0	-13.0%
Indirect personnel costs	(3.2)	(3.7)	0.5	-13.5%	(1.2)	(1.3)	0.1	-7.7%
Insurance	(13.2)	(15.1)	1.9	-12.6%	(4.4)	(4.2)	(0.2)	4.8%
Advertising, sponsorship and promotions	(4.9)	(2.3)	(2.6)	n.m.	(0.7)	(0.7)	-	0.0%
Other	3.4	(13.0)	16.4	n.m.	(0.4)	1.8	(2.3)	n.m.
Expenses recovery	142.5	163.3	(20.8)	-12.7%	46.9	49.0	(2.1)	-4.3%
Other administrative expenses	**(367.8)**	**(394.2)**	**26.4**	**-6.7%**	**(114.8)**	**(119.5)**	**4.6**	**-3.9%**
Property, plant and equipment	(81.9)	(89.7)	7.8	-8.7%	(27.4)	(27.5)	0.1	-0.4%
Intangible assets	(49.4)	(51.3)	1.9	-3.7%	(17.4)	(15.5)	(1.9)	12.3%
Net value adjustments to property, plant and equipment and intangible assets	**(131.3)**	**(141.0)**	**9.7**	**-6.9%**	**(44.8)**	**(43.0)**	**(1.8)**	**4.2%**
Operating expenses	**(1,357.8)**	**(1,601.8)**	**244.0**	**-15.2%**	**(444.0)**	**(449.2)**	**5.3**	**-1.2%**

** The economic values as at 30 September 2022 were restated, compared to those published at the reference date, following the discontinued application of the reclassifications on PPA and Rents.*

As a result of these trends, the Group's **Gross Operating Income** amounted to **EUR 1,446 mln,** more than doubled compared to 30 September 2022 (EUR 679 mln). The result for the third quarter (equal to EUR 509 mln) was down compared to the previous quarter (EUR 523 mln), mainly as a result of the trend in profit from equity investments and from fair value measurements.

Cost of customer credit

At 30 September 2023, the Group recognised a **Cost of customer credit** equal to **EUR 307 mln**, marking a decrease compared to the EUR 320 mln recorded in the same period of the previous year. The contribution for the third quarter of 2023, up slightly compared to the previous quarter (+4.5%), includes the effects of the updated macroeconomic scenarios and risk models.
As at 30 September 2023, the ratio between the annualised Cost of Customer Credit and the sum of Customer Loans and the value of securities deriving from the sale/securitisation of non-performing loans results in a **Provisioning Rate** of **52 bps** (54 bps as at 30 June 2023 and 55 bps as at 31 December 2022).

Items	30 09 2023	30 09 2022	Chg. Y/Y		3°Q 2023	2°Q 2023	Chg. Q/Q	
			Abs.	%			Abs.	%
Loans to customers measured at amortised cost	(291.7)	(322.5)	30.8	-9.6%	(95.8)	(101.2)	5.4	-5.3%
Modification gains/(losses)	(2.6)	3.1	(5.7)	n.m.	(2.3)	(0.1)	(2.2)	n.m.
Gains/(losses) on disposal/repurchase of loans to customers measured at amortised cost	0.2	1.7	(1.5)	-88.2%	0.4	(0.2)	0.6	n.m.
Net change of Loans to customers mandatorily measured at fair value	(0.1)	4.9	(5.0)	n.m.	0.5	0.5	-	0.0%
Net provisions for risks and charges on commitments and guarantees issued	(12.8)	(7.2)	(5.6)	77.8%	(4.9)	3.3	(8.2)	n.m.
Cost of customer credit	**(307.0)**	**(320.0)**	**13.0**	**-4.1%**	**(102.1)**	**(97.7)**	**(4.4)**	**4.5%**

The Group's **Net Operating Income** as at 30 September 2023 amounted to **EUR 1,139 mln**, a significant increase compared to the result of EUR 360 mln recorded as at 30 September 2022. The result for the third quarter of 2023 was EUR 405 mln, in slight reduction from EUR 426 mln in the previous quarter.

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

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

- **Other net provisions for risks and charges** equal to **EUR +5 mln** as at 30 September 2023, compared to net releases of EUR 43 mln recorded in the same period of the previous year. The balance for the third quarter of 2023 was EUR +7 mln, compared to net releases of EUR 4 mln in the previous quarter.

- **Other gains (losses) on investments** equal to **EUR -3 mln** (including the impairment recorded on a Group equity investment), against a gain of EUR 4 mln recorded in the corresponding period of the previous year. The result for the third quarter of 2023 was EUR 2 mln lower than that of the previous quarter.

- **Restructuring costs/One-off costs** of **EUR -10 mln**, compared to a balance of EUR -928 mln recorded as at 30 September 2022, which included provisions allocated for the early retirement incentive/solidarity fund as agreed with the trade unions on 4 August 2022. The balance for the third quarter of 2023 was EUR -13 mln, compared to EUR +10 mln in the previous quarter.

- **Risks and charges associated with SRF, DGS and similar schemes**, amounting to **EUR -134 mln**, comprised of Group contributions of EUR - 59 mln due to the Single Resolution Fund (SRF), recognised in previous quarters of 2023), and EUR -75 mln to IDPF (DGS), recognised in the third quarter of 2023.

- **DTA fee**, amounting to **EUR -47 mln**, essentially unchanged compared to the same period of the previous year; the contribution for the third quarter of 2023 was also in line with the previous quarter. This amount, determined according to the criteria set forth in Law Decree 59/2016, converted into Law no. 119 of 30 June 2016, represents the fee as at 30 September 2023 on DTA (Deferred Tax Assets) that can be converted into a tax credit.

- **Result of the fair value measurement of property, plant and equipment and intangible assets** equal to **EUR -29 mln** (all recognised in the second quarter of 2023 against the periodic revaluation of real estate assets), compared to the result of EUR -11 mln recorded in the same period of 2022.

- **Gains (losses) on disposal of investments**, equal to EUR 0.4 mln as at 30 September 2023, in line with the amount recorded as at 30 September 2022 (EUR 0.8 mln).

As a result of the trends highlighted above, the Group's **Profit before tax for the period** amounted to **EUR 922 mln**, up compared to the Pre-tax loss of EUR 751 mln recorded in the corresponding period of 2022. The result for the third quarter of 2023 was EUR 307 mln, down compared to EUR 395 mln in the previous quarter.

Income taxes for the period were a positive **EUR 6 mln** (a positive EUR 417 mln as at 30 September 2022), mainly attributable to the valuation of DTAs net of tax relative to the economic result for the period.

As a result of the trends described above, the **Parent Company's profit for the period amounted to EUR 929 mln** as at 30 September 2023, compared to a loss of EUR 334 mln achieved as at 30 September 2022. The result for the third quarter, equal to EUR 310 mln, was down compared to the previous quarter (EUR 383 mln). With specific reference to the provisions of Italian Law no. 136/2023 on windfall taxation of excess bank profits, the Board of Directors, taking the option offered by the aforementioned measure, resolved to propose that the Shareholders' Meeting, called to approve the 2023 financial statements, establish a non-distributable profit reserve not less than EUR 308.9 mln (a similar approach was taken by Banca Widiba for a reserve of EUR 3.8 mln) without impacts on the income statement.

Reclassified balance sheet

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

Reclassified Consolidated Balance Sheet

Assets	30 09 2023	31 12 2022*	Chg.	
			Abs.	%
Cash and cash equivalents	13,514.5	12,538.6	975.9	7.8%
Loans to central banks	522.6	628.1	(105.5)	-16.8%
Loans to banks	2,270.1	1,950.1	320.0	16.4%
Loans to customers	77,981.6	76,265.3	1,716.3	2.3%
Securities assets	18,323.3	18,393.6	(70.3)	-0.4%
Derivatives	3,122.8	3,413.6	(290.8)	-8.5%
Equity investments	689.1	750.7	(61.6)	-8.2%
Property, plant and equipment/Intangible assets	2,499.6	2,604.0	(104.4)	-4.0%
of which: goodwill	*7.9*	*7.9*	-	*0.0%*
Tax assets	1,922.4	2,216.4	(294.0)	-13.3%
Other assets	2,346.4	1,474.9	871.5	59.1%
Total assets	**123,192.4**	**120,235.3**	**2,957.1**	**2.5%**

Liabilities	30 09 2023	31 12 2022*	Chg.	
			Abs.	%
Direct funding	89,414.6	81,997.6	7,417.0	*9.0%*
a) Due to customers	79,494.9	73,356.8	6,138.1	8.4%
b) Securities issued	9,919.7	8,640.8	1,278.9	*14.8%*
Due to central banks	13,105.6	19,176.9	(6,071.3)	-31.7%
Due to banks	1,790.8	2,205.9	(415.1)	-18.8%
On-balance-sheet financial liabilities held for trading	3,614.6	2,567.2	1,047.4	40.8%
Derivatives	1,493.9	1,722.9	(229.0)	*-13.3%*
Provisions for specific use	1,501.9	1,585.7	(83.8)	-5.3%
a) Provision for staff severance indemnities	67.7	70.2	(2.5)	-3.6%
b) Provision related to guarantees and other commitments given	152.6	142.5	10.1	7.1%
c) Pension and other post-retirement benefit obligations	3.5	26.6	(23.1)	-86.8%
d) Other provisions	1,278.1	1,346.4	(68.3)	-5.1%
Tax liabilities	8.3	6.6	1.7	25.8%
Other liabilities	3,454.9	3,111.5	343.4	11.0%
Group net equity	8,807.1	7,860.1	947.0	12.0%
a) Valuation reserves	(15.8)	(26.9)	11.1	-41.4%
d) Reserves	440.8	611.9	(171.1)	-28.0%
f) Share capital	7,453.5	7,453.5	-	0.0%
h) Net profit (loss) for the period	928.6	(178.4)	1,107.0	n.m.
Non-controlling interests	0.7	0.9	(0.2)	-22.2%
Total Liabilities and Shareholders' Equity	**123,192.4**	**120,235.3**	**2,957.1**	**2.5%**

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

Reclassified Consolidated Balance Sheet - Quarterly Trend							
Assets	**30 09 2023**	**30 06 2023**	**31 03 2023**	**31 12 2022***	**30 09 2022***	**30 06 2022***	**31 03 2022***
Cash and cash equivalents	13,514.5	11,769.1	14,512.4	12,538.6	16,540.4	1,518.8	1,791.0
Loans to central banks	522.6	544.1	656.4	628.1	4,426.4	17,626.5	15,392.8
Loans to banks	2,270.1	2,237.9	2,125.8	1,950.1	2,715.5	1,432.1	2,424.9
Loans to customers	77,981.6	76,056.0	77,755.6	76,265.3	77,939.1	78,621.7	79,259.7
Securities assets	18,323.3	19,589.7	18,652.3	18,393.6	19,794.3	22,312.7	23,382.2
Derivatives	3,122.8	3,023.6	3,215.9	3,413.6	3,521.3	3,029.2	2,352.6
Equity investments	689.1	677.3	772.0	750.7	691.9	693.5	953.7
Property, plant and equipment/Intangible assets	2,499.6	2,495.8	2,567.1	2,604.0	2,639.5	2,666.1	2,718.5
of which: goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Tax assets	1,922.4	2,065.6	2,219.7	2,216.4	2,205.7	1,769.3	1,798.0
Other assets	2,346.4	2,342.0	1,808.8	1,474.9	1,317.1	1,645.0	1,904.2
Total assets	**123,192.4**	**120,801.1**	**124,286.0**	**120,235.3**	**131,791.2**	**131,314.9**	**131,977.6**

Liabilities	**30 09 2023**	**30 06 2023**	**31 03 2023**	**31 12 2022***	**30 09 2022***	**30 06 2022***	**31 03 2022***
Direct funding	89,414.6	84,142.3	84,067.0	81,997.6	83,805.1	84,305.1	84,428.2
a) Due to customers	*79,494.9*	74,726.7	74,708.3	73,356.8	75,164.3	74,940.9	74,992.2
b) Securities issued	9,919.7	9,415.6	9,358.7	8,640.8	8,640.8	9,364.2	9,436.0
Due to central banks	13,105.6	15,283.4	19,317.2	19,176.9	28,931.7	28,947.6	29,081.1
Due to banks	1,790.8	1,897.7	1,884.6	2,205.9	2,589.8	1,694.6	1,763.6
On-balance-sheet financial liabilities held for trading	3,614.6	2,859.9	3,276.3	2,567.2	2,362.2	2,658.7	3,174.4
Derivatives	1,493.9	1,554.5	1,608.7	1,722.9	1,777.2	1,727.5	2,081.9
Provisions for specific use	1,501.9	1,523.3	1,554.2	1,585.7	2,582.4	1,822.2	1,820.6
a) Provision for staff severance indemnities	67.7	67.7	69.9	70.2	136.9	142.5	157.8
b) Provision related to guarantees and other commitments given	152.6	148.6	152.8	142.5	148.5	148.8	147.8
c) Pension and other post-retirement benefit obligations	3.5	3.7	3.8	26.6	24.2	24.9	29.0
d) Other provisions	1,278.1	1,303.3	1,327.7	1,346.4	2,272.8	1,506.0	1,486.0
Tax liabilities	8.3	7.0	6.9	6.6	6.9	6.0	6.5
Other liabilities	3,454.9	5,032.7	4,441.3	3,111.5	4,430.8	4,378.1	3,645.4
Group net equity	8,807.1	8,499.5	8,128.9	7,860.1	5,303.8	5,773.7	5,974.6
a) Valuation reserves	(15.8)	(18.4)	7.2	(26.9)	(56.0)	30.6	174.6
d) Reserves	440.8	445.4	432.5	611.9	740.1	(3,505.0)	(3,417.6)
f) Share capital	7,453.5	7,453.5	7,453.5	7,453.5	4,954.1	9,195.0	9,195.0
h) Net profit (loss) for the period	928.6	619.0	235.7	(178.4)	(334.4)	53.1	22.7
Non-controlling interests	0.7	0.8	0.9	0.9	1.3	1.4	1.3
Total Liabilities and Shareholders' Equity	**123,192.4**	**120,801.1**	**124,286.0**	**120,235.3**	**131,791.2**	**131,314.9**	**131,977.6**

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

Customer funding

As at 30 September 2023, the Group's **Total Funding** volumes amounted to **EUR 181.9 bn**, up EUR 3.1 bn compared to 30 June 2023 and driven by Direct Funding (EUR +5.3 bn). Indirect Funding was down (EUR -2.2 bn) mainly due to a negative market effect.

The aggregate was also up compared to 31 December 2022 (EUR +7.5 bn) due to the increase in Direct Funding (EUR +7.4 bn), while Indirect Funding remained relatively stable (EUR +0.1 bn).

Background

In the first eight months of 2023, the decline in funding and recomposition of the various forms of funding continued, with deposits held by the private sector widening their YoY downward trend (-5.5% in August). Compared to the volumes of December 2022, deposits in the production sector (non-financial companies and family businesses) recorded a decrease of -5.7% in August; the decline for consumer households was slightly less (-4.4%). With reference to technical forms, the trend for current account payables was decidedly negative (down by almost 10% in August compared to year end 2022), against a strong increase in time deposits (up by more than 60% in the same period). Bonds continued to record significant increases, with YoY growth at around 13% in August. The process of reducing Eurosystem funding continued: in the first eight months of the year, the banking system repaid TLTROs for approximately EUR 180 bn, largely in June when the auction with the most significant subscriptions came to an end.

The upward trend in interest rates continued: in August, the interest rate on deposits of non-financial companies and family businesses stood at 0.79% (approximately +34 bps since last December); the rate on current accounts rose to 0.41% (up by around 26 bps on the figure at year end 2022); that on time deposits stood at 2.80%, recording the most consistent increase (+130 bps compared to December). On bonds, the average rate on outstanding stock rose to 2.65% in August (approximately +53 bps compared to the end of 2022).

The persisting context of uncertainty as regards assets under management, where inflation and restrictive monetary policy continue to have an impact on savers' investment choices as well as causing a lower ability for Italian households to save. The first eight months of the year showed negative net inflows of EUR -26.3 bn, driven by the decline in Institutional Management. From January to August 2023, the Funds recorded a negative net funding balance of EUR -10.6 bn, while Retail Asset Management again showed positive net inflows (EUR +3 bn from the start of the year). At category level, savers focused their choices on equity and bond funds (EUR +2.8 bn and EUR +14.2 bn, respectively, since the beginning of the year); the balanced and flexible fund classes are still in the process of being divested. Total assets under management at the end of August stood at EUR 2,273 bn, essentially in line with the second quarter. For the life insurance market, in the first nine months of the year, new business was recorded for EUR 48.1 bn, compared to EUR 50.5 bn in the same period of the previous year, with a YoY decrease of approximately -2.5%. On the bank and post office branch distribution channel up to September 2023, there was growth in the placement of traditional products (EUR +19.8 YoY), while hybrid solutions, already down since last year, recorded a decrease of -45.5% YoY; the component with the highest financial content (classic units), particularly exposed to market uncertainty, continued its downward trend, recording -44.9% YoY. With reference to the placement channels for life insurance products, at the end of the third quarter of the year the financial advisors channel had partly mitigated the decline in business volumes, but still recorded a decisive decrease (-22.2%) compared to the same period of the previous year. The performance was similar for the agency channel (-8.4% YoY), while there was a modest recovery in the banking channel (+0.3% YoY).

Customer Funding										
					Chg. Q/Q		Chg. 31/12		Chg. Y/Y	
	30 09 2023	30 06 2023	31 12 2022	30 09 2022	Abs.	%	Abs.	%	Abs.	%
Direct funding	89,414.6	84,142.3	81,997.6	83,805.1	5,272.3	6.3%	7,417.0	9.0%	5,609.5	6.7%
Indirect funding	92,516.6	94,704.3	92,420.7	91,481.3	(2,187.7)	-2.3%	95.9	0.1%	1,035.3	1.1%
Total funding	**181,931.2**	**178,846.6**	**174,418.3**	**175,286.4**	**3,084.6**	**1.7%**	**7,512.9**	**4.3%**	**6,644.8**	**3.8%**

Direct Funding volumes stood at **EUR 89.4 bn**, recording an increase compared to the end of June 2023 (EUR +5.3 bn). The increase was mainly recorded on current accounts (EUR +2.3 bn) and repurchase agreements (EUR +2.4 bn). Bonds were also up (EUR +0.5 bn), which include the senior preferred issue of EUR 500 mln completed in the third quarter of 2023 and other forms of funding (EUR +0.1 bn), while time deposits remain stable.

The aggregate was also up compared to 31 December 2022 (EUR +7.4 bn) due to higher repurchase agreements (EUR +6.2 bn) and the growth in the bond component (EUR +1.3 bn), the latter following placement of the aforementioned senior preferred bonds for EUR 500 mln in the third quarter of 2023, in addition to the EUR 750 mln placement completed in the first quarter of 2023.

The market share[14] of the Group on direct funding stood at 3.30% (figure updated to August 2023), down slightly compared to December 2022 (3.35%), while the market share on demand deposits was 4.56%, up 23 bps compared to December 2022.

Direct funding										
Type of transaction	30 09 2023	30 06 2023	31 12 2022	30 09 2022	Change Q/Q		Change 31.12		Change Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Current accounts	65,308.2	63,005.5	65,783.3	66,270.9	2,302.7	3.7%	(475.1)	-0.7%	(962.7)	-1.5%
Time deposits	4,724.1	4,761.9	4,331.1	5,164.8	(37.9)	-0.8%	393.0	9.1%	(440.7)	-8.5%
Reverse repurchase agreements	6,799.7	4,394.1	559.4	927.5	2,405.6	54.7%	6,240.3	n.m.	5,872.2	n.m.
Bonds	9,919.7	9,415.6	8,640.8	8,640.7	504.1	5.4%	1,278.9	14.8%	1,279.0	14.8%
Other types of direct funding	2,662.9	2,565.2	2,683.0	2,801.2	97.8	3.8%	(20.1)	-0.7%	(138.3)	-4.9%
Total	**89,414.6**	**84,142.3**	**81,997.6**	**83,805.1**	**5,272.3**	**6.3%**	**7,417.0**	**9.0%**	**5,609.5**	**6.7%**

Indirect Funding amounted to approx. **EUR 92.5 bn**, down by EUR 2.2 bn compared to 30 June 2023 for assets under management (EUR -1.1 bn) and assets under custody (EUR -1.1 bn). The trend is essentially due to a negative market effect; positive net inflows were also recorded on assets under custody in the third quarter of 2023, linked to renewed interest from customers in government bonds as related returns increased.

Compared to 31 December 2022, indirect funding was substantially stable (EUR +0.1 bn), due to the combined effect of the growth in assets under custody (EUR +2.1 bn), recorded mainly on the government securities component and the decline in assets under management (EUR -2.0 bn).

Indirect Funding										
	30 09 2023	30 06 2023	31 12 2022	30 09 2022	Change Q/Q		Change 31/12		Change Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Assets under management	55,751.8	56,867.1	57,733.6	57,988.4	(1,115.3)	-2.0%	(1,981.8)	-3.4%	(2,236.7)	-3.9%
Funds	*25,821.0*	*26,486.0*	*25,701.0*	*25,767.7*	*(665.0)*	*-2.5%*	*120.0*	*0.5%*	*53.3*	*0.2%*
Individual Portfolio under Management	*4,572.5*	*4,332.4*	*5,019.2*	*4,837.0*	*240.1*	*5.5%*	*(446.7)*	*-8.9%*	*(264.4)*	*-5.5%*
Bancassurance	*25,358.3*	*26,048.7*	*27,013.5*	*27,383.8*	*(690.5)*	*-2.7%*	*(1,655.2)*	*-6.1%*	*(2,025.5)*	*-7.4%*
Assets under custody	36,764.8	37,837.1	34,687.1	33,492.8	(1,072.3)	-2.8%	2,077.7	6.0%	3,272.0	9.8%
Government securities	*15,699.5*	*15,888.3*	*12,646.6*	*12,168.1*	*(188.8)*	*-1.2%*	*3,052.9*	*24.1%*	*3,531.4*	*29.0%*
Others	*21,065.3*	*21,948.8*	*22,040.5*	*21,324.7*	*(883.5)*	*-4.0%*	*(975.2)*	*-4.4%*	*(259.4)*	*-1.2%*
Total funding	**92,516.6**	**94,704.3**	**92,420.7**	**91,481.3**	**(2,187.7)**	**-2.3%**	**95.9**	**0.1%**	**1,035.3**	**1.1%**

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

Loans to customers

As at 30 September 2023, the Group's **Loans to Customers** amounted to **EUR 78.0 bn**, up compared to 30 June 2023 (EUR +1.9 bn) mainly due to the increase in repurchase agreements (EUR +2.4 bn). Current accounts, however, were down slightly (EUR -0.3 bn), while mortgages (EUR -0.2 bn) and other loans (EUR -0.1 bn) were essentially stable. There was a slight increase in the non-performing loans component (EUR +0.1 bn).

Compared to 31 December 2022, the aggregate increased (EUR +1.7 bn). The increase in repurchase agreements (EUR +2.6 bn) and in other loans (EUR +0.6 bn) more than offset the decline recorded since the beginning of the year on mortgages (EUR -1.4 bn), penalised by slowing demand - especially in the residential component - due to the increase in interest rates. Current accounts also fell slightly (EUR -0.1 bn).

The Group's market share[15] stood at 4.38% (figure updated to August 2023), up compared to December 2022 (4.25%).

Background

The effects of the monetary restriction on credit became evident with the dynamics of bank loans, which saw a decline during the year. Loans to the private sector (net of repurchase agreements with central counterparties and adjusted for exposures sold and derecognised), on a downward trend since last April, again recorded a negative change of close to -3.5% YoY in August. The decrease in loans to non-financial companies was more consistent (approximately -6.2% YoY in August) with lending to businesses affected by: i) the slowdown in investments, particularly the contraction in construction investments; ii) the tightening of banking offer criteria due to the higher perceived risk; iii) lower demand in a context of rising rates, in which the use of alternative financing sources and the use of accumulated liquidity to finance financial needs has increased.
Lending to households also started to drop from last July, albeit at a more contained pace (-0.6% in August). Mortgages for home purchases slowed decisively during the year, affected by declining prospects of the real estate market, the rise in interest rates and the approach of households that may have chosen to self-finance from liquidity deposited and reduce bank debt to bring their financial expense. The growth in consumer credit, driven by the increase in spending on durable goods, continued until the summer months and then substantially stabilised in a context of high rates.
The intermediaries interviewed last July in the quarterly Bank Lending Survey (BLS) stated that they expect a new tightening of business lending policies, while those for loans to households would remain unchanged.

With regard to interest rates on the stock of loans, the most consistent increase recorded was in loans to non-financial companies (4.9% in August; +179 bps approximately since December 2022) compared to loans to households (4.09% in August, +82 bps approximately since December). On new business transactions in August, the average rate rose by approx. 145 bps from values at the end of 2022, reaching 5.00%. On new transactions with households, in August, the rate for home purchase loans rose to 4.29% (+128 bps approximately compared to December) and that on consumer credit to 8.89% (+133 bps approximately since year end 2022).

The ratio of non-performing loans to total loans of major banking groups and smaller banks remained stable in the second quarter of 2023, gross and net of value adjustments.

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

Loans to customers										
Type of transaction	30 09 2023	30 06 2023	31 12 2022	30 09 2022	Change Q/Q		Change 31.12		Change Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Current accounts	2,766.1	3,072.9	2,882.5	3,061.7	(306.8)	-10.0%	(116.4)	-4.0%	(295.6)	-9.7%
Mortgages	53,136.9	53,327.6	54,540.4	55,702.2	(190.7)	-0.4%	(1,403.5)	-2.6%	(2,565.3)	-4.6%
Other forms of lending	14,266.9	14,342.9	13,648.2	14,104.8	(76.0)	-0.5%	618.7	4.5%	162.1	1.1%
Repurchase agreements	6,050.9	3,657.1	3,482.9	3,165.8	2,393.8	65.5%	2,568.0	73.7%	2,885.1	91.1%
Non performing loans	1,760.8	1,655.5	1,711.3	1,904.6	105.3	6.4%	49.5	2.9%	(143.8)	-7.6%
Total	**77,981.6**	**76,056.0**	**76,265.3**	**77,939.1**	**1,925.6**	**2.5%**	**1,716.3**	**2.3%**	**42.5**	**0.1%**
Stage 1	*65,442.4*	*64,123.6*	*63,295.9*	*64,506.6*	*1,318.8*	*2.1%*	*2,146.5*	*3.4%*	*935.8*	*1.5%*
Stage 2	*10,603.4*	*10,118.6*	*11,115.8*	*11,341.1*	*484.8*	*4.8%*	*(512.4)*	*-4.6%*	*(737.7)*	*-6.5%*
Stage 3	*1,757.3*	*1,651.8*	*1,708.9*	*1,902.0*	*105.5*	*6.4%*	*48.4*	*2.8%*	*(144.7)*	*-7.6%*
Purchased or originated credit impaired financial assets	*2.8*	*3.2*	*2.2*	*5.8*	*(0.4)*	*-12.5%*	*0.6*	*27.3%*	*(3.0)*	*-51.7%*
Performing loans measured at fair value	*173.8*	*156.9*	*140.8*	*181.9*	*16.9*	*10.8%*	*33.0*	*23.4%*	*(8.1)*	*-4.5%*
Non-performing loans measured at fair value	*1.9*	*1.9*	*1.7*	*1.7*	*(0.0)*	*0.0%*	*0.2*	*11.8%*	*0.2*	*11.8%*

Loans to customers measured at amortised cost	30 09 2023			30 06 2023			31 12 2022			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	65,526.5	10,994.3	**80,092.3**	64,222.6	10,467.9	**78,095.3**	63,382.7	11,469.1	**78,142.1**				
Adjustments	84.1	390.9	**2,286.4**	99.0	349.3	**2,198.1**	86.8	353.3	**2,019.3**				
Net exposure	65,442.4	10,603.4	**77,805.9**	64,123.6	10,118.6	**75,897.2**	63,295.9	11,115.8	**76,122.8**				
Coverage ratio	*0.1%*	*3.6%*	***2.9%***	*0.2%*	*3.3%*	***2.8%***	*0.1%*	*3.1%*	***2.6%***	*-0.1%*	*0.3%*	*0.0%*	*0.5%*
% on Loans to customers measured at amortised cost	*84.1%*	*13.6%*	***100.0%***	*84.5%*	*13.3%*	***100.0%***	*83.1%*	*14.6%*	***100.0%***	*-0.4%*	*0.3%*	*1.0%*	*-1.0%*

The gross exposure of loans classified as Stage 1 was equal to EUR 65.5 bn as at 30 September 2023, an increase both compared to 30 June 2023 (EUR 64.2 bn) and to 31 December 2022 (EUR 63.4 bn).

Positions classified in stage 2, whose gross exposure amounted to EUR 11.0 bn as at 30 September 2023, were up from EUR 10.5 bn as at 30 June 2023 and EUR 11.5 bn as at 31 December 2022.

The growth recorded in the last quarter of loans classified in stages 1 and 2 is attributable, respectively, to commercial dynamics and to the deterioration in credit quality of floating rate retail mortgages. Overlays on these loans increased in the third quarter, with a resulting impact on coverage from 3.3% at the end of June to 3.6% at the end of September.

Non-performing exposures of loans to customers

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

The Group's **Total non-performing loans to customers** as at 30 September 2023 were equal to **EUR 3.6 bn** in terms of gross exposure, up slightly compared to 30 June 2023 (EUR +0.2 bn) and 31 December 2022 (EUR +0.3 bn). In particular:

- the gross bad loan exposure, equal to EUR 1.5 bn, was up slightly compared to 30 June 2023 (EUR 1.4 bn) and to 31 December 2022 (EUR 1.3 bn);
- the gross unlikely-to-pay loan exposure, equal to EUR 1.9 bn, was essentially stable compared to 30 June 2023 and down slightly compared to 31 December 2022 (EUR 2.0 bn);
- the gross non-performing past due loan exposure, equal to EUR 158.0 mln, was up compared to EUR 109.9 mln as at 30 June 2023 and EUR 45.8 mln as at 31 December 2022.

As at 30 September 2023, the Group's **net exposure in terms of non-performing loans to Customers** was equal to **EUR 1.8 bn**, up slightly compared to the levels recorded as at 30 June 2023 (EUR 1.7 bn) and essentially in line with the figure as at 31 December 2022.

Loans to customers		Bad loans	Unlikely to pay	Non-performing Past due Loans	**Total Non-performing loans to customers**	Performing loans	**Total**
30 09 2023	Gross exposure	1,523.3	1,899.6	158.0	**3,580.9**	76,695.8	**80,276.7**
	Adjustments	1,002.7	784.2	33.2	**1,820.1**	475.0	**2,295.1**
	Net exposure	520.6	1,115.4	124.8	**1,760.8**	76,220.8	**77,981.6**
	Coverage ratio	*65.8%*	*41.3%*	*21.0%*	***50.8%***	*0.6%*	***2.9%***
	% on Loans to customers	*0.7%*	*1.4%*	*0.2%*	***2.3%***	*97.7%*	***100.0%***
30 06 2023	Gross exposure	1,439.5	1,864.6	109.9	**3,414.0**	74,848.8	**78,262.8**
	Adjustments	961.6	772.9	24.0	**1,758.5**	448.3	**2,206.8**
	Net exposure	477.9	1,091.7	85.9	**1,655.5**	74,400.5	**76,056.0**
	Coverage ratio	*66.8%*	*41.5%*	*21.8%*	***51.5%***	*0.6%*	***2.8%***
	% on Loans to customers	*0.6%*	*1.4%*	*0.1%*	***2.2%***	*97.8%*	***100.0%***
31 12 2022	Gross exposure	1,292.4	1,961.0	45.8	**3,299.2**	74,994.0	**78,293.2**
	Adjustments	841.2	736.3	10.4	**1,587.9**	440.0	**2,027.9**
	Net exposure	451.2	1,224.7	35.4	**1,711.3**	74,554.0	**76,265.3**
	Coverage ratio	*65.1%*	*37.5%*	*22.7%*	***48.1%***	*0.6%*	***2.6%***
	% on Loans to customers	*0.6%*	*1.6%*	*0.0%*	***2.2%***	*97.8%*	***100.0%***

As at 30 September 2023, the **Coverage of non-performing loans to customers** was **50.8%**, up compared to 31 December 2022 (48.1%). At individual administrative status level, the changes refer to bad loans (coverage of which rose from 65.1% to 65.8%) and unlikely to pay (coverage of which rose from 37.5% to 41.3%). The coverage ratio of non-performing past due loans was down, however (from 22.7% to 21.0%).

Changes in gross exposure

abs/%		Bad loans	Unlikely to pay	Non-performing past due exposures	**Total Non-performing loans to customers**	Performing loans	**Total**
Q/Q	abs.	83.8	35.0	48.1	**166.9**	1,847.0	**2,013.9**
	%	5.8%	1.9%	43.8%	**4.9%**	2.5%	**2.6%**
31.12	abs.	230.9	(61.4)	112.2	**281.7**	1,701.8	**1,983.5**
	%	17.9%	-3.1%	245.0%	**8.5%**	2.3%	**2.5%**
Y/Y	abs.	(354.0)	(269.1)	103.5	**(519.6)**	212.6	**(307.0)**
	%	-18.9%	-12.4%	189.9%	**-12.7%**	0.3%	**-0.4%**

Changes in coverage ratio

	Bad loans	Unlikely to pay	Non-performing past due exposures	**Total Non-performing loans to customers**	Performing loans	**Total**
Q/Q	*-1.0%*	*-0.2%*	*-0.8%*	***-0.7%***	*0.0%*	***0.0%***
31.12	*0.7%*	*3.7%*	*-1.7%*	***2.7%***	*0.0%*	***0.3%***
Y/Y	*-4.4%*	*1.5%*	*-5.4%*	***-2.7%***	*0.0%*	***-0.4%***

Trend of non-performing loans to customers	30 09 2023		3°Q 2023		2°Q 2023		30 09 2022		Chg. 3°Q 2023/2°Q2023 Total Non-performing loans to customers		Chg. Y/Y Total Non-performing loans to customers	
	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Abs.	%	Abs.	%
Gross exposure, opening balance	**3,299.2**	**1,292.4**	**3,414.0**	**1,439.5**	**3,308.6**	**1,344.8**	**4,104.7**	**1,740.6**	**105.4**	**3.2%**	**(805.5)**	**-19.6%**
Increases from performing loans	722.3	37.1	281.1	20.5	249.6	11.6	566.1	26.7	31.5	12.6%	156.2	27.6%
Transfers to performing loans	(156.0)	(0.1)	(38.0)	(0.1)	(35.7)	-	(165.1)	(0.1)	(2.3)	6.4%	9.1	-5.5%
Collections (including gains on disposals)	(417.3)	(59.1)	(119.9)	(19.2)	(148.4)	(22.1)	(416.8)	(87.6)	28.5	-19.2%	(0.5)	0.1%
Write-offs (including loss on disposal)	(45.7)	(35.7)	(3.1)	(7.3)	(20.6)	(9.0)	(67.5)	(41.8)	17.5	-85.0%	21.8	-32.3%
+/- Other changes	178.4	288.7	46.8	89.9	60.5	114.2	79.1	239.5	(13.7)	-22.6%	99.3	n.m.
Gross exposure, closing balance	**3,580.9**	**1,523.3**	**3,580.9**	**1,523.3**	**3,414.0**	**1,439.5**	**4,100.5**	**1,877.3**	**166.9**	**4.9%**	**(519.6)**	**-12.7%**
Opening balance of overall adjustments	**(1,587.9)**	**(841.2)**	**(1,758.5)**	**(961.6)**	**(1,660.8)**	**(897.1)**	**(1,967.2)**	**(1,108.6)**	**(97.7)**	**5.9%**	**379.3**	**-19.3%**
Adjustments / write-backs	(265.1)	(92.0)	(64.7)	(25.1)	(105.8)	(30.7)	(329.3)	(146.8)	41.1	-38.8%	64.2	-19.5%
+/- Other changes	32.9	(69.5)	3.1	(16.0)	8.1	(33.8)	100.6	(62.7)	(5.0)	-61.7%	(67.7)	-67.3%
Closing balance of overall adjustments	**(1,820.1)**	**(1,002.7)**	**(1,820.1)**	**(1,002.7)**	**(1,758.5)**	**(961.6)**	**(2,195.9)**	**(1,318.1)**	**(61.6)**	**3.5%**	**375.8**	**-17.1%**
Net exposure, closing balance	**1,760.8**	**520.6**	**1,760.8**	**520.6**	**1,655.5**	**477.9**	**1,904.6**	**559.2**	**105.3**	**6.4%**	**(143.8)**	**-7.6%**

Other financial assets/liabilities

As at 30 September 2023 the Group's **Securities assets** were equal to **EUR 18.3 bn**, a decrease compared to 30 June 2023 (EUR -1.3 bn) primarily in relation to the decline in Financial assets held for trading (EUR -1.0 bn) from market making on government securities. Financial assets measured at fair value through other comprehensive income were down slightly (EUR -0.2 bn), while other components remained stable. Note that the market value of the securities included in Loans to customers and banks at amortised cost was equal to EUR 8,709.2 mln and EUR 598.9 mln (with implicit capital losses of EUR 846.7 mln and EUR 73.3 mln respectively).

The aggregate is in line with the value recorded as at 31 December 2022 (EUR -0.1 bn). The decrease in financial assets measured at fair value through other comprehensive income (EUR -0.9 bn), following maturities occurring especially in the first half of 2023, was in fact offset by the increase in securities classified as loans to customers at amortised cost (EUR +0.5 bn), as a result of purchases of government securities (to partially offset the aforementioned maturities), and the increase in financial assets held for trading (EUR +0.4 bn).

On-balance-sheet financial liabilities held for trading were equal to **EUR 3.6 bn** as at 30 September 2023, up compared to 30 June 2023 (EUR 2.9 bn) and on the value recorded as at 31 December 2022 (EUR 2.6 bn).

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

Items	30 09 2023	30 06 2023	31 12 2022	30 09 2022	Chg. Q/Q		Chg. 31.12		Chg. Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Securities assets	18,323.3	19,589.7	18,393.6	19,794.3	(1,266.4)	-6.5%	(70.3)	-0.4%	(1,471.0)	-7.4%
Financial assets held for trading	*4,317.8*	*5,329.1*	*3,962.9*	*6,210.0*	*(1,011.3)*	*-19.0%*	*354.9*	*9.0%*	*(1,892.2)*	*-30.5%*
Financial assets mandatorily measured at fair value	*306.0*	*308.1*	*314.8*	*316.8*	*(2.1)*	*-0.7%*	*(8.8)*	*-2.8%*	*(10.8)*	*-3.4%*
Financial assets measured at fair value through other comprehensive income	*3,471.4*	*3,675.1*	*4,352.3*	*4,521.2*	*(203.7)*	*-5.5%*	*(880.9)*	*-20.2%*	*(1,049.8)*	*-23.2%*
Loans to customers measured at amortised cost	*9,555.9*	*9,607.2*	*9,086.2*	*8,037.2*	*(51.3)*	*-0.5%*	*469.7*	*5.2%*	*1,518.7*	*18.9%*
Loans to banks measured at amortised cost	*672.2*	*670.2*	*677.4*	*709.1*	*2.0*	*0.3%*	*(5.2)*	*-0.8%*	*(36.9)*	*-5.2%*
On-balance-sheet financial liabilities held for trading	(3,614.6)	(2,859.9)	(2,567.2)	(2,362.2)	(754.7)	26.4%	(1,047.4)	40.8%	(1,252.4)	53.0%
Net positions in Derivatives	1,628.9	1,469.1	1,690.7	1,744.1	159.8	10.9%	(61.8)	-3.7%	(115.2)	-6.6%
Other financial assets and liabilities	**16,337.6**	**18,198.9**	**17,517.1**	**19,176.2**	**(1,861.3)**	**-10.2%**	**(1,659.1)**	**-8.7%**	**(2,838.6)**	**-14.8%**

Items	30 09 2023		30 06 2023		31 12 2022		30 09 2022	
	Securities assets	On-balance-sheet financial liabilities held for trading	Securities assets	On-balance-sheet financial liabilities held for trading	Securities assets	On-balance-sheet financial liabilities held for trading	Securities assets	On-balance-sheet financial liabilities held for trading
Debt securities	17,691.8	-	18,939.6	-	17,800.5	-	19,230.6	-
Equity instruments and Units of UCITS	631.5	-	650.1	-	593.1	-	563.7	-
Loans	-	3,614.6	-	2,859.9	-	2,567.2	-	2,362.2
Total	**18,323.3**	**3,614.6**	**19,589.7**	**2,859.9**	**18,393.6**	**2,567.2**	**19,794.3**	**2,362.2**

Interbank position

As at 30 September 2023, the Group **net interbank position** stood at **EUR 0.8 bn** of net loans, against EUR 3.2 bn of net funding as at 30 June 2023 and EUR 7.0 bn as at 31 December 2022. The change compared to the previous quarter is mainly attributable to relations with central banks. The decline in funding, due to maturity on 27 September 2023 of the TLTRO tranche obtained in the September 2020 auction for EUR 3 bn (the total TLTRO auctions in place as at 30 September 2023 amounted to EUR 5.5 bn), was in fact only partially offset by access to MRO and LTRO auctions for approximately EUR 0.75 bn (the total MRO and LTRO auctions in place as at 30 September 2023 amounted to EUR 7.5 bn). Liquidity deposited with central banks increased (EUR +1.4 bn on the Depo Facility).

Again, the change compared to the end of the previous year refers 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

					Change Q/Q		Change 31.12		Change Y/Y	
	30/09/23	30/06/23	31/12/22	30/09/22	Abs.	%	Abs.	%	Abs.	%
Loans to banks	2,270.1	2,237.9	1,950.1	2,715.5	32.2	1.4%	320.0	16.4%	(445.4)	-16.4%
Deposits from banks	1,790.8	1,897.7	2,205.9	2,589.8	(106.9)	-5.6%	(415.1)	-18.8%	(799.0)	-30.9%
Demand deposits with banks (cash)	1,267.7	905.2	1,367.0	937.7	362.5	40.0%	(99.3)	-7.3%	330.0	35.2%
Net position with banks	**1,747.0**	**1,245.4**	**1,111.2**	**1,063.4**	**501.6**	**40.3%**	**635.8**	**57.2%**	**683.6**	**64.3%**
Loans to central banks	522.6	544.1	628.1	4,426.4	(21.5)	-4.0%	(105.5)	-16.8%	(3,903.8)	-88.2%
Deposits from central banks	13,105.6	15,283.4	19,176.9	28,931.7	(2,177.8)	-14.2%	(6,071.3)	-31.7%	(15,826.1)	-54.7%
Demand deposits with Central banks (cash)	11,635.5	10,248.4	10,475.7	15,001.7	1,387.1	13.5%	1,159.8	11.1%	(3,366.2)	-22.4%
Net position with central banks	**(947.5)**	**(4,490.9)**	**(8,073.1)**	**(9,503.6)**	**3,543.4**	**-78.9%**	**7,125.6**	**-88.3%**	**8,556.1**	**-90.0%**
Net interbank position	**799.5**	**(3,245.5)**	**(6,961.9)**	**(8,440.2)**	**4,045.0**	**n.m.**	**7,761.4**	**-111.5%**	**9,239.7**	**n.m.**

As at 30 September 2023, the operating liquidity position showed an **unencumbered Counterbalancing Capacity equal to approx. EUR 28.1 bn**, up compared to 30 June 2023 (EUR 26.2 bn) and to 31 December 2022 (EUR 25.5 bn).

Other assets

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

As at 30 September 2023, the nominal value of the total tax credits purchased amounted to EUR 1,928.0 (EUR 1,586.3 mln as at 30 June 2023, EUR 1,187.9 mln as at 31 March 2023 and EUR 882.6 mln as at 31 December 2022). Taking into account credits offset to date, totalling EUR 403.3 mln, the residual nominal amount as at 30 September 2023 was EUR 1,524.7 mln. The corresponding carrying amount, shown in the balance sheet item "Other assets" at amortised cost, which takes into account the acquisition price and the net amounts accrued as at 30 September 2023, was EUR 1,371.1 mln (EUR 1,075.2 mln as at 30 June 2023, EUR 792.3 mln as at 31 March 2023 and EUR 738.2 mln as at 31 December 2022).

It should also be noted that, as at 30 September 2023, the Parent Company had received requests for the sale of these receivables for a total of approximately EUR 1.9 bn, currently being assessed/processed.

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

Shareholders' equity

As at 30 September 2023, the **Shareholders' equity of the Group and non-controlling interests** was roughly **EUR 8.8 bn,** up by EUR 308 mln compared to 30 June 2023, mainly due to the positive result recorded in the quarter.

Compared to 31 December 2022, the shareholders' equity of the Group and non-controlling interests increased by EUR 0.9 bn, essentially attributable, also in this case, to the economic result achieved in the first nine months of 2023.

Reclassified Consolidated Balance Sheet										
Equity	30 09 2023	30 06 2023	31 12 2022*	30 09 2022*	Chg Q/Q		Chg 31/12		Chg Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Group Net Equity	8,807.1	8,499.5	7,860.1	5,303.8	307.6	3.6%	947.0	12.0%	3,503.3	66.1%
a) Valuation reserves	(15.8)	(18.4)	(26.9)	(56.0)	2.6	-14.1%	11.1	-41.4%	40.2	-71.8%
d) Reserves	440.8	445.4	611.9	740.1	(4.6)	-1.0%	(171.1)	-28.0%	(299.3)	-40.4%
f) Share capital	7,453.5	7,453.5	7,453.5	4,954.1	-	0.0%	-	0.0%	2,499.4	50.5%
h) Net profit (loss) for the period	928.6	619.0	(178.4)	(334.4)	309.6	50.0%	1,107.0	n.m.	1,263.0	n.m.
Non-controlling interests	0.7	0.8	0.9	1.3	(0.1)	-12.5%	(0.2)	-22.2%	(0.6)	-46.2%
Shareholders' equity of the Group and Non-controlling interests	**8,807.8**	**8,500.3**	**7,861.0**	**5,305.1**	**307.5**	**3.6%**	**946.8**	**12.0%**	**3,502.7**	**66.0%**

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

Capital adequacy

Regulatory capital and statutory requirements

As a result of the conclusion of the SREP conducted with reference to the figures as at 31 December 2021 and also taking into account the information received after that date, with the submission in December 2022 of the 2022 SREP Decision, the ECB asked the Parent Company to maintain, effective 1 January 2023, a consolidated TSCR level of 10.75%, which includes 8% as a Pillar 1 minimum requirement ("P1R") pursuant to art. 92 of the CRR and 2.75% as Pillar 2 additional requirement ("P2R"), which must be respected at least for 56.25% with CET1 and at least 75% with Tier 1.

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

Lastly, it should be noted that as of 1 January 2019 the Capital Conservation Buffer has been 2.5%, and effective 1 January 2022 the Group is required to comply with the O-SII Buffer equal to 0.25%, having been identified by the Bank of Italy as a systemically important institution authorised in Italy for 2023 as well.

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

- CET1 Ratio of 8.81%;
- Tier 1 Ratio of 10.83%;
- Total Capital Ratio of 13.52%.

These ratios include, in addition to the P2R, 2.5% for the Capital Conservation Buffer, 0.25% for the O-SII Buffer and 0.015% for the Countercyclical Capital Buffer[16].

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

Categories / Values	30 09 2023	31 12 2022	Chg. 31 12 2022	
			Abs.	%
OWN FUNDS				
Common Equity Tier 1 (CET1)	7,867.9	7,601.2	266.7	3.51%
Tier 1 (T1)	7,867.9	7,601.2	266.7	3.51%
Tier 2 (T2)	1,714.3	1,772.2	(57.9)	-3.27%
Total capital (TC)	9,582.2	9,373.4	208.8	2.23%
RISK-WEIGHTED ASSETS				
Credit and Counterparty Risk	36,565.0	33,013.9	3,551.1	10.76%
Credit valuation adjustment risk	363.9	497.1	(133.2)	-26.80%
Market risks	2,031.0	2,026.8	4.2	0.21%
Operational risk	10,086.9	10,148.4	(61.5)	-0.61%
Total risk-weighted assets	**49,046.8**	**45,686.2**	**3,360.6**	**7.36%**
CAPITAL RATIOS				
CET1 capital ratio	**16.04%**	**16.64%**	**-0.60%**	
Tier1 capital ratio	**16.04%**	**16.64%**	**-0.60%**	
Total capital ratio	**19.54%**	**20.52%**	**-0.98%**	

Compared to 31 December 2022, the CET1 recorded an increase of EUR +267 mln.

This increase is essentially due to inclusion of the result for the first half of the year for EUR +619 mln, partly offset by removal of the impact neutralisation of IFRS 9 related to the first-time application of the accounting standard as envisaged by Regulation (EU) 2017/2935 (attributable to the filter reducing from 25% to 0%) and the

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

zeroing of the related prudential filter relative to the Other Comprehensive Income Reserve on securities issued by governments or administrations.

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

Tier 2 fell by EUR -58 mln compared to the end of December 2022, due for EUR -105 mln to the amortisation of Tier 2 subordinated instruments and for EUR +47 mln to the increase in the contribution to Tier 2 of the excess value adjustments over expected losses.

The Total Capital Ratio therefore reflects an overall increase in own funds of EUR +209 mln.

RWAs increased by EUR 3.4 bn. In particular, there was an increase in RWAs relating to credit and counterparty risk (EUR 3.6 bn), mainly due to the increase in AIRB receivables due to the revision of internal models. There was also a slight decrease in CVA risk, whilst market and operational risks remained substantially stable.

With regard to capital ratios, as at 30 September 2023 the CET 1 Ratio stood at 16.0% (compared to 16.6% as at 31 December 2022) and the Total Capital Ratio at 19.5% (compared to 20.5% as at 31 December 2022). The same ratios, for the calculation of profit for the third quarter, stood at 16.7% and 20.2%, respectively.

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

As at 30 September 2023 the Group, on a transitional basis, has a 6.15% leverage ratio, higher than the regulatory minimum of 3%.

MREL Capacity

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

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

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

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

- an MREL capacity of 25.87% in terms of TREA and 9.91% in terms of LRE (“Leverage ratio exposure measure”); and
- an MREL subordination capacity of 19.75% in terms of TREA and 7.57% in terms of LRE.

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

Disclosure on risks

Main risks and uncertainties

The information on risks and uncertainties to which the Group is exposed are detailed in the Consolidated Financial Statements as at 31 December 2022 and in the Half-Yearly Report at 30 June 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 30 September 2023.

The exposure is broken down by accounting categories.

COUNTRY	DEBT SECURITIES					LOANS	CREDIT DERIVATIVES
	Financial assets measured at fair value through profit or loss		Financial assets measured at fair value through other comprehensive income		Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets held for trading
	Nominal	Fair value=book value	Nominal	Fair value=book value	Book value	Book value	Nominal
Argentine	0.4	-	-	-	-	-	-
Belgium	-	-	8.0	2.7	-	-	-
France	-	-	15.0	11.4	9.9	-	4.7
Italy	283.4	-	2,805.5	2,620.1	6,991.7	1,657.3	2,611.3
Mexico	0.1	-	15.0	10.8	-	-	-
Peru	-	-	2.0	1.5	-	-	-
Portugal	0.3	0.2	29.6	19.9	2.9	-	-
Romania	-	-	30.0	23.2	-	-	-
Spain	4.3	3.8	-	-	1,148.7	-	-
United States	-	-	47.2	35.2	-	-	-
South Africa	-	-	5.0	4.8	-	-	-
Other Countries	0.1	0.1	(0.1)	0.1	0.1	-	0.1
Total 30 09 2023	**288.6**	**4.1**	**2,957.2**	**2,729.7**	**8,153.3**	**1,657.3**	**2,616.1**
Total 31 12 2022	**1,049.9**	**812.2**	**3,770.9**	**3,508.0**	**7,478.6**	**1,625.9**	**3,283.1**

As at 30 September 2023, the residual duration of the exposure to the most significant component of sovereign debt (Italian government bonds) was 7.24 years.

Main types of legal, employment and tax risks

The following were pending as at 30 September 2023:

- legal proceedings with relief sought, where quantified, totalling EUR 3,281.9 mln;
- out-of-court claims with relief sought, where quantified, totalling EUR 1,895.4 mln;
- risks associated with contractual guarantees with relief sought, where quantified, of EUR 362.6 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, does 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

The following were pending as at 30 September 2023:

- legal disputes with a total relief sought, where quantified, of EUR 3,179.4 mln. In particular:
  - approx. EUR 2,150.9 mln as relief sought regarding disputes for which there is a "likely" risk of losing the case, for which provisions of EUR 840.9 mln have been allocated;
  - approximately EUR 1,028.5 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 1,895.4 mln[17], of which EUR 1,830.0 mln classified with a "likely" risk of losing the case and EUR 65.4 mln with a "potential" 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 during the third quarter of the individually significant disputes is illustrated below, with reference made to the Explanatory Notes to the 2022 Financial Statements of the Group and the Half-Yearly Report as at 30 June 2023 for previous periods and a precise indication of the individual relevant cases.

Disputes regarding compound interest, interest rates and conditions

The provisions for risks recognised for this type of dispute amounted to EUR 100.1 mln (total relief sought of EUR 226.1 mln), compared to EUR 112.6 mln as at 31 December 2022 (against a relief sought of EUR 246.9 mln).

Dispute regarding bankruptcy rescindments

The provisions for risks recognised for this type of dispute as at 30 September 2023 amounted to EUR 17.7 mln (*total relief sought of* EUR *54.5 mln), compared to* EUR *15.5 mln as at 31 December 2022 (against a relief sought of* EUR 62.3 mln).

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

For this type of dispute, provisions for risks of EUR 3.3 mln were allocated (against a total relief sought of EUR 8.8 mln), compared to EUR 2.4 mln recognised as at 31 December 2022 (against a relief sought of EUR 6.5 mln).

[17] Details can be found in the section "Out-of-court claims for the repayment of sums and/or compensation for damages by Shareholders and Investors of Banca Monte dei Paschi di Siena S.p.A. in relation to the 2008, 2011, 2014 and 2015 share capital increases" of the 2022 Financial Statements.

Dispute with purchasers of subordinated bonds issued by Group companies

The total relief sought in these disputes as at 30 September 2023 was EUR 35.0 mln (EUR 37.2 mln as at 31 December 2022), whilst allocated provisions totalled EUR 15.2 mln (a decrease of EUR 0.9 mln compared to 31 December 2022).

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

The Parent Company is exposed to civil actions, to the effects of judgments deriving from criminal proceedings (29634/14,
955/16 and 33714/16) and out-of-court claims with reference to the financial information disclosed during past years.
As at 30 September 2023, the total relief sought, net of the portion classified as "remote" risk, can be quantified at approximately EUR 993 mln (EUR 1,864 mln as at 30 June 2023) for legal proceedings and approximately EUR 1,863 mln (EUR 2,264 mln as at 30 June 2023) for out-of-court claims, broken down as follows (figures in EUR mln):

Type	30/09/23	30/06/23	31/03/23	31/12/22
Civil dispute*	833	1,593	1,593	1,591
Filed civil claim cp 29634/14**	-	111	111	111
Filed civil claim cp 955/16	160	160	158	158
Total legal proceedings	**993**	**1,864**	**1,862**	**1,860**
Out-of-court claims***	1,863	2,264	2,260	1,533

** The decrease recorded in the third quarter of 2023 is attributable to the reclassification to "remote" risk of relief sought of EUR 0.7 bn sought in civil proceedings, following the ruling of the Court of Cassation of 11 October 2023 issued in relation to criminal proceedings ref. 29634/14;*

*** The relief sought of 0.1 bn was eliminated on 11 October 2023 following the aforementioned ruling of the Court of Cassation and reclassified as "remote" risk as at 30 September 2023;*

**** The decrease recorded in the third quarter of 2023 is attributable to the reclassification to "remote" risk of relief sought of EUR 0.4 bn sought for the portion of Institutional out-of-court claims brought by Martingale following the ruling of the Court of Cassation of 11 October 2023 issued in relation to criminal proceedings ref. 29634/14.*

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

The main developments as at 30 September 2023 are shown below.

Criminal proceeding no. 29634/14

With reference to the criminal proceedings connected with the events related to the structured term repo transactions "Alexandria" and "Santorini" carried out by the Parent Company, respectively with Nomura, Deutsche Bank, it should be noted that the criminally relevant conduct ascribed to the persons under investigation for various reasons refer to the financial statements closed at 31 December 2009, 2010, 2011 and 2012 and to the balance sheets as at 31 March 2012, 30 June 2012 and 30 September 2012.

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

On 6 May 2022, the Court of Appeal of Milan, Second Criminal Division, acquitted all the defendants in the trial with a broad formula, highlighting that the "fact does not exist". On 16 November 2022, an appeal was lodged with the Court of Cassation by both the Attorney General's Office at the Court of Appeal of Milan and Consob.

At the hearing of 11 October 2023, the Court of Cassation, at the request of the Attorney General of the Supreme Court, declared the appeal of the Attorney General filed with the Court of Appeal to be inadmissible (the appeal filed by Consob was instead withdrawn following settlement), consequently confirming the acquittal of all defendants in the case.

As a result of the final judgment issued by the Court of Appeal, the relief sought by the civil parties in these proceedings is permanently struck from record with effect from 11 October.

Criminal proceedings no. 13756/20

This criminal proceeding originates from the transmission of the documents to the Milan Public Prosecutor's Office ordered in the first instance ruling in criminal trial no. 29634/14, as, during the preliminary hearing, relevant elements and circumstances emerged against two former managers of the Parent Company not involved in criminal proceedings no. 29634/14 regarding the construction, completion and accounting of the FRESH, Santorini and Alexandria transactions.

In the aforementioned proceedings, CONSOB filed a civil action which requested and obtained, with the authorisation of the Preliminary Hearing Judge of 13 February 2023, the summons of the Bank as civilly liable party pursuant to art. 2049 of the Italian Civil Code for the offences alleged against the former Executive Managers named, with a claim for damages to be quantified during the process.

At the hearing on 4 May 2023, the Parent Company appeared in proceedings as a civilly liable party.

In this regard, as reported above, note that on 11 October last year the Court of Cassation acquitted all the defendants in criminal proceedings no. 29634/14.

The next hearing is scheduled for 16 November 2023.

Criminal proceeding no. 955/16

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

In its reasons, the Court analysed the conduct with which the defendants were charged with reference to the incriminating circumstances pursuant to art. 2622 of the Italian Civil Code (false disclosure) and pursuant to art. 185 of the Consolidated Law on Finance (market manipulation) and confirmed the grounds of the administrative offences with which the Parent Company was charged pursuant to arts. 5, 6, 8 and 25 ter, letter b) of Italian Legislative Decree 231/01, limited to the offence of false disclosure in relation to the 2012 financial statements and the 2015 half-yearly report, as well as pursuant to arts. 5, 8 and 25 sexies of Italian Legislative Decree 231/01 due to market manipulation relating to press releases concerning the approval of the financial statements as at 31 December 2012, 31 December 2013, 31 December 2014 and the half-yearly report as at 30 June 2015, imposing an administrative fine of EUR 0.8 mln.

With reference to the BMPS's position as civilly liable party, the ruling also explained the reasons for the generic sentencing to provide compensation for damages based on which demands for relief from civil parties may be accepted, on the basis of art. 2049 of the Italian Civil Code, in separate civil proceedings. The Parent Company filed an appeal before the Court of Appeal of Milan against the ruling of first instance, as the civilly liable party, jointly and severally liable with the defendants, having administrative liability under Italian Legislative Decree 231/2001. At the first hearing on 31 March 2023, held before the second criminal chambers of the Milan Court of Appeal, the Attorney General first discussed and presented the written conclusions and then a number of civil parties. At the hearing of 6 April 2023, the remaining civil appellants and non-appellants discussed and presented their written conclusions. At the hearings of 28 April, 19 May and 16 June 2023, the remaining civil appellants and non-appellants discussed and presented their written conclusions, defence of defendants and civil liability. The Court adjourned the case first to 27 October and then to 27 November 2023 for possible replies.

Criminal proceedings no. 33714/16

The criminal proceedings no. 33714/16 pending before the Milan Public Prosecutor's Office concern an allegation of false corporate communications (pursuant to art. 2622 of the Italian Civil Code) relating to the 2012, 2013, 2014 Financial Statements and the 2015 half-yearly report due to the alleged overstatement of non-performing loans.

Following the notice of conclusion of the investigations, on 14 December 2022 the Public Prosecutor filed the request for committal for trial against four suspects, claiming - also on the basis of the expert report submitted on 26 April 2021 as part of a fact-finding investigation - their alleged falsification of company communications, prospectuses and press releases issued between 29 April 2014 and 29 July 2016 in reference to the accounting treatment of the Bank's non-performing loans. On 12 December 2022, the Parent Company's position as administratively liable pursuant to the 231 Model was instead dismissed.

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

At the hearing of 26 June, the Judge ruled that no other civil claims will be allowed. Furthermore, in consideration of the fact that the clerk of court's full scan of the documents filed at the hearing of 12 May had been made enforceable only from 23 June 2023, and given the additional quantity of documents filed at the hearing of 26 June 2023, in order to allow the defendants to exercise their right to defence, the Judge adjourned proceedings, postponing the hearings previously scheduled for 10 July and 18 September 2023, to 10 November 2023 and 1 December 2023.

On 19 September 2023, the Judge issued the decree of summons of the Bank as civilly liable party, which will allow the Parent Company to appear as such with effect from the hearing of 10 November 2023.

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

By a writ of summons dated 2 August 2022, the companies Caltagirone Editore SPA, Finced Srl, Capitolium Srl, Mantegna 87 srl, Vianini Lavori Spa, and Fincal Spa brought an action against the Parent Company before the Court of Rome alleging that the Parent Company had failed to disclose to the market information in relation to investments in MPS shares made by the six companies between 2006 and 2011. In particular, the counterparties deduced that they had invested a total of approximately EUR 856 mln in MPS securities, as well as having resold these financial instruments in the first few months of 2012, reporting a capital loss of approximately EUR 741 mln.

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

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

The ruling of the Court of Cassation relating to Criminal Proceedings ref. 29634/14, together with other specific aspects of this dispute, from the third quarter of 2023 led to the reclassification of this dispute from “potential” to “remote” risk.

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

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

The plaintiffs therefore requested full compensation for the damage suffered equal to the consideration paid for the purchase of the BMPS shares, with a final quantification of the relief sought of approximately EUR 81.2 mln in addition to interest and revaluation from the due date to the balance and in addition to the loss of profit; they also requested that the Parent Company be sentenced to pay compensation for damages, including non-pecuniary damages, subject to the preliminary assessment of the crime of false corporate communications (art. 2622 of the Italian Civil Code) and market manipulation (art. 185 of the Consolidated Law on Finance) to be settled on an equitable basis pursuant to art. 1226 of the Italian Civil Code. At the first hearing on 13 June 2023, the plaintiffs' lawyer reported that - in addition to five plaintiffs who had already filed civil claims in the criminal proceedings under RGNR 955/2016 - all the other plaintiffs also intended to transfer their claims for compensation against the Bank to the criminal proceedings, filing a civil claim in proceedings under RGNR 33714/16 with waiver of the proceedings in question pursuant to art. 75, paragraph 1 of the Code of Criminal Procedure. At the hearing on 17 October 2023, to which the case had been adjourned, the counterparty therefore filed a claim for closure of the proceedings, except for 2 plaintiffs (and of the 5 counterparties appearing in proceedings ref. 955/16), for which the plaintiff instead requested suspension pursuant to art. 295 of the Code of Civil Procedure.

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

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

The plaintiffs therefore requested full compensation for the damage suffered equal to the entire consideration paid for the purchase of the BMPS shares, with a final quantification of the relief sought equal to approximately EUR 25.8 mln and - subject to the incidental finding of the crime of false corporate communications - compensation for non-pecuniary damage to be settled on an equitable basis pursuant to art. 1226 of the Italian Civil Code, plus interest and revaluation. Following the appearance of the Issuer and the first hearing, the parties filed the preliminary briefs and, at the subsequent hearing, discussed the requests formulated by the plaintiff, on which the Judge reserved the right to provide for their admission. Upon lifting the reservation, the Judge deemed it necessary to refer the case to the deliberating body in order to settle the dispute or to proceed with any expert investigations and therefore postponed the case to the hearing for closing arguments on 4 November 2022 which was then adjourned to 23 February 2023 regarding the same issues. In this date the Judge retained the case for decision. By its ruling of 6 November 2023, the Judge declared the extinction of the proceeding pursuant to article 75, paragraph 1, of the Italian Code of Criminal Procedure due to the transfer of the action to the criminal proceeding relating to the claims for all the plaintiff except for two, rejected the opposing requests in their entirety and ordered the two plaintiffs, jointly and severally, to pay the bank's legal expense settled in the amount of Eur 49 thousand plus accessories. The settlement of the litigation costs with reference to the plaintiffs against whom extinction was declared was instead reserved for the criminal proceedings.

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

The grand total of out-of-court claims (complaints and mediations) received by the Parent Company as at 30 September 2023, relating to capital increase transactions and allegedly incorrect financial disclosures in prospectuses and/or Financial Statements and/or price sensitive information, amounted to EUR 1,863 mln (EUR 2,264 mln as at 30 June 2023), of which EUR 1,811 mln a "likely" risk (EUR 1,807 mln as at 30 June 2023). In the third quarter, also due to the ruling of the Court of Cassation relating to Criminal Proceedings ref. 29634/14, the risk was reclassified from "potential" to "remote" in relation to a portion of relief sought amounting to approximately EUR 405 mln.

Other disputes

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

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

With a judgement filed on 6 June 2022, the Court of Siena rejected the claim for compensation for damages by way of contractual and extra-contractual liability proposed by the plaintiff, and upheld solely the restitution claim brought by the opposing party in respect of alleged unlawful interest applied in connection with the land advances, quantified at EUR 58,038.27, plus legal interest, and awarded costs. By summons dated 23 December 2022, the company filed an appeal before the Court of Appeal of Florence (first appearance hearing on 15 May 2023). The Bank duly appeared and, with ruling no. 2058/2023, the Court substantially confirmed the favourable first instance decision, partly offsetting expenses.

2. Employment law disputes

As at 30 September 2023, labour law risks show a relief sought of EUR 65.3 mln, of which EUR 47.2 mln at "likely" risk of losing the case.

3. Tax disputes

The risks for tax disputes as at 30 September 2023 show a relief sought of EUR 37.2 mln, of which EUR 12.7 mln at "likely" risk of losing the case.

Compensation for transactions in diamonds

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

As at 30 September 2023, more than 12 thousand claims had been received for a total value of around EUR 318 mln; while the cases concluded were equal to a total of roughly EUR 317.6 mln (of which around EUR 1.6 mln in the first nine months of 2023, covered for the total value net of the market value of the stones by the provision for risks and charges allocated in previous years) and represent 92.25% of the total volume of diamond offers reported by the Parent Company. Residual provisions for risks and charges recognised against the relief initiative were equal to EUR 2.3 mln at the end of September 2023.

As at 30 September 2023 the stones returned were recognised for a total value of EUR 79.43 mln.

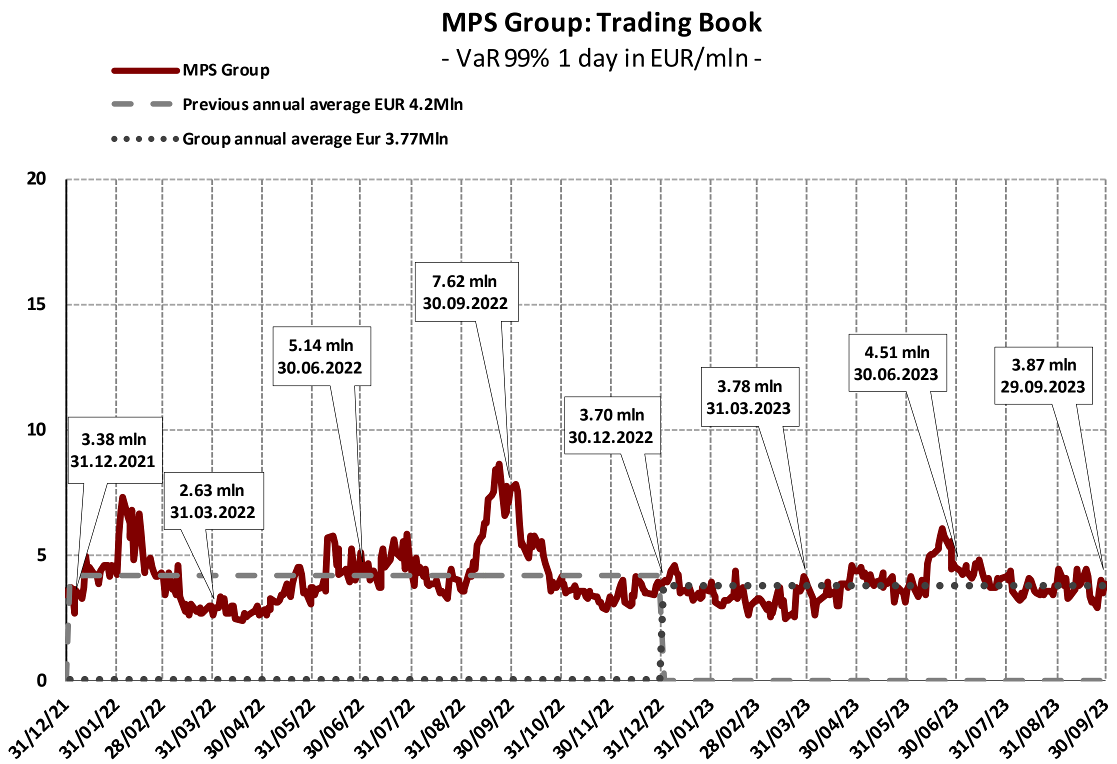
Market risks

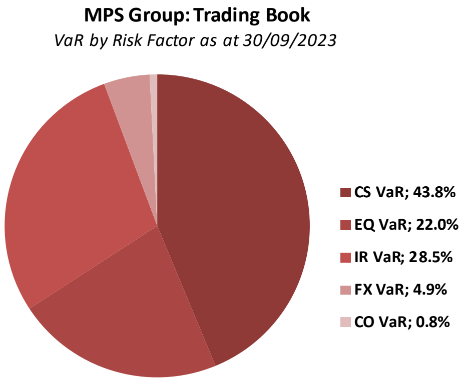
As at 30 September 2023, the market risks of the Group's Regulatory Trading Book, measured as VaR and equal to EUR 3.87 mln, were essentially in line with the end of 2022 (EUR 3.70 mln) and the yearly average (EUR 3.77 mln). VaR volatility, albeit limited, resulted from auctions in Italian government bonds for primary dealer activities, with temporary changes in the overall CS Italy risk exposure, primarily short term.

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

As at 30 September 2023, the entire segment of securities measured at amortised cost, with related hedges, has an interest rate sensitivity of approximately EUR -1.3 mln per bps, of which EUR -1.0 mln per bps for the Italian government segment alone, in addition to a sensitivity to the Italian credit spread of approximately EUR -4.1 mln per bps. At the same date, the entire government sector saw an implicit loss of EUR 810.6 mln, of which EUR 681.6 mln for Italian government securities alone. For positions in FVOCI securities, with related accounting hedges, there is an interest rate sensitivity of approximately EUR -0.52 mln per bps, of which EUR -0.46 mln per bps for the Italian government segment.

In the first nine months, the average holding of Italian sovereign bonds in the Group trading books amounted to EUR 0.56 bn in nominal terms, below the 2022 average (EUR 3.71 bn).





The breakdown of the VaR shows that the CS is the main risk factor, accounting for 43.8% of the RTB Gross VaR of the Group, while IR factor accounts for 28.5%, EQ for 22.0%, FX for 4.9% and CO for 0.8%.

MPS Group

VaR PNV 99% 1 day in EUR/mln

	VaR	Data
End of Period	3.87	30/09/2023
Minimum	2.46	17/03/2023
Maximum	6.03	22/06/2023
Average	3.77	

In the first nine months of 2023, the Group's VaR in the Regulatory Trading Book ranged between a low of EUR 2.46 mln recorded on 17 March 2023 and a high of EUR 6.03 mln on 22 June 2023, with an average value registered of EUR 3.77 mln. The RTB VaR as at 30 September 2023 amounted to EUR 3.87 mln.

Results by Operating Segment

Identification of Operating Segments

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

It should be noted that the comparative economic values (as at 30 September 2022) were restated following the changes in the representation of operating segments made from 31 December 2022:

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

On 24 April 2023 and 29 May 2023, respectively, the mergers by incorporation into the Parent Company of MPS Leasing & Factoring 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 date from 1 January 2023, the merged entities are included in the segment reporting results on the basis of their contribution to the Group's results as independent business units; this also in order to ensure continuity of representation with the quarters prior to the merger and in line with management reporting. This contribution, for the period following the merger, was estimated on the basis of operating data and, where available, accounting records.

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

The income statement values as at 30 September 2022 relating to the value of investees, recognised in the financial statements of the MPS Group using the synthetic equity method, were restated compared to those published at the related reporting date, to guarantee 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 Business customers (SME, Corporate Client and Small Business segments), the Foreign Branches, the merged entity MPS Leasing & Factoring S.p.A. and the foreign bank MP Banque;
- ***Large Corporate and Investment Banking***, which includes the income statement/balance sheet results of Large Group customers and the merged entity MPS Capital Services Banca per le Imprese S.p.A.;
- ***Corporate Centre***, which in addition to the offsetting of intragroup entries, incorporates the results of the following business centres:
  - Non-Performing customers managed centrally by the Non-Performing Loans Unit;
  - companies consolidated with the equity method and those held for sale;
  - operating units, such as proprietary finance, treasury and capital management;
  - service units supporting the Group's business, dedicated in particular to the management and development of IT systems.

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

- some refinements were implemented in the methodology for allocating operating costs to the operating segments;

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

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

Results in brief

The following table reports the main income statement and balance sheet items that characterised the Group’s operating segments as at 30 September 2023:

SEGMENT REPORTING	Operating Segments											
Primary segment	Retail banking		Wealth Management		Corporate Banking		Large Corp. & Investment Banking		Corporate Center		Total Montepaschi Group	
(EUR mln)	30/09/23	Chg % Y/Y	30/09/23	Chg % Y/Y	30/09/23	Chg % Y/Y	30/09/23	Chg % Y/Y	30/09/23	Chg % Y/Y	30/09/23	Chg % Y/Y
PROFIT AND LOSS AGGREGATES												
Total Revenues	1,404.8	50.0%	133.4	29.9%	1,106.5	51.6%	193.9	37.3%	(34.4)	n.m.	2,804.2	22.9%
Operating expenses	(757.6)	-14.6%	(80.5)	-14.7%	(376.3)	-14.8%	(67.5)	-13.7%	(76.0)	-24.1%	(1,357.8)	-15.2%
Pre Provision operating Profit	647.2	n.m.	53.0	n.m.	730.2	n.m.	126.4	n.m.	(110.4)	n.m.	1,446.4	n.m.
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(111.2)	n.m.	(2.6)	75.7%	(169.3)	12.0%	0.4	n.m.	(24.6)	-79.7%	(307.3)	-3.6%
Net Operating Income	536.0	n.m.	50.4	n.m.	561.0	n.m.	126.8	n.m.	(134.9)	n.m.	1,139.2	n.m.
	30/09/23	Chg. % 31/12	30/09/23	Chg. % 31/12	30/09/23	Chg. % 31/12	30/09/23	Chg. % 31/12	30/09/23	Chg. % 31/12	30/09/23	Chg. % 31/12
BALANCE SHEET AGGREGATES												
Gross Interest-bearing loans to customers (*)	30,567	-1.3%	517	-9.2%	32,204	-2.5%	5,717	2.5%	9,748	42.7%	78,753	2.3%
Direct funding	39,858	-6.1%	2,560	-5.6%	24,461	5.3%	2,559	58.3%	19,977	66.6%	89,415	9.0%
Indirect Funding	54,121	7.9%	14,918	4.6%	5,818	4.0%	7,503	-4.8%	10,156	-30.0%	92,517	0.1%
Assets under management	*42,725*	*1.5%*	*10,320*	*-4.2%*	*2,274*	*-8.2%*	*37*	*0.0%*	*395*	*-83.2%*	*55,752*	*-3.4%*
Assets under custody	*11,395*	*41.0%*	*4,598*	*31.8%*	*3,544*	*13.7%*	*7,466*	*-4.8%*	*9,761*	*-19.7%*	*36,765*	*6.0%*

(*) 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

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

Retail MPS

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

Banca Widiba

- Banking products and services, deposit account, cards and advanced payment systems; customer self-service through the bank's digital channels or in assisted mode with the support of a Financial Advisor.
- Fully customisable online platform that relies on a Network of 562 Financial Advisors present throughout the country.
- Funding and Global advisory services and financial planning through the advanced WISE platform and the skills of the Financial Advisor Network.
- Mortgage loans, credit facilities and personal loans.
- Innovative interaction through computers, smartphones, tablets, watches and TV.

</td><td>Retail Banking customers number approximately 3.3 million and include approximately 252,000 exclusive Banca Widiba customers. The total number of Banca Widiba customers, including those shared with the Parent Company, is approximately 276,100, of which approximately 112,100 on the Financial Advisor Network channel, approximately 111,500 on the Self channel, and approximately 52,600 customers migrated from the MPS branch network.</td></tr>
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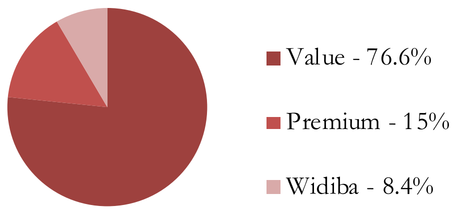
Breakdown by type



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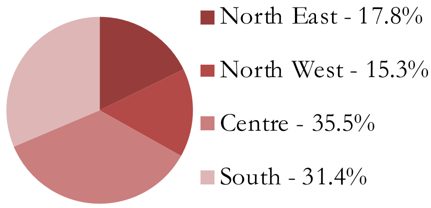
Breakdown by geography



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</table>

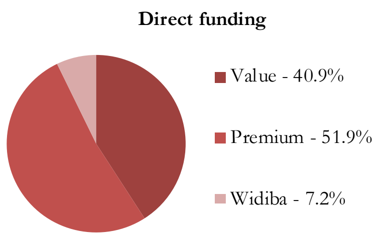
As part of the review of the organisational structures of the Network, in the last quarter of 2022, the access threshold to the Premium service model was revised, with the consequent transition of customers from the Value service model to the Premium service model.

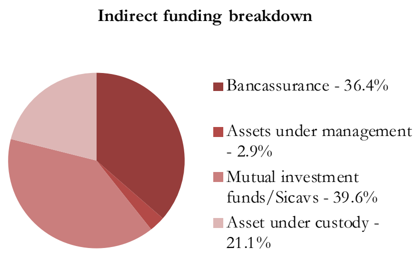
Income statement and balance sheet results

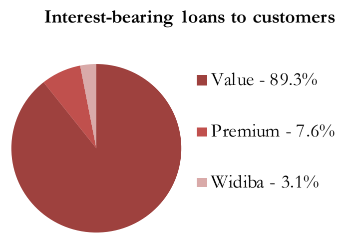
As at 30 September 2023, Total Funding from Retail Banking amounted to **EUR 94.0 bn**, essentially in line with the levels of June 2023 and up EUR 1.3 bn compared to the end of 2022; the increase compared to year end in both components of Indirect Funding, particularly assets under custody, more than offset the outflow recorded in Direct Funding components. More specifically:

- **Direct Funding**, amounting to **EUR 39.9 bn**, was up by EUR 0.2 bn compared to 30 June 2023, mainly due to the increase recorded in demand deposits (EUR +0.1 bn) and short-term deposits (EUR +0.5 bn), while medium/long-term technical deposits posted a decrease (EUR -0.5 bn). The aggregate was down by EUR 2.6 bn compared to 31 December 2022, with a decrease in demand deposits (EUR -1.9 bn) and medium/long-term deposits (EUR -1.6 bn), while short-term deposits increased (EUR +0.9 bn);
- **Indirect Funding**, equal to **EUR 54.1 bn**, recorded a decrease of EUR 0.3 bn compared to the levels at the end of June 2023, as the growth in assets under custody (EUR +0.3 bn) was more than offset by the decline in assets under management (EUR -0.6 bn), which was mainly affected by the negative market effect. The aggregate was up compared to 31 December 2022 (EUR +3.9 bn), both on the asset management component (EUR +0.6 bn) and on the assets under custody component (EUR +3.3 bn);
- **Gross interest-bearing loans to Retail Banking customers** were **EUR 30.6 bn**, essentially in line with 30 June 2023 and down slightly compared to 31 December 2022 (EUR -0.4 bn).

RETAIL BANKING - BALANCE SHEET AGGREGATES							
(Eur mln)	30/09/23	30/06/23	31/12/22	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**39,858**	**39,663**	**42,453**	**195**	**0.5%**	**-2,595**	**-6.1%**
Assets under management	*42,725*	*43,321*	*42,095*	*-596*	*-1.4%*	*630*	*1.5%*
Assets under custody	*11,395*	*11,080*	*8,081*	*315*	*2.8%*	*3,314*	*41.0%*
Indirect Funding	**54,121**	**54,401**	**50,176**	**-280**	**-0.5%**	**3,944**	**7.9%**
Total Funding	**93,979**	**94,064**	**92,629**	**-85**	**-0.1%**	**1,349**	**1.5%**
Gross Interest-bearing loans to customers	**30,567**	**30,616**	**30,974**	**-49**	**-0.2%**	**-407**	**-1.3%**







With regard to profit and loss, as at 30 September 2023, Retail Banking achieved total **Revenues** of **EUR 1,405 mln**, up by 50.0% compared to the corresponding period of 2022. A breakdown of the aggregate shows:

- Net Interest Income was EUR 797 mln, up by EUR 539 mln compared to 30 September 2022, driven by the higher contribution of commercial assets;
- Net fees and commissions were equal to EUR 564 mln, with a 9.6% decrease on the corresponding period of the previous year, primarily due to lower fees and commissions from (i) placement of asset management products due to customers' renewed interest in assets under custody instruments, and lower fee on (ii) third-party credit services, also following the enhancement of the internal consumer finance factory, launched last year;
- Other income from banking and insurance business amounted to approximately EUR 46 mln, down by EUR 4 mln compared to the corresponding period of the previous year.

Considering the impact of Operating Expenses, down 14.6% YoY (both on personnel costs, following exits due to early retirement/access to the Solidarity Fund at the end of 2022, and on other administrative expenses), Retail Banking achieved **Gross Operating Income** of **EUR 647 mln** (EUR 49 mln as at 30 September 2022). The cost of credit was equal to **EUR -111 mln** (EUR +5 mln as at 30 September 2022).

The **Net Operating Income** as at 30 September 2023 was **positive for EUR 536 mln**.

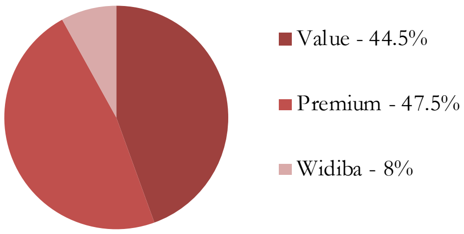
The non-operating components were equal to EUR -2 mln, an improvement compared to the same period of the previous year.

The **Result before tax from continuing operations** was **EUR 534 mln** (EUR 47 mln as at 30 September 2022).

The ***cost-income ratio*** of the Operating Segment is **53.9%** (94.7% as at 30 September 2022).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/09/23	30/09/22	Abs.	%
Net interest income	*797.1*	*258.0*	*539.1*	*n.m.*
Net fee and commission income	*563.6*	*623.7*	*-60.1*	*-9.6%*
Other Revenues from Banking and Insurance Business	*45.8*	*49.5*	*-3.8*	*-7.6%*
Other operating expenses/income	*(1.7)*	*5.4*	*-7.1*	*n.m.*
Total Revenues	**1,404.8**	**936.6**	**468.2**	**50.0%**
Operating expenses	*(757.6)*	*(887.3)*	*129.7*	*-14.6%*
Pre Provision Operating Profit	**647.2**	**49.3**	**597.9**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(111.2)	4.6	-115.8	n.m.
Net Operating Income	**536.0**	**53.9**	**482.1**	**n.m.**
Non-operating components	**(2.2)**	**(6.6)**	**4.4**	**-66.9%**
Profit (loss) before tax from continuing operations	**533.8**	**47.3**	**486.5**	**n.m.**

Breakdown of revenues



Results for the subsidiary

Banca Widiba S.p.A.: as at 30 September 2023, **Total Funding** for Banca Widiba was equal to **EUR 9.4 bn**, up by EUR 0.1 bn compared to 30 June 2023 and EUR 0.6 bn compared to the end of 2022. The increases are concentrated in the Indirect Funding segment (mainly on Assets under Custody, in line with system trends and also absorbing the positive effects of the financial markets in the first half of the year), while Direct Funding recorded a recovery in volumes in the third quarter of 2023 (EUR +0.1 bn compared to 30 June 2023), reducing the delay to EUR -0.2 bn compared to 31 December 2022.

With regard to economic results, as at 30 September 2023 Banca Widiba achieved **total net revenues** of **EUR 113.0 mln**, up by EUR 56.9 mln (+101%) compared to the same period of the previous year, due to the growth in Net Interest Income (EUR +57.6 mln, an increase attributable exclusively to the higher system interest rates) while Net Fee and Commission Income (equal to EUR 15.5 mln in the first nine months of the year) is down by EUR -1.7 mln compared to 30 September 2022, among the various phenomena highlighting (i) a decline in revenues in the Asset Management segment both on placements, mainly referring to the Eurovita case for which Banca Widiba suspended placements from February, and (ii) an increase in income from Assets under Custody and the Global Advisory portfolio.

Gross Operating Income stood at **EUR 64.1 mln** (up by EUR 53.6 mln), absorbing Operating Expenses (EUR 48.9 mln in the first nine months of 2023, an increase of EUR 3.3 mln compared to the previous year, mainly due to the Communication initiatives in the first quarter of this year).

Net Operating Income amounted to **EUR 61.5 mln**, an increase of EUR 51.0 mln compared to September 2022.

Lastly, as a result of non-operating components that absorb allocations of EUR 1.6 mln on some items of provisions for risks and charges and EUR 4.0 mln on DGS charges, the **Profit (loss) before tax from continuing operations** was **EUR 56.0 mln**, an increase of EUR 51.8 mln compared to the first nine months of the previous year.

Wealth Management

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

- Funding, lending, provision of insurance products, financial and non-financial services to private customers.
- Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on not strictly financial services (tax planning, real estate, art & legal advisory).
- Fiduciary and trust services (through the subsidiary MPS Fiduciaria).

</td><td>There are around 35,500 private customers.</td></tr>
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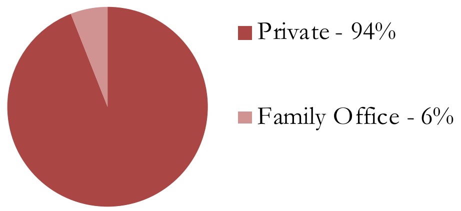
Breakdown by type



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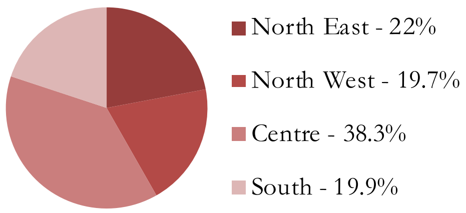
Breakdown by geography



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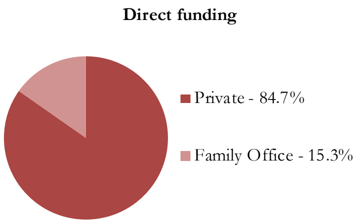
</table>

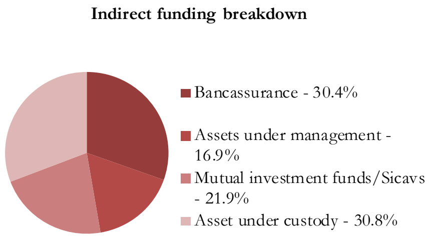
Income statement and balance sheet results

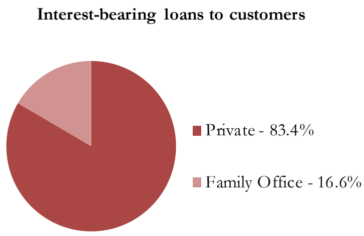
As at 30 September 2023, **Total Funding** in *Wealth Management* amounted to **EUR 17.5 bn,** down slightly compared to 30 June 2023 (EUR -0.4 bn) but up by EUR 0.5 bn on year end 2022, driven by Assets under Custody. More specifically:

- **Direct Funding** came to **EUR 2.6 bn**, essentially stable compared to 30 June 2023 (EUR +0.1 bn) and to 31 December 2022 (EUR -0.2 bn);
- **Indirect Funding**, amounting to **EUR 14.9 bn**, fell by EUR 0.4 bn compared to 30 June 2023 and was up EUR 0.7 bn on the end of 2022 thanks to Assets under Custody (EUR +1.1 bn), while Assets under Management recorded a decrease of EUR 0.5 bn;
- **Gross interest-bearing loans to customers** were essentially in line with both 30 June 2023 and the end of 2022 (EUR -0.1 bn), standing at **EUR 0.5 bn**.

WEALTH MANAGEMENT - BALANCE SHEET AGGREGATES							
(EUR mln)	30/09/23	30/06/23	31/12/22	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**2,560**	**2,485**	**2,711**	**75**	**3.0%**	**-151**	**-5.6%**
Assets under management	*10,320*	*10,793*	*10,774*	*-472*	*-4.4%*	*-454*	*-4.2%*
Assets under custody	*4,598*	*4,551*	*3,489*	*47*	*1.0%*	*1,109*	*31.8%*
Indirect Funding	**14,918**	**15,344**	**14,263**	**-425**	**-2.8%**	**655**	**4.6%**
Total Funding	**17,479**	**17,829**	**16,974**	**-350**	**-2.0%**	**504**	**3.0%**
Gross Interest-bearing loans to customers	**517**	**513**	**570**	**4**	**0.8%**	**-53**	**-9.2%**







With regard to profit and loss, Wealth Management achieved total **Revenues** of approx. **EUR 133 mln** as at 30 September 2023, up 29.9% compared to the same period of last year. A breakdown of the aggregate shows:

- Net Interest Income amounted to approx. EUR 39 mln, up EUR 36 mln compared to the corresponding period in 2022, due mainly to the higher contribution from direct funding;
- Net fee and commission income amounted to EUR 83 mln, down 2.4% compared to 30 September 2022, reflecting, as in the case of Retail Banking, lower revenue from asset management, only partly offset by higher income from assets under custody;
- Other Income from Banking and Insurance Business amounted to EUR 11 mln, down by EUR 2 mln YoY.

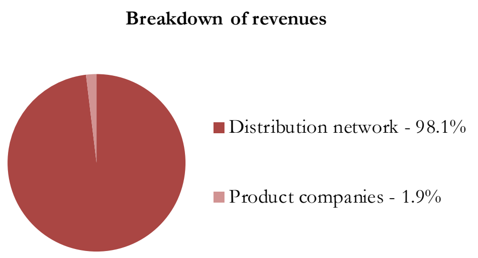
Considering the impact of Operating Expenses, which were down by 14.7% compared to the same period of the previous year (in line with the trends recorded by other Operating Segments and the Group), Wealth Management generated a **Gross Operating Income** of **EUR 53 mln** (EUR 8 mln at 30 September 2022). Including Cost of credit equal to EUR -3 mln, the **Net Operating Income** totalled **EUR 50 mln**.

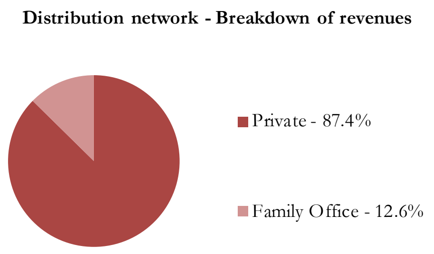
The non-operating components were equal to EUR +0.5 mln, essentially stable compared to the corresponding period of 2022.

The **Profit (loss) before tax from continuing operations** was equal to EUR 51 mln (EUR 7 mln as at 30 September 2022).

The ***cost-income ratio*** of the Operating Segment is **60.3%** (91.9% in the first nine months of 2022).

WEALTH MANAGEMENT - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/09/23	30/09/22	Abs.	%
Net interest income	*39.1*	*2.6*	*36.5*	*n.m.*
Net fee and commission income	*83.3*	*85.3*	*-2.0*	*-2.4%*
Other Revenues from Banking and Insurance Business	*11.3*	*13.7*	*-2.4*	*-17.6%*
Other operating expenses/income	*(0.3)*	*1.0*	*-1.3*	*n.m.*
Total Revenues	**133.4**	**102.7**	**30.7**	**29.9%**
Operating expenses	*(80.5)*	*(94.4)*	*13.9*	*-14.7%*
Pre Provision Operating Profit	**53.0**	**8.3**	**44.7**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(2.6)	(1.5)	-1.1	75.7%
Net Operating Income	**50.4**	**6.8**	**43.5**	**n.m.**
Non-operating components	**0.5**	**0.1**	**0.4**	**n.m.**
Profit (loss) before tax from continuing operations	**50.8**	**6.9**	**43.9**	**n.m.**



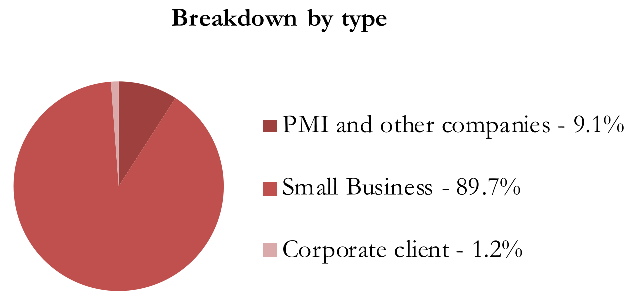
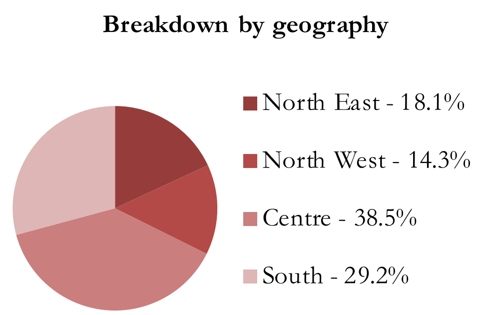


Result of the subsidiary MPS Fiduciaria: as at 30 September 2023 the subsidiary reported a profit for the period equal to EUR 0.3 mln.

Corporate Banking

Corporate Banking includes the income statement and balance sheet results of Business customers (SME, Corporate Client and Small Business segments), Foreign Branches, the subsidiary MPS Leasing & Factoring (merged by incorporation in April 2023) and the foreign bank MP Banque, while the income statement and balance sheet results of Large Group customers and the subsidiary MPS Capital Services (merged by incorporation in May 2023) are reported within the Large Corporate & Investment Banking operating segment.

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

Business areas	Customers
• Lending and offering financial products and services to businesses, including through strategic partnerships with trade associations and Confidi (credit guarantee consortia), with Guarantee Institutions (including public) and Institutional Entities, through which funding is acquired at favourable terms. • Offer of integrated leasing and factoring packages for businesses, artisans and professionals (through the subsidiary MPS Leasing & Factoring 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).	About 315,600 Corporate customers of the Parent Company, directly followed by Corporate Banking.  

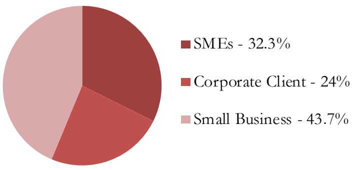
Income statement and balance sheet results

Total Funding from Corporate Banking as at 30 September 2023 amounted to **EUR 30.3 bn**, up compared to 30 June 2023 (EUR +2.1 bn), due to the increase in Direct Funding (EUR +2.0 bn). Indirect Funding remained stable. The aggregate was also up compared to the end of 2022 (EUR +1.5 bn), as a result of the increase in Direct Funding (EUR +1.2 bn) and, in part, in Indirect Funding (EUR +0.2 bn).

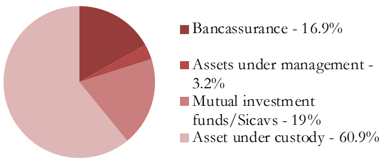
With regard to lending, as at 30 September 2023, **Gross interest-bearing loans to Corporate Banking customers** stood at approximately **EUR 32.2 bn**, down compared to 30 June 2023 (EUR -0.6 bn) and to 31 December 2022 (EUR -0.8 bn).

CORPORATE BANKING - BALANCE SHEET AGGREGATES							
(EUR mln)	30/09/23	30/06/23	31/12/22	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**24,461**	**22,453**	**23,228**	**2,008**	**8.9%**	**1,233**	**5.3%**
Assets under management	*2,274*	*2,313*	*2,477*	*-39*	*-1.7%*	*-203*	*-8.2%*
Assets under custody	*3,544*	*3,439*	*3,119*	*106*	*3.1%*	*426*	*13.7%*
Indirect Funding	**5,818**	**5,752**	**5,595**	**67**	**1.2%**	**223**	**4.0%**
Total Funding	**30,279**	**28,205**	**28,823**	**2,074**	**7.4%**	**1,456**	**5.1%**
Gross Interest-bearing loans to customers	**32,204**	**32,833**	**33,044**	**-628**	**-1.9%**	**-840**	**-2.5%**

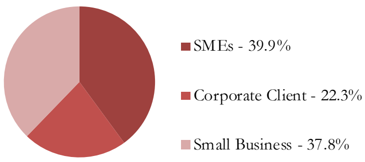
Direct funding breakdown



Indirect funding breakdown



Interest-bearing loans to customers



For profit and loss aggregates, as at 30 September 2023 Corporate Banking Revenues came to **EUR 1,107 mln** (+51.6% compared to the same period of the previous year). A breakdown of the aggregate shows:

- Net Interest Income was EUR 740 mln, up EUR 388 mln YoY mainly due to the higher contribution of commercial assets;
- Net Fee and Commission income was equal to EUR 354 mln as at 30 September 2023, down compared to the same period of the previous year (-3.2%);
- Other Income from Banking and Insurance Business amounted to EUR 16 mln, down slightly on the levels recorded as at 30 September 2022.

Considering the impact of Operating Expenses, down by 14.8% compared to the same period of the previous year, **Gross Operating Income** amounted to **EUR 730 mln** (EUR 288 mln as at 30 September 2022).

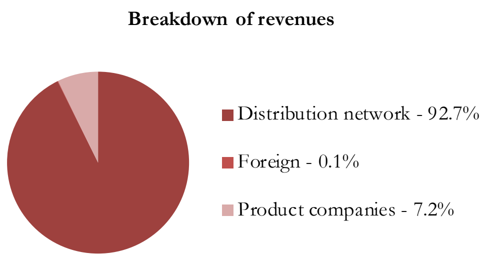
The **Net Operating Income** stood at **EUR 561 mln** (EUR 137 mln as at 30 September 2022), against a Cost of credit of EUR -169 mln (compared to EUR -151 mln as at 30 September 2022).

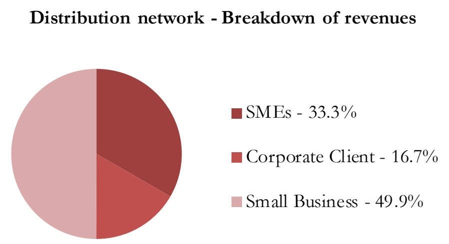
The non-operating components amounted to EUR -2 mln, compared to EUR -8 mln as at 30 September 2022.

The **Profit (loss) before tax from continuing operations** was equal to EUR 559 mln (EUR 129 mln as at 30 September 2022).

The Corporate Banking ***cost-income ratio*** stands at **34.0%** (60.5% as at 30 September 2022).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/09/23	30/09/22	Abs.	%
Net interest income	*739.9*	*352.1*	*387.8*	*n.m.*
Net fee and commission income	*353.6*	*365.3*	*-11.6*	*-3.2%*
Other Revenues from Banking and Insurance Business	*16.2*	*18.0*	*-1.8*	*-10.2%*
Other operating expenses/income	*(3.2)*	*(5.5)*	*2.3*	*-41.4%*
Total Revenues	**1,106.5**	**729.8**	**376.7**	**51.6%**
Operating expenses	*(376.3)*	*(441.8)*	*65.5*	*-14.8%*
Pre Provision Operating Profit	**730.2**	**288.1**	**442.2**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(169.3)	(151.1)	-18.1	12.0%
Net Operating Income	**561.0**	**136.9**	**424.0**	**n.m.**
Non-operating components	**(1.9)**	**(7.7)**	**5.8**	**-75.0%**
Profit (loss) before tax from continuing operations	**559.0**	**129.2**	**429.8**	**n.m.**





Results of the main subsidiaries

- **MPS Leasing & Factoring:** on 24 April 2023, the merger by incorporation of Monte Paschi Leasing e Factoring into the Parent Company took effect.
- **MP Banque[18]:** profit of EUR 1.9 mln as at 30 September 2023 compared to a loss of EUR 3.1 mln posted in the corresponding period of 2022.

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

Large Corporate & Investment Banking

Business areas	Customers
• Credit brokerage aimed at specialised follow-up; provision of tailor-made products and services with a view to coverage teams; cross-fertilisation of skills between group resources and financial products and services for businesses, also through strategic collaboration with institutional entities. • Corporate finance: mid- and long-term lending, corporate finance and structured finance.	Approximately 1,011 Large Group customers of the Parent Company are directly supported by Large Corporate & Investment Banking.

Income statement and balance sheet results

Total Funding from Large Corporate & Investment Banking as at 30 September 2023 amounted to **EUR 10.1 bn**, down EUR 0.6 bn compared to 30 June 2023 due to the decrease in Direct Funding (EUR -0.1 bn) and in Indirect Funding (EUR -0.5 bn). The aggregate, however, was up compared to the end of December 2022 (EUR +0.6 bn) due to the increase in Direct Funding (EUR +0.9 bn).

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

Large Corporate and Investment Banking - BALANCE SHEET AGGREGATES							
(EUR mln)	30/09/23	30/06/23	31/12/22	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Direct funding	**2,559**	**2,686**	**1,616**	**-127**	**-4.7%**	**943**	**58.3%**
Assets under management	*37*	*37*	*37*	*0*	*0.6%*	*0*	*0.0%*
Assets under custody	*7,466*	*7,938*	*7,843*	*-472*	*-5.9%*	*-377*	*-4.8%*
Indirect Funding	**7,503**	**7,975**	**7,880**	**-472**	**-5.9%**	**-377**	**-4.8%**
Total Funding	**10,062**	**10,661**	**9,496**	**-598**	**-5.6%**	**566**	**6.0%**
Gross Interest-bearing loans to customers	**5,717**	**5,692**	**5,580**	**24**	**0.4%**	**137**	**2.5%**

For profit and loss aggregates, as at 30 September 2023, Large Corporate & Investment Banking **Revenues** came to **EUR 194 mln** (+37.3% compared to the corresponding period of 2022). A breakdown of the aggregate shows:

- Net Interest Income amounted to EUR 106 mln, down by EUR 5 mln YoY;
- Net Fee and Commission income was up 20.6% compared to the first nine months of 2022, to stand at EUR 44 mln;
- Other Revenues from Banking and Insurance Business amounted to EUR 44 mln, up compared to the same period of the previous year (EUR -7 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 13.7% compared to 30 September 2022, **Gross Operating Income** amounted to **EUR 126 mln** (EUR 63 mln as at 30 September 2022).

The **Net Operating Income** stood at **EUR 127 mln** (EUR 14 mln as at 30 September 2022), against a Cost of credit essentially zero (compared to EUR -49 mln as at 30 September 2022).

The non-operating components were equal to approx. EUR -13 mln, an improvement on the EUR -54 mln recorded in the corresponding period of 2022.

The **Profit (loss) before tax from continuing operations** was equal to **EUR 114 mln** (EUR -40 mln as at 30 September 2022).

The Large Corporate & Investment Banking ***cost-income ratio*** stood at **34.8%** (55.4% as at 30 September 2022).

Large Corporate & Investment Banking - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/09/23	30/09/22	Abs.	%
Net interest income	*105.8*	*111.1*	*-5.3*	*-4.8%*
Net fee and commission income	*43.5*	*36.1*	*7.4*	*20.6%*
Other Revenues from Banking and Insurance Business	*43.8*	*(6.5)*	*50.4*	*n.m.*
Other operating expenses/income	*0.7*	*0.5*	*0.2*	*31.8%*
Total Revenues	**193.9**	**141.2**	**52.7**	**37.3%**
Operating expenses	*(67.5)*	*(78.2)*	*10.8*	*-13.7%*
Pre Provision Operating Profit	**126.4**	**63.0**	**63.4**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	0.4	(49.4)	49.7	n.m.
Net Operating Income	**126.8**	**13.7**	**113.1**	**n.m.**
Non-operating components	**(13.2)**	**(53.7)**	**40.5**	**-75.4%**
Profit (loss) before tax from continuing operations	**113.6**	**(40.1)**	**153.7**	**n.m.**

Results for the subsidiary

- **MPS Capital Services**: on 29 May 2023, the merger by incorporation of MPS Capital Services into the Parent Company took effect.

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 30 September 2023, Gross interest-bearing loans to customers amounted to *EUR 1.0 bn*; the contribution to the economic results of the Corporate Centre was EUR 4 mln in Revenues, EUR -32 mln in Operating Expenses and EUR -20 mln in the Cost of Credit.

With regard to finance activities, sales of securities in the first nine months of 2023 were marginal; on the other hand, securities for around EUR 873 mln matured, almost entirely classified in the portfolio of financial assets measured at fair value through other comprehensive income. As partial offsetting, securities were repurchased for approximately EUR 803 mln, classified at amortised cost.

Prospects and outlook on operations

For the Italian banking system, in the last quarter of the year, the downward trend in lending to the private sector is expected to continue following the rise in interest rates that is limiting demand from households and businesses. For households, penalised for the second consecutive year by the loss of purchasing power, the reduction in credit is also linked to higher rates and less favourable conditions in the real estate market, which are holding back home purchase loans. In addition to the increase in rates and the offer criteria restrictions, loans to non-financial companies were affected by the slowdown in investments and the decline in construction-related investments. In addition, companies will continue to make use of accumulated liquidity to meet financial needs and the improvement of conditions on the financial markets, with bond rates more in line with bank rates, may drive greater recourse to market financing, reducing the demand for loans.

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

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

The system profitability, which grew significantly in 2023, already in the last quarter of the year began to be affected by the narrowing of the banking spread. The contribution to revenues of the placement and management of indirect funding products is instead expected to remain stable. Personnel expenses are expected to increase as a result of the new national pay bargaining in progress.

These dynamics in the Italian banking system will also have an impact on the Group, which will in any case be committed to supporting businesses also exploiting the potential offered by the NRRP, supporting development projects and local activities, leveraging their unique features through specific initiatives and products, with a view to supporting and directing the recovery towards a more sustainable development model, integrating environmental, social and governance (ESG) criteria within investment and lending policies and continuously interpreting the Bank's historical role in supporting and promoting local areas and economies. The net interest income may still benefit in the coming months from rising rates and the contribution of the new consumer credit platform, despite the progressive increase in the cost of funding. Particular attention will be paid to lending strategies with the aim of supporting loans while maintaining the quality of the portfolio.

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

In line with implementation of the 2022-2026 Business Plan, on 24 April 2023 and 26 May 2023, 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 mergers, with accounting and tax effects from 1 January 2023, will generate synergies both on costs, as a result of the simplification and streamlining of processes, and on revenues thanks to the expected greater efficiency of the business chain.

Lastly, in the fourth quarter of the year, deconsolidation of the portfolio of non-performing loans of the "Mugello" project - the sale of which was finalised on 3 August 2023 - is expected to be deconsolidated for a gross exposure as at 30 September 2023 of approximately EUR 0.2 bn.

DECLARATION OF THE FINANCIAL REPORTING OFFICER

Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Nicola Massimo Clarelli, declares that the accounting information contained in this Interim Report on Operations as at 30 September 2023 corresponds to the underlying documentary evidence and accounting records.

Siena, 7 November 2023

Signed by

the Financial Reporting Officer

Nicola Massimo Clarelli