MEDIOBANCA

Annual Accounts and Report
as at 30 June 2022

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 443,640,006.50
HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

REGISTERED AS A BANK.
PARENT COMPANY OF THE MEDIOBANCA BANKING GROUP. REGISTERED AS A BANKING GROUP

Financial Statements
Mediobanca Group
30 June 2022

Mediobanca S.p.A.
Registered Office: Piazzetta Enrico Cuccia, 1 - Milan, Italy
Tel. +39 02 88291 – Fax +39 02 8829.550
Enrolled in the Bank of Italy Register of Banks as No. 4753
Parent Company of Mediobanca Banking Group
Enrolled in the Register of Banking Groups with ABI code No. 10631.0
www.mediobanca.com;
Tax code and Milan-Monza-Brianza-Lodi Companies' Register Enrolment No. 00714490158
VAT No. 10536040966
Fully paid up share capital as at 31 December 2021: €443.640.006,50
Member of the Interbank Deposit Guarantee Fund and the National Guarantee Fund
Ordinary shares listed on MTA Market

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www.mediobanca.com

translation from the Italian original which remains the definitive version

BOARD OF DIRECTORS

	Name	Position	Term expires
	Renato Pagliaro	Chairman	2023
*	Maurizia Angelo Comneno	Deputy Chairman	2023
*	Alberto Nagel	Chief Executive Officer	2023
*	Francesco Saverio Vinci	General Manager	2023
	Virginie Banet	Director	2023
	Maurizio Carfagna	Director	2023
	Laura Cioli	Director	2023
	Maurizio Costa	Director	2023
	Angela Gamba	Director	2023
	Valérie Hortefeux	Director	2023
	Maximo Ibarra	Director	2023
	Alberto Lupoi	Director	2023
	Elisabetta Magistretti	Director	2023
	Vittorio Pignatti Morano	Director	2023
*	Gabriele Villa	Director	2023

* Member of Executive Committee

STATUTORY AUDIT COMMITTEE

Francesco Di Carlo	Chairman	2023
Elena Pagnoni	Standing Auditor	2023
Ambrogio Virgilio	Standing Auditor	2023
Marcella Caradonna	Alternate Auditor	2023
Roberto Moro	Alternate Auditor	2023
Stefano Sarubbi	Alternate Auditor	2023

* * *

Massimo Bertolini	Secretary of the Board of Directors
Emanuele Flappini	Head of Company Financial Reporting

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CONSOLIDATED ACCOUNTS

REVIEW OF OPERATIONS
MEDIOBANCA GROUP

REVIEW OF GROUP OPERATIONS AT 30 JUNE 2022

The Mediobanca Group reported a net profit of €907m, up 12.3% compared to last year, representing a ROTE of 10% and an EPS of €1.05, on growing revenues (up from €2.6bn to €2.9bn) and resilient credit quality (gross NPL ratio 2.5%), with capital ratios remaining high (CET1: 15.7%, 14.5% fully loaded).

Much of the year was affected by the tightening monetary measures initiated by the main central banks following the summer of 2021 to cool inflation which for a long time was considered temporary. Starting in late February, concerns regarding the endogenous inflation components were compounded by the shock of the war in Ukraine, which led to significant increases in the price of raw materials, industry components, and original products, and sometimes to their becoming unavailable.

In this scenario (very positive first half, gradual decline in the second), the commercial performance overall for the twelve months was strong. New loans in Consumer Finance totalled €7.7bn, with growth accelerating in 2H (from €3.7bn to €4bn, €2bn of which in 4Q). Large Corporate operations, with €8.1bn in new loans, slowed somewhat in the last six months, declining from €4.8bn in 1H to €3.3bn, but on higher fees (up from €29m to €33m) due to the closing of certain acquisition finance transactions. NNM in Wealth Management totalled €9bn for the twelve months, high in 2H as well in terms of both quantity (€4.6bn) and quality (more than two-thirds AUM/AUA), thus absorbing much of the negative market effect (which accounted for €3.8bn, €2.2 in 4Q), with only a marginal impact on management fees. At the bottom-line level, after an outstanding performance in the first half, when a net profit of €525.8m was recorded (an all-time high), the second saw a return to lower but still high levels, with a net profit of €381.2m for the six months, reflecting a balanced contribution in the two quarters (3Q; €190.1m; 4Q: €191.1m), despite the volatility of the financial markets adversely impacting on certain proprietary trading positions and the valuation of investments in seed funds. Consumer Finance posted a net profit of €370.4m, up 32.8% (a new all-time high), while Corporate and Investment Banking contributed €225m (down 20.9%), Wealth Management €134.2m (up 33.9%), and Insurance - Principal Investing €319.7m (up 3.6%).

Revenues for the year exceeded €2.8bn (up 8.5%), with strong contributions from all divisions: Consumer Finance: up 5.6%, now representing 37.1% of the Group total; Wealth Management: up 15.8% (25.5%); Corporate and Investment Banking: up 1.3% (24.8%); and Insurance - Principal Investing: up 25.8% (13%). The cost/income ratio dropped from 47.1% to 46% accordingly.

Portfolio quality[1] remains high, with the NPL ratio at 2.5% (30/6/21: 3.2%), with no changes made to the substantial overlays set aside totalling €239.9m (mostly concentrated in Consumer Banking), with the cost of risk low at 48 bps. Loan loss provisions decreased by 2.5%, from €248.8m to €242.6m, with the share accounted for by Consumer Banking down 26.2% to €190m, and the Large Corporate portfolio marginally impacted by the deteriorating scenario, which includes €40m in provisioning for NPL portfolios (MBCS and leasing – real estate).

* * *

This strong commercial performance drove a substantial increase in revenues, which rose by 8.5% (from €2,628.4m to €2,850.8m), with only a limited reduction in the second half-year (€1,391.4m; vs 1H FY 2021-22 revenues of €1,459.4m) primarily due to the proprietary trading book. The main income items performed as follows:

– Net interest income totalled €1,479.2m, up 4.5% on last year (€1,415m), maintaining a constant trend with the last three quarters (€375.1m, €372.5m and €373.2m respectively), despite the adverse effect of higher interest rates in Consumer Finance and the increased cost of funding raised through debt securities on the one hand, and, on the other, the delay in adjusting lending rates linked to EU monetary rates. Consumer Finance confirmed its position as the main contributor to NII growth, posting an increase of 6.3% (from €878.8m to €934.3m), with loans in line with the Strategic Plan for new business and resilient profitability, and boosted, compared to last year, by the benefit arising from the revised provisioning in connection with the Lexitor ruling (approx. €17m). NII earned by Wealth Management improved, rising 4.8% (from €281.1m to €294.6m) due to the lower cost of deposits and higher volumes of Private Banking loans; while the contribution from Corporate & Investment Banking was down 2%, from €286.9m to €281.1m, due to the contraction in loan spreads (which are struggling to match the trend in interest rates), plus the deleveraging from the NPL acquisition business following the regulator's decision to extend the calendar provisioning rules to this asset class as well. Holding Functions reported net interest expense of €50.6m, which was higher

[1] *Net Stage2 at 5.92% and moratorie substantially at zero (0.04%).*

than last year (€47.4m) despite a positive performance from the banking book, Italian BTPs in particular (approx. €35m), which was offset by the smoothing of the T-LTRO return to factor in the expected increase in ECB rates;

– Net fee and commission income climbed 14.2%, from €744.7m to €850.5m, with an impressive €407.3m being added in 2H (€205.4m in 4Q); the excellent performances posted by Wealth Management (fees up 25.5%, from €335.9m to €421.6m, 50% of the Group total) and Corporate & Investment Banking (fees up 8.8%, from €318.1m to €346.1m, 41%) reflect, for the former, growth in the recurring component (up 23%, from €330m to €406m) and upfront fees from placements (up 44%, from €40m to €57m), most of which in relation to the numerous private markets initiatives (BlackRock Fund in particular), and, for the latter, higher fees earned from advisory services (up 25%, from €127.5m to €158.9m, €64m of which from Messier et Associés, and €25m from the Mid Corporate segment) and from lending (up 21%, from €50.5m to €61.2m);

– Net treasury income totalled €161.8m, just over half of which (€83.2m) from client business, €43.8m from proprietary trading, and €20.1m from Insurance - Principal Investing activity. The 17.9% reduction compared to last year (from €197m to €161.8m) reflects a decreasing contribution from the proprietary portfolio, which posted revenues of €43.8m (€94.9m): this reflects, in addition to lower gains realized on the banking book (down from €47.9m to €23.2m), the performance from trading, which in the second half reported losses of €23.2m (with a loss for the twelve months of €4.1m). Conversely, the renewed market volatility bolstered the Market Division's activity, which delivered an increase in revenues from €60.7m to €83.2m, attributable primarily to the equity component, which posted a strong performance for the first six months;

– Net profit from the Assicurazioni Generali insurance business rose by 30.4% to €356.6m, on a good performance by the company, plus income of €2.7m from the other equity-accounted companies.

Operating costs totalled €1,312.1m, up 6% on last year (€1,238.1m), due to commercial expansion and the growing impact of technology and operations. The acceleration seen in the last 6M (costs up from €633.4m to €678.7m) reflects the customary seasonal nature of project activities, which this year have been material (rising from €43m to €53m). Over two-thirds of the increase in labour costs (which were up 5.7%, from €635.3m to €671.5m) comes from Wealth Management, reflecting the consolidation of Bybrook (which added €5m); while labour costs in CIB grew by 4.5%, in part due to retention initiatives in investment banking which usually entail some kind of variable component (which is performance-related and so again was high). The trend was less pronounced in Consumer Finance (up just 1.6%) and the Holding Functions division (up 1.3%). Administrative expenses rose by 6.3%, from €602.8m to €640.6m, some 40% of which regard Wealth Management (which saw growth of 8.9%, from €230.5m to €251m) and one-quarter Corporate & Investment Banking (administrative expenses up 13.5%, from €141.3m to €160.4m) as the division continues with its business and regulatory project activities. In Consumer Finance, meanwhile, operating costs were basically flat (down 0.5%), as the increase in investments for the new commercial ventures (Buy Now Pay Later) was offset by the reduction in credit recovery expenses.

Loan loss provisions decreased by 2.5%, from €248.8m to €242.6m, with the cost of risk remaining at an all-time low level of 48 bps, lower than the 52 bps at end-June 2021 and 52 bps at end-June 2019 (pre-Covid levels), with no change to the majority of the stock of overlays (€293.9m), which have been retained in view of the uncertain macroeconomic scenario, and an increase in the provisioning for some of the NPL portfolios held by MBCS and for leasing operations. The Corporate & Investment Banking division charged net writedowns of €21.8m, compared with €40.1m in net writebacks last year, representing the balance between the writebacks credited in Wholesale Banking (which reduced naturally, from €78.2m to €49.2m, following the reclassification of certain loans from non-performing to performing status) and the increase in provisioning in Specialty Finance (up from €38.1m to €71m, due to the one-off items referred to above). Conversely, the provisioning decreased in Consumer Finance (down from €257.6m to €190.1m; CoR down from 198 bps to 142 bps) and Wealth Management (down from €18.6m to €14m; CoR down from 13 bps to 9 bps), both of which benefited from positive risk indicators and credit recovery performances even in the changed macro scenario, with overlays of €215.3m and €14.9m respectively.

Net profit for the twelve months (€907m) also reflects the following:

– Net provisions for financial assets of €37.4m (30/6/21: writebacks of €48.4m), due to the falling markets in 2H, in particular for funds measured at fair value (which reported a loss of €34.3m, compared with gains of €4.1m in 1H), and writedowns to banking book securities of €2.3m (representing the balance between €4.7m in losses on corporate and financial securities and €2.4m in writebacks on government securities);
– Payments to the resolution funds (Single Resolution Fund and Deposit Guarantee Schemes) totalling €76.6m, plus the provisions set aside in 1H for a total amount of €12.3m, to cover certain derivative contracts exiting the scope of trading operations in view of their being gradually run down;

- Income tax for the period decreased significantly, from €292.3m to €250.3m, due to the €37m benefit recognized in 1H in connection with the alignment of tax and book values for goodwill[2] booked by Compass Banca (adding €48.6m), against higher charges of €11.6m associated with hidden taxation on the potential distribution of extraordinary dividends by the non-Italian Group legal entities outside the scope of the participation exemption regime.[3] Ordinary income tax therefore totalled €287.3m, at a tax rate of 24.6%; the reduction compared to last year (when the tax rate was 26.5%) is due to the higher share of exempt items (the profits earned by Assicurazioni Generali, which are equity-accounted).

* * *

Total assets increased during the twelve months, from €82.6bn to €90.6bn, with the various items reflecting the following trends:

- Loans and advances to customers grew by 6.8% (from €48.4bn to €51.7bn), with all segments contributing positively: Consumer Finance (from €12.9bn to €13.8bn, its highest-ever levels); Corporate & Investment Banking (from €19.3bn to €21.1bn, €18bn of which Large Corporate); Wealth Management (from €14.4bn to €15.3bn, €11.4bn in retail mortgage lending);
- Banking book securities rose from €7.2bn to €8.6bn; the increase was split equally between the government component (approximately €780m, €420m of which in Italian government bonds) and securitizations (€675m) backed by the Italian government (GACS); the market trend affected the OCI reserve, which stood at minus €60.9m (versus €73m last year); more than three-quarters of the decrease regarded bonds issued by corporates and financials (loss of €86m), while gains realized in the twelve months totalled €19m;
- Net treasury assets increased from €6.4bn to €7.2bn, reflecting the pre-funding initiatives launched following the outbreak of the war with the aim of anticipating the uncertainties of the scenario, which was also the reason for the decision to maintain higher liquidity levels which involved trimming investments in bonds and equities;
- Funding grew from €56.2bn to €61.2bn, and reflects increases in all forms: Wealth Management (funding up from €25.2bn to €28.2bn) now accounts for 47% of the Group's total, higher than the Strategic Plan target, mostly in Private Banking (funding up €3bn in 12M); the T-LTRO facility increased from €7.4bn to €8.4bn, following the drawdown in September 2021; while the debt security component totalled €18.5bn, with €3bn in new issues, confirming

[2] Under Article 110 of Law-Decree No. 104/2020.

[3] Article 87 of the Italian Consolidated Law on Banking (Italian Presidential Decree No. 917/86).

the Group's ability to raise funds even in difficult market conditions, such as those seen in the last six months. The main deals in the past half-year have been: one Quarzo ABS issue (securitization of Compass Banca receivables) for a total amount of €528m (average duration 2.5 years, interest rate EUR 3M + 70 bps); and one €500m covered bond (duration 5 years, fixed rate 2.375%).

New Net Money (NNM) totalled €9bn for the twelve months, with a balanced contribution between the two half-years (€4.4bn in 1H and €4.6bn in 2H, €2.1bn of which in 4Q); the contribution from AUM/AUA was material at €5.5bn, €3.1bn of which in Private Banking, €2.2bn in Premier Banking, and €0.2bn in Asset Management, plus €3.5bn in deposits, mostly from the domestic Italian private banking market (€2.3bn). The flow of NNM, allied to the consolidation of Bybrook (adding €2.2bn), drove an increase in TFAs to €80.2bn (30/6/21: €71.5bn), thus absorbing the net market effect (which accounted for €2.3bn). AUM/AUA totalled €51.5bn, up 11.3% on last year (€46.3bn); the Premier segment reported €16.5bn (up 5.4%); Private Banking €23bn (up 6.4%), and Asset Management €12bn (up 30% including Bybrook). Deposits increased from €25.2bn to €28.8bn, reflecting growth of 36.4% in Private Banking (to €11.3bn).

The capital ratios remained at high levels, despite the reduction in the FVOCI reserve (down 11 bps, relating to equities and debt securities). The phase-in CET1 ratio stood at 15.7% after the proposed dividend (payout ratio 70%) and the buyback scheme completed in June 2022, with the acquisition of 25,900,000 shares for an outlay of €241.4m (with an impact on the ratios of around 60 bps). Retained earnings for the year (which added 59 bps) were entirely absorbed by organic growth (which accounted for 58 bps), as reflected in the increase in RWAs (from €47.2bn to €50.4bn) which was split equally between the new treatment for the Assicurazioni Generali investment, and the growth by the CIB, Consumer Finance and Private Banking divisions. The Bybrook acquisition completed during the year had an impact of 13 bps on the capital ratios.

At the Annual General Meeting to be held in October 2022, the Board will propose a dividend of €0.75 per share, corresponding to a payout ratio of 70%, in line with the Strategic Plan guidance on the cumulative distribution target.

Fully loaded, without application of the Danish Compromise, i.e. with the Assicurazioni Generali investment deducted in full (which accounts for 108 bps) and the IFRS 9 FTA effect also fully applied (10 bps), the CET1 ratio would be 14.5%, this too lower than at end-June 2021 (15.08%). The total capital ratio decreased in the twelve months, from 18.91% to 17.62% (16.69% fully loaded), due to the customary amortization of subordinated liabilities.

* * *

The divisional performances for the year were as follows:

- Wealth Management: the positive trend reported by this division was confirmed, with net profit up 33.9% (from €100.2m to €134.2m), giving a ROAC of 28%. TFAs stood at €80.2bn (30/6/21: €71.5bn), with NNM of €9bn limiting the adverse impact of the market effect which led to a €2.3bn loss for the twelve months (€3.8bn in 2H) and supporting the growth in fees (up 25.5%, from €335.9m to €421.6m, €104.7m of which in 4Q) with an increase in all the main components (management fees: up 27.5%, banking fees: up 9.1%, upfront placement fees: up 46.2%). The Premier segment posted a net profit of €61.6m (up 26.5%), on revenues of €393m (up 9.8%); Private Banking delivered a bottom line of €66.2m (up 33.5%), on revenues of €235.4m (up 16.5%); and Asset Management (which includes the assets formerly attributable to Bybrook as from 1 September 2021) recorded a net profit of €6m (€2.3m at end-June 2021);
- Consumer Finance: the Consumer Finance division reported a net profit of €370.4m, considerably higher than the €278.9m reported last year (up 32.8%), with revenues well above €1bn (up 5.6% from €1,001.8m to €1,058.2m), on gross customer loans of €15bn (the highest figure ever recorded) with the cost/income ratio declining to 29.7% (from 31.4%). Costs were basically flat at €314.8m, due to lower credit recovery expenses offsetting the growth in IT and project costs. Net profitability was boosted by lower loan loss provisions of €190.1m (€257.6m), with the cost of risk at an all-time low (142 bps) despite the provisioning level being increased (NPL coverage ratio 78.8%; net NPL coverage ratio 5.7%, performing loans coverage ratio 3.8%) and also that of the overlays (€215.3m);
- Corporate & Investment Banking: the net profit of €225m reflects a strong business performance in lending (over €9bn of new corporate loans, and over €10bn of turnover in factoring), which in turn translated to a rise in fee income (up 8.8%, to €346.1m), driving an increase in revenues to €707.6m (up 1.3%), €565.6m of which attributable to Wholesale Banking (down 2.3%), and €142m to Specialty Finance (up 19%). This trend was borne out in the second half as well, when fees of €159.1m and new loans in Wholesale Banking of €3.7bn were posted. Wholesale Banking contributed €222m to the total net profit, and Factoring business added €21.9m, while MBCS posted a loss of €18.8m, as a result of the loss incurred by the NPL segment which is in the process of being split off;
- Insurance - Principal Investing: this division reported a net profit of €319.7m, up 3.6% on last year, due to the strong correlation with the performance of

Assicurazioni Generali, which delivered a 30.4% increase in net profit (from €273.4m to €356.6m), offsetting the sharp decline in the valuations of holdings in funds reported in the second half-year (which generated a loss of €32.4m concentrated in investments in seed capital through RAM and Cairn Capital);

- Holding Functions: the net loss incurred by this division decreased from €166.1m to €143.2m: extraordinary charges of €85m (€76.6m of which in payments to the resolution funds) were offset by contingent tax assets of approximately half the amount (€37m). Total revenues dropped to €2.9m, from €21.9m last year, due to lower gains realized on the banking book (down from €47.9m to €23.2m) plus a slight increase in net interest expense (€3.2m). Overheads fell slightly (down 0.9%, from €160.1m to €158.6m), with the central cost component now below 8% of total Group costs. Leasing delivered a net profit of €2.7m, in line with last year (€2.5m), following €10m in extraordinary provisions on vintage NPLs to facilitate their disposal, partly offset by extraordinary writebacks of provisions (€3.5m).

* * *

The following should also be noted:

- The mandatory Pillar 2 requirement (P2R) rose to 1.58% (from 1.25%), to reflect the calendar provisioning for the oldest non-performing assets; from March 2022, as required by the 2021 SREP Decision, the minimum level of CET1 that must be maintained on a consolidated basis is therefore 7.90% (9.70% Tier 1, 12.09% Total SREP Capital Requirement ("TSCR");[4]
- The Group's MREL requirement for 2022 was set at 21.85% of RWAs[5] and 5.91% of leverage ratio exposures ("LRE"), confirming the minimum requirement set by the Single Resolution Board last year and the large buffer in place. Mediobanca has recently been classified as equivalent a Top Tier Bank, giving it importance at the systemic level not so much because of its size, but because of its significance and business model: by exercising this option (referred to as "fishing option"), the regulator has made the Group subject to a subordination requirement, whereby part of the MREL threshold is required to be covered only through equity/subordinated debt instruments (T2 or SNP). This requirement, which has not yet been formally notified, could be applied starting from 2025. No significant impacts deriving from this requirement have been noted either in terms of funding costs or issuance policies, given that the current and estimated amounts of eligible MREL subordinated liabilities are around 20%;

[4] The requirements include the countercyclical capital buffer of 0.01% as at 31 December 2021.

[5] The requirement includes the Combined Buffer Requirement (CBR) applicable at the reporting date, which is destined to increase to 22.13% in 2023, to then reach the final target of 22.48% assigned to us for the following years.

- Group Legal Entity Cairn Capital acquired Bybrook, a UK-based credit manager focused on distressed asset management with AUM of approx. €2bn; the overall outlay for the transaction was £66.9m, £25.2m of which was paid in Cairn shares; following the purchase price allocation process, asset[6] of £79.1m have been recorded in the consolidated accounts (of which £58.9m in intangible assets with an indefinite life, £8.5m with a ten-year duration, and £11.7m in goodwill) and include the liability in respect of the put-and-call agreement over the remaining 17.5% not held, and the tax effects amounting to £15.9m[7]; the impact of the acquisition on the CET1 ratio for the twelve months is 13 bps (18 bps including the amount paid in the previous financial year);
- On 16 May 2022, the securities lending transaction entered into on 23 September 2021 (value date 27 October 2021) in respect of 4.42% of the share capital of Assicurazioni Generali was closed; the cost of the transaction, accounted for on a pro-rata basis, was €6.5m, plus €3.7m in relation to collateral management.
- The share buyback scheme approved by shareholders at the Annual General Meeting held on 28 October 2021 and authorized by the ECB on 11 November 2021 for 25,900,000 ordinary shares (approximately 3% of the company's share capital) ended on 16 May 2022. The buyback entailed an outlay of €241.4m (slightly less than the maximum amount of €256m). At a Board meeting held subsequently on 29 July 2021, the Directors of Mediobanca approved a resolution cancelling 16,500,000 shares, and retaining 9,000,000 for use in connection with performance share schemes plus other commitments;
- Compass Banca adhered to an arrangement to realign the tax and accounting values of the goodwill for Linea (as permitted by Article 110 of Italian Decree Law 104/20, as amended by the 2022 budget law); the company opted for the higher tax rate of 16% (rather than 3%), to allow it to obtain the benefit of deduction for eighteen rather than fifty years.[8] The net effect on profit and loss is €48.6m, representing the balance between the withholding tax payable (€45m, most of which is still to be paid) and recognition of advance tax assets for a total amount of €93.6m; this tax relief entailed a restriction being set over €238.2m of the reserves approved by shareholders at an extraordinary general meeting held in December 2021;
- The partial demerger of the NPL acquisitions business unit of Group Legal Entity MBCS has been launched; the unit will be spun off to a newly-incorporated company, Revalea S.p.A., 100%-owned by Compass Banca.

[6] The equivalent in euro was calculated at the end of December at an exchange rate of 0.8403, in detail: intangible assets with indefinite life: 70.1m, assets intangible fixed-life assets: 10.1m, Goodwill: 9.1m.

[7] For further information please refer to Part B – Notes to the consolidated balance sheet – section 10.

[8] The Italian budget law for 2022 (Italian Law No. 234 of 30 December 2021) changed the rate of the withholding tax due overall to enable the higher values booked to be deducted for eighteen years, increasing it to between 12% and 16% instead of 3% as was previously the case.

The rationale for the demerger is to separate the third-party management business from the NPL acquisition business. The demerger and subsequent transfer of the business unit, subject to the necessary authorizations being received, will be accounted for at book value, hence there will be no effects on the consolidated accounts;

– In April 2022, the sale of the issuers services unit of Group Legal Entity Spafid Connect to Euronext was completed. The business unit performs shareholder register, AGM management and appointed representative activities. The sale generated a gain of approximately €5m, most of which was offset by the writedown charged to goodwill on fiduciary activities (€3.7m).

* * *

The Mediobanca Group takes environmental, social and governance (ESG) issues very seriously, and in the last twelve months has stepped up its initiatives in the sustainability area which remains one of the pillars of its growth model.

This commitment has led to new recognitions, such as inclusion in the S&P Europe 350 ESG and Euronext-Borsa Italiana MIB ESG indices, in addition to the various others in which Mediobanca already features.

These results are even more significant given that they have been achieved in an environment that has been made increasingly challenging by the EU supervisory bodies, which require banks to manage the financial risks deriving from climate change, the consumption of scarce resources, environmental degradation and social inequality, in an increasingly effective way, and at the same time, to improve transparency and promote sustainable investments.

If the transition to a more sustainable economic model is a social duty for the Bank, ESG issues are important for the long-term performance of its clients. By supporting their commitment to ESG risk management, the Bank is also investing in the resilience of its own portfolio.

In line with this approach, the Group's product offering, which is adapted to customers' needs and is consistently being reshaped in accordance with their preferences, comprises a large catalogue of ESG products including green mortgages provided by CheBanca! and funds that promote environmental, social or governance characteristics (as defined in Regulation (EU) 2019/2088, or the "Sustainable Finance Disclosure Regulation").

The Group, which was already a member of the Global Compact, has stepped up its commitment to tackling climate change through two important initiatives: becoming a signatory to the Net-Zero Banking Alliance (NZBA), with the objective of meeting the zero emissions objective by 2050 in line with the Paris Agreement; and adhering to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), in order to represent disclosures on its own environmental impact transparently, in the form of the TCFD Report, which will be published for the first time in conjunction with the Consolidated Non-Financial Statement for FY 2021-22.

The decision to adhere to these global protocols is consistent with the roadmap undertaken by the Group so far in order to reduce its own direct CO2 emissions (Scope 1 and 2), which have been neutralized for the second year running.

As well as promoting the transition to a more sustainable economy, Mediobanca has also confirmed its commitment to social issues, with contributions to the community that in the twelve months have totalled €7.6m, including a €1.5m donation to the Fondazione Opera San Francesco.

Once again it has been our people who have formed the bedrock of this success, showing they were able to respond to the challenges of the period with their talent and hard work: their development, professional growth and satisfaction are fundamental objectives for the Group, and we will continue to invest in them.

In March 2022, a project known as "toDEI" was launched, to promote Diversity, Equity and Inclusion, issues which are fundamental, among other things, to the Bank's ability to increase competitiveness and attract talent. To make this commitment more concrete, quantitative DEI objectives have been disclosed for the first time, and will be an integral part of the next long-term strategic plan.

* * *

Developments on capital markets

During the twelve months under review, the global economic recovery that had begun following the pandemic was materially impacted by at least three factors: inflation, which has proved to be more persistent and higher than expected; the spread of the Omicron variant; and the Russia-Ukraine conflict, that broke out at end-February 2022.

In the first half-year, solid growth in China, global demand driven by expansive fiscal policies, and the process of relocating production chains away from Asia to jurisdictions closer geographically to the products' end markets, drove inflationary pressures above the leading policy-makers' expectations, demanding a less accommodative monetary policy stance. The spread of the Omicron variant put paid to the economy's momentum between end-December 2021 and January 2022, and in China especially, greatly hindered the normalization of social activities and the stabilization of production processes. This in turn exacerbated the tensions in global production chains, driving inflation in the end markets' economies through rising costs. The Russia-Ukraine conflict also soon showed that energy and food sourcing networks were insufficiently diversified, driving an increase in the cost of these commodities, and pushing inflation up further accordingly when the conflict zone distribution channels were interrupted.

In the second half of 2021, the average QoQ change in GDP in the United States was 1.1% (compared with 1.6% in 1H), the average change in China was 0.9% (1.0%), in the Eurozone 1.4% (0.9%), and in Japan 0.3% (0.0%). With the exception of Japan, the first six months of 2022 saw a further, significant slowdown in growth: the average GDP changes for the half-year in this case were -0.3% QoQ in the United States, -0.6% QoQ in China, 0.8% in the European Union, and 0.5%in Japan.

After growth in the first six months was basically flat, with the price of oil rising 2.4%, modest growth in copper prices (2.9%), and industrial raw materials also increasing (up 6.6%), the diminishing impact of the Omicron variant on Western economies, coupled with the start of hostilities in Ukraine, drove a significant increase in oil prices (which climbed 44% in 2H 2021), and reductions in the prices of copper (which plummeted 18.1%), and industrial raw materials (down 5.1%) due to the less optimistic expectations for world growth that emerged in the second half.

Growth in food prices during the twelve months was driven by rising production costs in the first half, coupled, in 2H, with the Russia-Ukraine conflict causing serious disruption to distribution channels for cereals in particular, and to the production of fertilizers of which the region is one of the world's leading exporters. These events drove a year-on-year increase of 30% in food commodities in the first half and of 25% in the second.

Such pressures were initially limited to just a few items in the consumer price inflation basket of goods and services, and as such were received even enthusiastically, which merely increased the scope and momentum of the phenomenon. In the twelve months ended 30 June 2022, inflation in the Eurozone soared from 1.9% YoY to 8.6% YoY, while in the United States inflation leapt from 5.4% YoY to 9.1% YoY. The conviction among central bankers that inflation would soon reduce again was shaken by the resilience of domestic demand which continued to drive up prices. To reduce the momentum of the price increases, towards the end of last year the US Federal Reserve stopped buying bonds, and in March 2022 launched a cycle of interest rate rises. The European Central Bank ended its Asset Purchase Programme and Pandemic Emergency Purchase Programme in June, and started raising interest rates in July of this year.

Against this backdrop, share prices generally increased in the first half of the year (MSCI World Index up 7.4%) but plummeted in the second (the same index fell by 20.8% in 2H), apart from in the Far East, where they shrank in both half-years due to the effects of the Omicron variant (MSCI Asia Pacific down 7.5% and down 18.8%, Nikkei down 0.1% and down 9.9% respectively). Credit spreads remained at low levels in the first half before widening in the second, reflecting the generalized weakness of credit assets (iTraxx Europe rose from approx. 50 bps in 1H to 115 bps by the end of 2H, while US high grade CDS widened from around 50 bps to 100 bps), while the absolute level of interest rates increased, following the main central banks' change of pace in tackling inflation near the end of the first half (the 10-Year Treasury Rate increased from 1.65% to 3.01%, while the 10-Year *Bund* Rate went from -0.18% to 1.34%).

* * *

The performance of the European economy was strongly impacted by the spread of the Omicron variant from the second half of 2021, and then by the outbreak of the Russia-Ukraine conflict from end-February 2022. Both these factors caused major disruption to the EU economy growth path launched by the Next Generation EU programme (NGEU). Rollout of the new vaccination campaign meant that the worst phase of the Omicron strain was over by end-January, but the impact of the invasion of Ukraine by Russia in February was far worse. As mentioned previously, one immediate consequence of the start of the hostilities was the rise in prices of gas, raw materials in general, cereals and fertilizers. The Eurozone harmonized index of consumer prices rose from 1.9% YoY at end-June 2021 to 8.6% YoY at end June 2022 (net of energy components and food commodities the HICPS rose from 0.9% to 3.7% YoY), reaching 9.1% YoY in August (4.3%) as a result of further increases in the cost of natural gas and energy raw materials in particular.

GDP growth in the twelve months reflects a weakening trend, with average growth for the first six months (2H 2021) of 1.4% QoQ, and 0.8% QoQ in the second half (i.e. 2H 2022). European growth prospects remain closely linked to the economic consequences of the war, in particular the ability to source energy, coupled with the impact of the economic measures taken to combat the Russian military action in Ukraine. These include plans to set a price cap on Russian oil, with the immediate effect of dampening inflation, but the indirect effect of curtailing householders' purchasing power.

The ECB too reacted to these two major shocks in pursuing its policy objectives. In the first half it chose to maintain its accommodative monetary policy stance in order to support demand, in the conviction that the inflationary pressure would soon diminish because it was being driven by short-term factors (in particular the bottlenecks created in the production chains, the workforce that had left their jobs during the pandemic returning to the market, and the production of semi-finished goods in China slowing due to the lockdown measures). At the start of second half this conviction, which had been shared by other central banks worldwide as well, was shaken by the persistence of the inflation and the increase in the market's expectations (zero coupon inflation-linked bonds at the 10-year maturity were pricing 2.1% at the end of 1H and 2.4% at the end of 2H, with a high of 2.9% in early May). Thus the ECB decided to accelerate the process of removing the accommodative monetary policy measures launched in December 2021, launching an increase in benchmark interest rates at the end of July 2022, in conjunction with the scheduled end of the PEPP and APP programmes in March and July respectively.

The economic difficulties, the increase in energy costs and agricultural raw material price rises, and the increase in production costs due to production processes being relocated away from low-cost areas, along with the start of the accommodative monetary policy measures being removed, combined to produce the following effects for the twelve months ended 30 June 2022:

– An increase in the market's inflation rate expectations: the five-year estimate rose by 130 bps to 2.73%, and the ten-year estimate rose by 90 bps to 2.41%;

– A reduction in share prices: the Euro Stoxx 600 index was down 10%, while the German, French, Italian and Spanish indexes all lost between 8% and 15%;

– A widening of the spreads on European government bonds relative to the German curve, to levels not far from the highs recorded in the early stages of the pandemic. The spread on 10Y Italian government bonds widened from approx. 70 bps to 100 bps, and on Spanish paper from approx. 44 bps to 104 bps;

– A widening of high-yield credit spreads: the Xover more than doubled from 230 bps to 600 bps;

– A weakening of the domestic currency: he trade-weighted Euro lost 4.6%, and versus the US dollar depreciated by as much as 12.0%.

* * *

In line with Europe as a whole, the Italian economy saw an acceleration in activity rates in 3Q 2021 due to the seasonal nature of hospitality activities, followed by a slowdown as a result of the spread of the Omicron variant at the end of 1H FY 2021-22 (GDP growth dropped from 2.7% QoQ in 3Q to 0.7% in 4Q). Furthermore, Italy is particularly exposed to the Russian-Ukrainian war, because of the sizeable energy imports the country sources from Russia. The Italian government quickly took steps to find alternative energy suppliers in the Mediterranean basin and Africa, and to mitigate the effects of rising energy prices on households and businesses. An estimated budget deficit of €10.5bn (0.6% of estimated 2022 GDP) has been earmarked to finance the set of measures adopted.

In this scenario, the prospects for Italian growth continue to be strongly linked to developments in the Russia-Ukraine conflict and to the economic sanctions imposed on Russia in agreement with the allied countries. The immediate consequences of the total suspension of Russian gas imports on the Italian economy would be extremely serious for high energy intensity production sectors.

The Bank of Italy's surveys of firms' prospects confirm the increasingly widespread concerns over the rising energy costs and the related pressure to increase their own production costs as a consequence. In Italy, the average six-monthly inflation figure recorded at the start of the financial year was 1.0% YoY, which by end-2021 had trebled to 3.0% YoY, and by end-June 2022 had doubled again to reach 6.7% YoY, in view of which the action taken by the government to address the combination of reduced economic activity and high inflation appears to be well justified.

On financial markets, Italian listed equities recorded positive performances in the first half of the financial year, in line with European and global stocks, boosted by the still broadly accommodative monetary policies and the Omicron variant coming increasingly under control: the FTSE MIB rose by 10.5%, and the Eurostoxx 600 was up 7.9%. However, at the start of 2022, the change in stance on inflation adopted by the main central banks marked the start of a correction, which was further complicated by Russia invading Ukraine: since January the FTSE MIB has lost 23.2%, while Euro Stoxx 600 has lost 16.7%. Overall in the twelve months the FTSE MIB has shed 15.1%, while the Euro Stoxx 600 has dropped 10.1%.

* * *

The positive trend in consumer credit witnessed in 2021 continued in the first six months of 2022 as well. The new climate of uncertainty, generated by the geopolitical scenario and rising inflation, did not discourage households from turning once again to debt in order to finance projects that many of them had put off during the months of the pandemic. Indeed, new loans recorded double-digit growth, rising 16.4% to reach €40.4bn. This healthy performance was driven mostly the strong growth in volumes of personal loans, which were 28.5% higher than in the first six months of last year, having been most affected by the crisis triggered by the pandemic, and are now above pre-Covid levels (3.3% higher). There was double-digit growth in the credit card sector as well (up 16.8%) and in salary-/pension-backed finance (up 10.3%), due in particular to the recovery in loans to private-sector employees and pensioners. During the observation period, there was also a healthy performance in the category of other special-purpose loans, which were 10.5% higher than in the first six months of 2021. By contrast, loans to acquire cars or motorcycles decreased significantly, by 9.2%, being heavily penalized by the supply chain crisis, which has impacted on both the new and used car segments.

	2019		2020		2021		I H 2022	
	(€/m)	%	(€/m)	%	(€/m)	%	(€/m)	%
Vehicle credit	6,371	9.7	6,664	12.5	7,896	10.9	3,757	9.3
Personal loans	26,123	39.6	17,563	32.9	22,370	30.8	14,310	35.4
Specific purpose loans	5,363	8.1	4,965	9.3	5,730	7.9	2,884	7.1
Credit cards	22,238	33.7	18,624	34.9	30,261	41.7	15,856	39.2
Salary-backed finance	5,801	8.8	5,491	10.3	6,271	8.6	3,633	9.0
	65,896	100.0	53,307	100.0	72,527	100.0	40,440	100.0

Source Assofin (the credit card segment scope of observation was expanded in 2021).

In 2021, the Italian residential real estate sector, with sales of 748,000 properties, showed a marked increase compared to 2020 (up 34.2%). This positive trend was also borne out in the first quarter of 2022, when 182,000 properties changed, reflecting growth of 12% compared to the same period in 2021.

The mortgage market for the purchase of properties by Italian households in 2021 mirrored the positive trend shown by sales. With €60.9bn in finance disbursed, the market was more than 20% higher than in 2020 (€50.5bn). However, the first quarter of 2022, with €13.5bn in mortgages disbursed, shows an 8% reduction year-on-year, due in particular to the reduction in subrogations, which decreased from €2.3bn to €0.7bn.

In 2021 the Italian leasing market financed over 612,000 new investments with an aggregate value of approx. €28.8bn, with growth of 30% in the fourth quarter. On an annualized basis, the sector has grown in size by one-quarter since 2020, with volumes now 3.1% higher than their pre-Covid levels. In the first six months of 2022, the Leasing segment has financed approximately 326,000 contracts with a value of some €15.5bn. The healthy growth in volumes has continued (up 9.4%) against a decent number of transactions.

	2018		2019		2020		2021		2022 (6 months)	
Concluded	**(€/m)**	**%**	**(€/m)**	**%**	**(€/m)**	**%**	**(€/m)**	**%**	**(€/m)**	**%**
Automotive	15,722	52.8	14,132	50.7	11,775	51.4	13,991	48.6	7,674	49.5
Plant and equipment	9,426	31.7	9,426	33.8	7,762	33.9	11,526	40.1	6,156	39.7
Property	4,110	13.8	3,805	13.6	2,720	11.9	2,964	10.3	1,438	9.3
Shipping	516	1.7	516	1.9	631	2.8	291	1.0	233	1.5
	29,774	100.0	27,879	100.0	22,888	100.0	28,772	100.0	15,501	100.0

Source: compiled by Assilea based on Dataforce data.

Consolidated profit-and-loss/balance-sheet data

The consolidated profit and loss account and balance sheet have been restated including by business area – according to the new divisional segmentation, in order to provide the most accurate reflection of the Group's operations.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€m)

	12 mths ended 30 June 2022	12 mths ended 30 June 2021	Chg. (%)
Profit-and-loss data			
Net interest income	1,479.2	1,415.0	4.5
Net treasury income	161.8	197.0	-17.9
Net fee and commission income	850.5	744.7	14.2
Equity-accounted companies	359.3	271.7	32.2
Total income	**2,850.8**	**2,628.4**	**8.5**
Labour costs	(671.5)	(635.3)	5.7
Administrative expenses	(640.6)	(602.8)	6.3
Operating costs	**(1,312.1)**	**(1,238.1)**	**6.0**
Loan loss provisions	(242.6)	(248.8)	-2.5
Provisions for other financial assets	(37.4)	48.4	n.m.
Other income (losses)	(90.1)	(85.6)	5.3
Profit before tax	**1,168.6**	**1,104.3**	**5.8**
Income tax for the period	(250.3)	(292.3)	-14.4
Minority interest	(11.3)	(4.4)	n.m.
Net profit	**907.0**	**807.6**	**12.3**

Key Performance Indicators (KPI)

	30/6/22	30/6/21	Chg (%)
KPI			
ROTE adj.[1]	10.3%	9.2%	12.0%
Cost / Income ratio	46%	47%	-2.1%
CoR (bps)[2]	48	52	-7.7%
EPS[3]	1.05	0.91	15.4%
DPS[4]	0.75	0.66	13.6%

[1] Return On Tangible Equity.

[2] Cost of Risk.

[3] Earnings Per Share.

[4] Dividend Per Share.

CONSOLIDATED BALANCE SHEET

(€m)

	12 mths ended 30 June 2022	12 mths ended 30 June 2021
Assets		
Financial assets held for trading	9,530.9	11,273.7
Treasury financial assets and cash	12,800.8	8,072.1
Banking book securities	8,577.3	7,150.4
Customer loans	51,701.4	48,413.8
Equity Investments	4,046.2	4,579.0
Tangible and intangible assets	1,350.2	1,254.3
Other assets	2,561.6	1,855.4
Total assets	**90,568.4**	**82,598.7**
Liabilities and net equity		
Funding	61,169.4	56,156.2
Treasury financial liabilities	5,905.8	2,890.8
Financial liabilities held for trading	9,206.7	10,063.6
Other liabilities	3,377.9	2,215.9
Provisions	159.7	171.1
Net equity	9,740.3	10,205.2
Minority interests	101.6	88.3
Profit for the period	907.0	807.6
Total liabilities and net equity	**90,568.4**	**82,598.7**

Key Performance Indicators (KPI)

(€m)

	30/6/22	30/6/21
KPI		
Tier 1 capital	7,894.3	7,689.4
Regulatory capital	8,874.4	8,919.2
RWA[1]	50,378.0	47,159.3
CET1 ratio[2]	15.67%	16.31%
CET1 ratio (fully loaded)[3]	14.50%	15.08%
RWA density[4]	55.62%	57.09%
Regulatory capital / risk-weightes assets	17.62%	18.91%
Leverage ratio[5]	8.4%	9.1%
Gross NPL/ Gross loans ratio[6]	2.50%	3.20%
Net NPL / Net loans ratio[7]	0.70%	1.20%
No. of shares in issue (million)	864.7	887.3

[1] A Risk-weighted assets

[2] Tier 1 capital/risk-weighted assets.

[3] Tier 1 capital/risk-weighted assets (calculated including the overall impact of IFRS 9 and deducting the equity investment in Assicurazioni Generali).

[4] Risk-weighted assets/Total assets.

[5] Tier 1 capital/Total leverage exposures.

[6] Net non-performing loans (net of acquisitions by MBCredit Solutions)/Gross loans.

[7] Net non-performing loans (net of acquisitions by MBCredit Solutions)/Net loans.

BALANCE-SHEET/PROFIT-AND-LOSS DATA BY DIVISION*

(€m)

12 mths ended 30/6/22	Wealth Management	Consumer Banking	Corporate and Investment Banking	Principal Investing	Holding Functions	Group[1]
Profit-and-loss						
Net interest income	294.6	934.3	281.1	(7.1)	(50.6)	1,479.2
Net treasury income	10.3	0.4	80.4	20.1	48.0	161.8
Net fee and commission income	421.6	123.5	346.1	(0.7)	5.5	850.5
Equity-accounted companies	—	—	—	359.3	—	359.3
Total income	**726.5**	**1,058.2**	**707.6**	**371.6**	**2.9**	**2,850.8**
Labour costs	(265.7)	(105.9)	(172.8)	(4.0)	(123.0)	(671.5)
Administrative expenses	(251.0)	(208.9)	(160.4)	(1.0)	(35.6)	(640.6)
Operating costs	**(516.7)**	**(314.8)**	**(333.2)**	**(5.0)**	**(158.6)**	**(1,312.1)**
Loan loss provisions	(14.0)	(190.1)	(21.8)	—	(16.7)	(242.6)
Provisions for other financial assets	(0.1)	—	(3.7)	(32.4)	(1.2)	(37.4)
Other income (losses)	(4.7)	—	(0.4)	—	(86.3)	(90.1)
Profit before tax	**191.0**	**553.3**	**348.5**	**334.2**	**(259.9)**	**1,168.6**
Income tax for the period	(55.9)	(182.9)	(114.9)	(14.5)	118.5	(250.3)
Minority interest	(0.9)	—	(8.6)	—	(1.8)	(11.3)
Net profit	**134.2**	**370.4**	**225.0**	**319.7**	**(143.2)**	**907.0**
Cost/Income (%)	*71.1*	*29.7*	*47.1*	*n.m.*	*n.m.*	*46.0*
ROAC adj.[2]	*28%*	*33%*	*14%*	*16%*	—	
Balance-sheet data						
Loans and advances to customers	15,297.9	13,750.1	21,085.0	—	1,568.4	51,701.4
Risk-weighted assets	5,685.7	12,981.1	20,785.6	8,203.8	2,721.6	50,378.0
No. of staff	2,104	1,454	650	11	797	5,016

Notes:

* Divisions comprise:
- Wealth Management (WM): this division brings together all portfolio management services offered to the various client segments, plus asset management. It includes CheBanca!, which targets the Premier client bracket; the MBPB and CMB Monaco private banking networks, and the asset management companies (Cairn Capital, Mediobanca SGR, Mediobanca Management Company, and RAM Active Investment), plus Spafid;
- Consumer Finance (CB): this division provides retail clients with the full range of consumer credit products, ranging from personal loans to salary-backed finance (Compass Banca and Compass RE);
- Corporate & Investment Banking (CIB): this division brings together all services provided to corporate clients in the following areas: Investment Banking (lending, advisory, capital markets activities) and proprietary trading (businesses performed by Mediobanca and Mediobanca International, Mediobanca Securities and Messier et Associés); and Specialty Finance, which in turn consists of factoring and credit management (including NPL portfolio acquisitions and management) performed by MBFACTA and MBCredit Solutions;
- Insurance - Principal Investing (PI): division which brings together the Group's portfolio of equity investments and holdings;
- Holding Functions: division which includes SelmaBipiemme Leasing, MIS, and other minor companies, plus the following Group units: Treasury and ALM, Operations, support and control, as well as the senior management of Mediobanca S.p.A.; for further details please refer to p. 72.

[1] The sum of divisional data differs from Group total due to adjustments/differences arising on consolidation between business areas (equal to €0.9m).

[2] Adjusted Return On Allocated Capital.

(€m)

12 mths ended 30/6/21	Wealth Management	Consumer Banking	Corporate and Investment Banking	Principal Investing	Holding Functions	Group[1]
Profit-and-loss						
Net interest income	281.1	878.8	286.9	(7.1)	(47.4)	1,415.0
Net treasury income	10.3	—	93.2	30.7	57.5	197.0
Net fee and commission income	335.9	123.0	318.1	—	11.8	744.7
Equity-accounted companies	—	—	—	271.7	—	271.7
Total income	**627.3**	**1,001.8**	**698.2**	**295.3**	**21.9**	**2,628.4**
Labour costs	(241.0)	(104.2)	(165.4)	(3.6)	(121.1)	(635.3)
Administrative expenses	(230.5)	(210.0)	(141.3)	(1.0)	(39.0)	(602.8)
Operating costs	**(471.5)**	**(314.2)**	**(306.7)**	**(4.6)**	**(160.1)**	**(1,238.1)**
Loan loss provisions	(18.6)	(257.6)	40.1	—	(12.7)	(248.8)
Provisions for other financial assets	1.9	—	2.2	51.8	(7.5)	48.4
Other income (losses)	3.5	(15.2)	0.5	—	(73.5)	(85.6)
Profit before tax	**142.6**	**414.8**	**434.3**	**342.5**	**(231.9)**	**1,104.3**
Income tax for the period	(42.4)	(135.9)	(147.0)	(33.9)	67.5	(292.3)
Minority interest	—	—	(2.8)	—	(1.7)	(4.4)
Net profit	**100.2**	**278.9**	**284.5**	**308.6**	**(166.1)**	**807.6**
Cost/Income (%)	*75.2*	*31.4*	*43.9*	*n.m.*	*n.m.*	*47.1*
ROAC adj.[2]	*21%*	*27%*	*16%*	*14%*	—	
Balance-sheet data						
Loans and advances to customers	14,404.5	12,942.9	19,292.3	—	1,774.1	48,413.8
Risk-weighted assets	5,217.0	11,779.2	19,924.8	7,246.0	2,992.3	47,159.3
No. of staff	2,037	1,446	635	11	792	4,921

[1] The sum of divisional data differs from Group total due to adjustments/differences arising on consolidation between business areas.

[2] Adjusted Return On Allocated Capital.

Balance sheet

The Group's total assets rose from €82.6bn to €90.6bn, with parent company Mediobanca's contribution rising from 53.4% to 54.5%. The main balance-sheet items showed the following trends for the twelve months under review (comparative data as at 30 June 2021).

Funding - The significant increase (from €56.2bn to €61.2bn) was largely determined by Wealth Management deposits (which rose from €25.2bn to €28.8bn), with the growth of approx. €3bn in Private Banking particularly prominent, e leveraging on extraordinary finance transactions often closed in conjunction with Investment Banking. Recourse to T-LTRO increased (from €7.4bn to €8.4bn), with a further drawdown in September 2021 to benefit from the continued advantageous interest rate conditions. The debt security component remained essentially stable (up from €18.4bn to €18.5bn), confirming the Bank's ability to access the market even in adverse conditions such as those seen in 2022; all issues falling due (€2.9bn) were refinanced through efficient use of products and channels (in particular private placements on proprietary and third-party networks), effectively completing pre-funding for the next financial year, and making the most of the market windows available: since February around €400m in funds from bonds have been raised from third-party networks, €800m from the interbank channel, €600m in secured loans to banks, and around €1.6bn in corporate deposits, at very competitive costs (average spread of 60 bps). The main issues during the year were a Senior Non-Preferred bond (€500m over 7 years at a fixed rate of 0.75%), one Quarzo ABS issue (securitization of Compass Banca receivables) for a total amount of €528m (average duration 2.5 years and rate EUR 3M+70 bps), and one covered bond of €500m (duration of 5 years at a fixed rate of 2.375%).

	30/6/22		30/6/21		Chg.
	(€/m)	%	(€/m)	%	
Debt securities (incl. ABS)	18,536.9	30%	18,410.9	33%	0.7%
CheBanca! retail funding	17,449.8	29%	16,919.7	30%	3.1%
Private Banking deposits	11,347.5	19%	8,290.4	15%	36.9%
LTRO	8,442.2	14%	7,445.4	13%	13.4%
Interbank funding (+CD/CP)	5,393.0	9%	5,089.8	9%	6.0%
Total funding	**61,169.4**	**100%**	**56,156.2**	**100%**	**8.9%**

The Multi-Currency Commercial Paper Programme was also completed. The Programme, which incorporated some of the innovations introduced by the so-called *Decreto Rilancio* (or Revitalization Decree, Italian Decree Law No. 34/2020), which itself introduced the possibility for banks to issue this type of financial instrument, received the following ratings: F3 from Fitch, A-2 from S&P, and P-2 from Moody's.

Loans and advances to customers – These increased by 6.8% (from €48.4bn to €51.7bn) due to the good performance in all sectors, in particular Corporate & Investment Banking (up 9.3%), as a result of some large Lending and Structured Finance transactions the stock of which grew from €16.6bn to €17.8bn; Specialty Finance was more stable, rising from €2.7bn to €2.8bn. Consumer Finance grew by 6.2% (from €12.9bn to €13.8bn), on a higher contribution from vehicle finance and special purpose loans which rose by 13% (from €3.9bn to €4.4bn) and personal loans (up 3%, from €6.7bn to €6.9bn), with a significant portion of direct loans. Wealth Management rose by 6.2% (from €14.4bn to €15.3bn), split evenly between mortgage loans (up 2.8%, from €11.1bn to €11.4bn, despite reflecting the negative fair value of fixed rate loans, almost fully hedged) and Private Banking loans (up 17.6%, from €3.3bn to €3.9bn).

During the year under review, new loans in Wholesale Banking amounted to €9.5bn (up 18.4% on last year), €8.1bn of which in Lending and Structured Finance, while new loans in Consumer Finance amounted to €7.7bn (up 18.5%), with €3.6bn in personal loans (up 24.1%, mostly deriving from the proprietary network), and new mortgage loans totalled €2.2bn, a slight decrease of 2.5%. In factoring business, volumes acquired (or turnover) amounted to €10.7bn (up 17.3%).

	30/6/22		30/6/21		Chg.
	(€/m)	%	(€/m)	%	
Corporate & Investment Banking	21,085.0	41%	19,292.3	40%	9.3%
Consumer loans	13,750.1	27%	12,942.9	26%	6.2%
Wealth Management	15,297.9	30%	14,404.5	30%	6.2%
Holding Functions (leasing)	1,568.4	3%	1,774.1	4%	-11.6%
Total loans and advances to customers	**51,701.4**	**100%**	**48,413.8**	**100%**	**6.8%**

(€m)

	30/6/22				30/6/21			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Corporate & Investment Banking	20,118.4	591.2	375.4	21,085.0	18,173.8	631.0	487.5	19,292.3
Consumer Banking	12,091.7	1,476.7	181.7	13,750.1	11,240.2	1,467.3	235.4	12,942.9
Wealth Management	14,346.2	838.2	113.5	15,297.9	13,328.1	960.1	116.3	14,404.5
Holding Functions (leasing)	1,380.3	123.7	64.4	1,568.4	1,331.7	337.7	104.7	1,774.1
Total loans and advances to customers	**47,936.6**	**3,029.8**	**735.0**	**51,701.4**	**44,073.8**	**3,396.1**	**943.9**	**48,413.8**
As % of total	92.7%	5.9%	1.4%	100%	90.1%	7.0%	1.9%	100%
Total loans and advances to customers*	**47,936.6**	**3,029.8**	**384.4**	**51,350.8**	**44,073.8**	**3,396.1**	**560.2**	**48,030.1**
As % of total	93.4%	5.9%	0.7%	100%	91.7%	7.1%	1.2%	100%

* Including Stage 3 and POCI (NPLs purchased by MBCredit Solutions).

	30/6/22			30/6/21		
	Gross	**Net**	**Coverage ratio %**	**Gross**	**Net**	**Coverage ratio %**
Corporate Investment Banking	109.0	24.9	77.2%	225.0	103.8	53.9%
Consumer Banking	858.2	181.7	78.8%	971.5	235.4	75.8%
Wealth Management	222.2	113.5	48.9%	226.1	116.3	48.6%
Holding Functions (leasing)	137.9	64.4	53.3%	174.5	104.7	40.0%
Total net non-performing loans*	**1,327.3**	**384.4**	**71.0%**	**1,597.1**	**560,2**	**64.9%**
– of which: bad loans	*418.7*	*53.5*		*510.1*	*72.0*	
As % of total loans and advances	**2.5%**	**0.7%**		**3.2%**	**1.2%**	

(€m)

* Excluding NPLs purchased by MBCredit Solutions.

Gross NPLs[9] decreased from €1,597.1m to €1,327.3m (down €269.8m), declining also in relative terms, to 2.5% of total loans, again at an all-time low and comfortably below pre-Covid levels. The reduction is chiefly due to Corporate & Investment Banking, as a result of certain UTP positions exiting non-performing status, and to Consumer Finance, which throughout the twelve months has shown exceptionally low default rates (some 30% below pre-Covid levels) despite the stricter forbearance and UTP classification rules. The prudent provisioning policy has continued (the coverage ratio has risen from 64.9% to 71%), and is reflected in the sharp reduction in net NPLs from €560.2m to €384.4m, comfortably below the level of 1% of total loans (down from 1.2% to 0.7%). The level of bad debts is now also entirely residual (€53.5m on a net basis, representing just 0.1% of loans, with a coverage ratio of 87.2%). This item does not include the NPLs acquired by the Group and managed by MBCredit Solutions, which decreased from €383.7m to €350.6m.

At 30 June 2022, positions at Stage 2 amounted to €3,029.8m, and represent 5.9% of total loans on a net basis; the reduction compared to last year (€3,396.1m) chiefly involves the leasing business (Stage 2 items down from €337.7m to €123.7m, representing 7.9% of the stock) due to the positive conclusion of the moratoria process; Stage 2 items also decreased in CIB (down 2.8%, from €631m to €591.2m) and Wealth Management (down 5.5%, from €960.1m to €838.2m), and increased only slightly in Consumer Finance (from €1,467.3m to €1,476.7m, although in fact declining in relative terms, from 11.2% to 10.6%).

The coverage ratio for the Group's total performing loans is 1.33% (30/6/21: 1.36%); in Consumer Finance the coverage ratio increased from 3.62% to 3.75%, recording its highest-ever level (30/6/20: 3.17%; 30/6/19: 3.02%).

[9] The Finrep gross NPL ratio (calculated net of NPLs acquired) stood at 2.0% (30/6/21: 2.8%); for further details, please see Part E of the Notes to the Accounts.

Gross book value	Granted until 30/6/22[1]	Expired[2]	Residual until 30/6/22	% Loans and advances to customers[3]	of which Stage[1]
Corporate and Investment Banking	3.7	3.6	0.1	0.0%	0.1
Consumer Banking	754.4	754.4	-	0.0%	-
Wealth Management	585.5	565.9	19.6	0.1%	-
Leasing (holding function)	547.2	544.5	2.7	0.2%	-
Total Moratoria for Covid-19	**1,890.8**	**1,868.4**	**22.4**	**0.04%**	**0.1**
- of which Decreto Cura Italia	49.3%		81.5%		
- of which industry-wide initiatives	26.8%		-		
- of which individual initiative4	23.9%		18.5%		

[1] Gross book value net of collections and repayments as at 30 June 2022.
[2] Moratoria paid off, i.e. those for which the payment suspension terms have ended and the normal repayment schedule has resumed.
[3] Covid-related moratoria outstanding as a percentage of gross customer loans at 30 June 2022.
[4] Moratoria granted on a voluntary basis at the Bank's own initiative.

The Group's portfolio has no material direct exposures versus the Russian Federation, Ukraine or Belarus: those it does have total €24m in CIB, €240m in Private Banking and €90m in Retail Banking (two-thirds in Consumer Finance and one-third in mortgage lending); the few indirect exposures it has are largely towards counterparties of good credit standing. At the same time, and insofar as is possible based on the expectations of the markets and the clients themselves, careful monitoring has been carried out of the effects of inflation on corporate counterparties, which has revealed that the sectors potentially more impacted by the widespread increases in prices (such as food, automotive and manufacturing) currently represent only a modest percentage of the total loan book, and in this case too involve counterparties with good credit ratings.

Mediobanca International granted a €26m loan to a single counterparty whose exposure is fully guaranteed by SACE, plus positions in derivatives with a fair value of approx. €2m; MBFACTA, in its factoring activities, has one exposure to Russian counterparties in an amount of approx. €2m, currently classified as UTP and mostly backed by insurance. The exposure in Private Banking is attributable to CMB Monaco and involves loans mostly guaranteed by prestigious properties in the Principality or on the Côte d'Azur (loan to value ratio below 40%) for an outstanding amount of €240m (this exposure has been cut by around 30% since the war started), only 36% of which is to customers resident in the Russian Federation. Retail exposures refer almost exclusively to customers resident in Italy.

As at 30 June 2022, the moratoria had virtually come to an end: a total of €22.4m are still outstanding, €19.6m of which in connection with mortgages and €2.7m with leases, the moratoria in Consumer Finance all having been paid off in full.

Investment holdings[10] - these fell from €4.6bn to €4bn, €3.2bn of which consisting of investments pursuant to IAS 28 valued using the equity method,[11] €627.7m to investments in funds, and €260.6m to shares, listed and unlisted, for which changes in fair value were recognized through net equity.

The book value of the Group's investment in Assicurazioni Generali (equal to 12.8% of the share capital) decreased from €3,663.1m to €3,069.4m, following profits for the period totalling €356.6m (€273.4m last year) and dividends collected in an amount of €310.1m, €93.2m of which relating to the second tranche of the 2019 dividend; the book value was affected by a sharp drop in the valuation reserves (€640.2m pro rata), mainly the AFS reserve in the fixed income segment, with reference to the Italian government securities held by the Group in particular.

The Group's investment in IEO (25.4%) amounted to €39.1m, following a slight loss (€0.1m) reflecting the adverse effects of the Covid-19 emergency on the specialist hospital activities of 2021, which was substantially recovered in the first months of 2022.

In the fourth quarter, two new equity investments were acquired: 1) Finanziaria Gruppo Bisazza S.r.l. (22.67%), which owns 100% of Bisazza S.p.A., a company operating in the production and sale of glass mosaic, with a book value of €7.4m; compared to the fair value at the time of the transfer (€6.9m), this reflects the increase in the profits accrued during the period (€1.4m) net of the dividend distributed (€0.9m); 2) CLI Holdings II Limited, a special-purpose vehicle incorporated under English law that raises funds through the issue of notes and invests them in the capital of Cairn Loan Investments II LLP, an independent CLO manager established by Cairn, with a book value of €41.8m (NAV as at 31 March), which reflects €1.3m in profits for the period.

Investments in funds decreased from €655.6m to €627.7m taking into account the transfer to the IAS 28 segment (loss of €32.7m) and the reductions in

[10] This heading brings together investments covered by IAS 28, investments measured at fair value through other comprehensive income (formerly AFS), and funds (including seed capital) measured at fair value through profit and loss.

[11] For more details on the entry of the two equity investments to IAS 28 accounting, please refer to section 7 - Equity investments of the Notes to the Accounts.

fair value (loss of €33.7m, almost €30m of which was booked in 4Q). Some two-thirds of this heading (€404.3m) concern funds managed by the Group (referred to as seed capital). Other holdings in funds (mostly private equity funds) stood at €223.4m (€213.6m). In the year under review, there were new net investments of €34.6m, €25.9m of which in seed capital, and €8.7m in private equity.

Investment equities increased from €220.5m to €260.6m, following the revaluation of the Burgo equity-like instrument in an amount of €55m (versus a carrying amount of €110m), only partially absorbed by the reduction in the fair value of the other positions (loss of €18.7m); new investments in Private Markets initiatives (up €7.5m) were offset by the reclassification of the Bisazza stake.

(€m)

	30/6/22		30/6/21	
	Book value	HTC&S reserve	Book value	HTC&S reserve
IAS28 investments	3,157.8[1]	n.m.	3,702.8	n.m.
Listed shares	114.6	56.3	130.2	71.9
Other unlisted shares	146.1	118.0	90.3	63.4
Seed capital	404.3	—	442.1	—
Private equity	103.8	—	82.2	—
Other funds	119.6	—	131.4	—
Total equity holdings	**4,046.1**	**174.3**	**4,579.0**	**135.3**

[1] Differs from the figure shown in the following table by €0.1m due to relating to minor affiliates.

The Group's investment in Assicurazioni Generali at 30 June 2022 had a stock market value of €3,087.3m, still just above the book value, Based on current stock market prices, the value of the investment falls to €3,075.2m. The impairment test is therefore passed given that the difference would be higher if the value in use was used, calculated according to the Group policy.

For further details please see the Notes to the Accounts, Assets, section 7 – Equity investments.

(€m)

	% ownership	30/6/22	30/6/21
Assicurazioni Generali	12.83	3,069.4	3,663.1
CLI II Holding*	42.68	41.8	—
Finanziaria Gruppo Bisazza	22.67	7.4	—
Istituto Europeo di Oncologia	25.37	39.1	39.7
Total IAS28 investments		**3,157.7**	**3,702.8**

* Percentage computed using the nominal value of the emitted notes.

Banking book debt securities - Banking book debt securities totalled €8.6bn, €4.7bn of which relating to the Hold to Collect portfolio (€2.7bn last year) and €3.9bn to the Hold to Collect & Sell portfolio (€4.3bn). The increase compared to 30 June last (up 21.3%, from €7.1bn) mainly involved the purchase of government bonds (Italian and core EU and non-EU) for €780m, of which €420m Italian, to immediately take advantage of the increase in interest rates and the return to attractive yields for the benefit of interest income going forward. The subscription for €675m to the senior tranche (A2 Moody's rating and Alow DBRS) of a non-performing loan securitization originating from one of the main Italian banking groups and fully guaranteed by the state (referred to as GACS) should also be noted.

Purchases for the year amounted to €5.2bn, against sales and redemptions of €3.6bn (with realized gains of €23m); the OCI reserve was negative by €60.9m, and reflected a sharp reduction in prices following the sudden rise in interest rates (it was positive by €73m last year and €32.6m at offend-December 2021). Conversely, Hold to Collect securities (recognized at cost) reflect unrealized losses of €25.2m (compared with €93.8m in gains last year; and €116.9m at end-December 2021).

The portfolio of holdings in government bonds amounted to €6.2bn (€5.4bn last year), equally split between fixed assets (HTC) and available for sale (HTC&S); the share of government bonds stood at 60% (€3.9bn against €3.5bn last year), still with a very limited duration (around 3 years).

	30/6/22		30/6/21	
	(€m)	%	(€m)	%
Hold to Collect	4,703.7	55%	2,723.8	38%
Hold to Collect & Sell	3,873.1	45%	4,346.9	61%
Other (Mandatorily measured at FV)	0.5	n.m.	79.7	1%
Total banking book securities	**8,577.3**	**100%**	**7,150.4**	**100%**

	30/6/22			30/6/21		
	Book value		OCI reserve	Book value		OCI reserve
	HTC	HTC&S		HTC	HTC&S	
Italian government bonds	2,197.5	1,698.4	1.5	1,272.4	2,229.3	41.6
Foreign government bonds	1,090.9	1,198.5	(5.7)	506.9	1,366.5	(1.3)
Bond issued by financial institutions	534.5	458.5	(27.0)	570.2	468.6	20.5
Corporate bonds	135.6	242.1	(26.1)	144.4	282.5	12.2
Asset Backet Securities (ABS)	745.2	275.6	(3.6)	229.9	—	—
Total banking book securities	**4,703.7**	**3,873.1**	**(60.9)**	**2,723.8**	**4,346.9**	**73.0**

Net treasury assets - This stood at €7.2bn, an increase of 13% compared to last year with a decidedly more liquid mix (cash and cash equivalents at the ECB were nearly three times higher, at €9.1bn), factoring in the changed geo-political and financial environment, and in view of the major securitizations expiring in the autumn. In the last six months, bonds and shares were gradually disposed of, and attempts were made to take advantage of the few market windows with very advantageous pricing conditions to launch a pre-funding plan.

(€m)

	30/6/22	30/6/21	Chg.
Financial assets held for trading	9,530.9	11,273.7	-15.5%
Treasury financial assets and cash	12,800.8	8,072.1	58.6%
Financial liabilities held for trading	(9,206.7)	(10,063.6)	-8.5%
Treasury financial liabilities	(5,905.8)	(2,890.8)	n.m.
Net treasury assets	**7,219.2**	**6,391.4**	**13.0%**

(€m)

	30/6/22	30/6/21	Chg.
Equities	1,900.9	2,263.8	-16.0%
Bond securities	576.1	939.4	-38.7%
Derivative contract valuations	(326.1)	(107.8)	n.m.
Certificates	(1,830.3)	(1,889.3)	-3.1%
Trading loans	3.7	4.0	-7.5%
Financial instruments held for trading	**324.3**	**1,210.1**	**-73.2%**

(€m)

	30/6/22	30/6/21	Chg.
Cash and current accounts	2,148.0	1,851.4	16.0%
Cash available at BCE	6,926.7	1,845.2	n.m.
Deposits	(2,179.8)	1,484.7	n.m.
Net treasury	**6,894.9**	**5,181.3**	**33.1%**

(€m)

	30/6/22		30/6/21	
	Assets	Liabilities	Assets	Liabilities
Italian government bonds	1,435.6	(1,544.1)	1,758.3	(1,741.4)
Foreign government bonds	636.9	(1,945.3)	1,120.0	(2,059.3)
Bond issued by financial institutions	1,401.7	(8.3)	1,196.4	—
Corporate bonds	338.3	—	537.5	(0.9)
Asset Backet Securities (ABS)	261.3	—	128.8	—
Equities	2,132.9	(232.0)	2,524.5	(260.7)
Total securities	**6,206.7**	**(3,729.6)**	**7,265.5**	**(4,062.3)**

(€m)

	30/6/22		30/6/21	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	1,089.3	(1,211.4)	541.5	(478.3)
Foreign exchange	699.0	(634.2)	214.6	(296.0)
Interest rate options/futures	11.9	(14.9)	5.5	(20.1)
Equity swaps e options	2,122.8	(2,323.7)	2,922.9	(2,961.8)
Credit derivatives (others)	232.4	(297.3)	319.9	(355.8)
Derivative contract valuations	**4,155.4**	**(4,481.5)**	**4,004.3**	**(4,112.0)**

(€m)

	30/6/22		30/6/21	
	Assets	Liabilities	Assets	Liabilities
Securities lending/repos deposits	2,379.9	(3,749.0)	3,009.5	(1,548.9)
Stock lending deposits	248.1	(1,194.1)	407.1	(449.5)
Other deposits	1,098.0	(962.7)	962.1	(895.6)
Deposits	**3,726.0**	**(5,905.8)**	**4,378.7**	**(2,894.0)**

Tangible and intangible assets - These stood at €1.4bn, an increase of 7.7% concentrated in intangible assets (from €744.1m to €838.3m) and relating to the Bybrook deal, which, following the Purchase Price Allocation process, caused intangible assets to increase by over €90m, €68.6m of which relating to customer relationships with an indefinite life, €9.9m with a finite life (10 years) and €13.7m[12] in goodwill after deferred taxation. Software purchases amounted to €24.7m and were more than offset by amortization (€29.5m).

Tangible assets remained essentially stable (from €510.2m to €511.9m) after depreciation of €57.1m (€40.2m of which for leased assets), offsetting the net effect of operations under IFRS 16 - Leases (adding €29.6m), leasehold improvements (which added €6.8m) and further minor acquisitions.

[12] The equivalent value in Euros was calculated at the exchange rate of 0.8582 at offend-June. The corresponding amounts in GBP are as follows: intangible assets with indefinite life: £58.9m; intangible assets with definite life: €8.5m, goodwill: €11.7m.

As required by IAS 36 and the Group Policy, the annual impairment test has been carried out; for further details, please refer to Section 10 of the Notes to the Accounts.

	30/6/22		30/6/21		Chg.
	(€m)	%	(€m)	%	
Land and properties	456.7	34%	459.8	37%	-0.7%
- *of which: core*	*174.5*	*13%*	*176.7*	*14%*	*-1.2%*
buildings RoU ex IFRS16	*216.9*	*16%*	*212.4*	*17%*	*2.1%*
Other tangible assets	55.2	4%	50.4	4%	9.5%
- *of which: RoU ex IFRS16*	*9.3*	*1%*	*10.3*	*1%*	*-9.7%*
Goodwill	616.8	46%	602.4	48%	2.4%
Other intangible assets	221.5	16%	141.7	11%	56.3%
Total tangible and intangible assets	**1,350.2**	**100%**	**1,254.3**	**100%**	**7.6%**

(€m)

Transaction	30/6/22	30/6/21
Compass-Linea	365.9	365.9
Spafid	—	3.7
Cairn Capital*	56.9	43.3
MB Private Banking	52.1	52.1
RAM	48.7	44.2
Messier et Associés	93.2	93.2
Total Goodwill	**616.8**	**602.4**

* of wich €13.7m related to the goodwill from the acquisition of Bybrook.

An updated list of the core properties owned by the Group is provided below:

	Squ. M	Book value (€m)	Book value per squ. m (€k)
Milan:			
– Piazzetta Enrico Cuccia n. 1	9,318	14.1	1.5
– Via Filodrammatici n. 1, 3, 5, 7 - Piazzetta Bossi n. 1 - Piazza Paolo Ferrari n. 6	13.390	62,3	4,7
– Foro Buonaparte n. 10	2,926	9.1	3.1
– Via Siusi n. 1-7	22,608	23.3	1.0
Rome*	1,790	7.8	4.4
Vicenza	4,239	4.6	1.1
Luxembourg	442	3.6	8.2
Monaco	4,721	46.8	9.9
Other minor properties	3,637	1.3	0.4
Total	**63,071**	**172.9**	

* The Piazza di Spagna property, carried at a book value of €24.2m, is used only in part by Mediobanca, and has therefore not been included among its core assets.

Non-core properties stood at €59.6m (€62.9m last year) after depreciation of €1.8m, while "Inventories of tangible assets pursuant to IAS 2" stood at €5.6m and included formerly leased assets redeemed (in accordance with the provisions of IAS 2).

Provisions for liabilities - These amounted to €159.7m, and concerned provisions for commitments and guarantees of €24.3m (€27.2m), employee severance indemnities and retirement plans of €22m (€28.3m), and provisions for risks and charges of €113.4m (€115.6m). The 6.7% decline (from €171.1m) mainly relates to the lower severance indemnity reserve discount in light of the increase in market interest rates (down €3.5m), as well as the release of provisions by SelmaBipiemme Leasing (in an amount of €3.5m), following the favourable ruling by the Provincial Tax Commission of Milan on the claim for refund of the interest accrued as part of the VAT disputes for the year 2005, which the Tax Office did not appeal. Net of these writebacks, provisions for risks amounted to €24.4m, substantially offset by releases of €23.2m after factoring in the new estimates for tax litigation, indemnities (concentrated in the Wealth Management sector) and litigation; the stock at the end of the year may be broken down as follows: Mediobanca (€67.8m), Compass (€18.5m, €12m of which arising from the Lexitor ruling),[13] CheBanca! (€17.2m), SelmaBipiemme Leasing (€5.1m), and CMB (€2.2m).

	30/6/22		30/6/21		Chg.
	(€m)	%	(€m)	%	
Commitments and financial guarantees given	24.3	15%	27.2	16%	-10.7%
Provisions for risks and charges	113.4	71%	115.6	67%	-1.9%
Staff severance indemnity provision	22.0	14%	28.3	17%	-22.3%
of which: staff severance provision discount	*0.6*	—	*4.1*	—	*-85.4%*
Total provision	**159.7**	**100%**	**171.1**	**100%**	**-6.7%**

Net equity – This stood at €10.6bn, a decrease compared to last year (€11bn) due to lower valuation reserves (€433.6m against €931.2m) affected by the lower contribution of Assicurazioni Generali (which more than halved); the decrease in the Group's Other Comprehensive Income (loss of €52.8m) was more than offset by the cash flow hedge reserve (up €192.6m) which was boosted by the increase in interest rates.

[13] In view of the fact that the regulatory and jurisprudential guidelines are not yet fully established, the Bank has decided prudentially to maintain the provision set aside in the previous financial year to cover the contingent liability, which at 30 June 2022 amounted to approximately €11.7m. Please see p. 63 for further details.

Dividends of €569.2m were distributed during the twelve months and the buyback scheme was concluded; at 30 June 2022, the number of shares amounted to 25,812,945, representing 3% of shares issued (864,698,552), following the cancellation of 22,581,461 shares in November 2022.

(€m)

	30/6/22	30/6/21	Chg.
Share capital	443.6	443.6	n.m.
Other reserves	8,863.1	8,830.4	0.4%
Valuation reserves	433.6	931.2	-53.4%
- of which: financial assets recognized at FVOCI	*123.0*	*175.8*	*-30.0%*
cash flow hedge	*176.5*	*(16.0)*	*n.m.*
equity investments	*133.5*	*780.4*	*-82.9%*
Profit for the period	907.0	807.6	12.3%
Total Group net equity	**10,647.3**	**11,012.8**	**-3.3%**

The OCI reserve amounted to €123m, including the positive tax effect of €9.7m mainly in relation to the reserve for debt securities which closed in negative territory at minus €60.9m, due to corporate and financial issuers in particular; the reserve for Italian government bonds, although in sharp decline, remained positive in positive territory, at €1.5m; while the reserve for equities increased from €135.4m to €174.3m, following the revaluation of the Burgo equity-like instrument (up €55m), which more than offset the other movements.

(€m)

	30/6/22	30/6/21	Chg.
Equity shares	174.3	135.4	28.7%
Bonds	(60.9)	73.0	n.m.
of which: Italian government bonds	*1.5*	*41.6*	*-96.4%*
Tax effect	9.7	(32.6)	n.m.
Total OCI reserve	**123.0**	**175.8**	**-30.0%**

Income statement

Net interest income – net interest income totalled €1,479.2m, up 4.5% on last year, at levels above all-time highs in all the last three quarters. Net interest income earned by Consumer Finance increased by 6.3%, from €934.3m to €878.8m, due to new loans at all-time highs (€7.7bn) and profitability that remained high despite a different mix of products, helped by the changes to the regulations in connection with the Lexitor ruling (which added €17m). Wealth Management (up 4.8%, from €281.1m to €294.6m) benefited from the rise in interest rates in the Private Banking segment (NII up 12.4%, from €52.4m to €58.5m) and from a significant optimization of the cost of deposits in the Premier segment (up 3.1%, from €229.3m to €236.4m). Conversely, NII in Corporate & Investment Banking decreased by 2%, from €286.9m to €281.1m, due to a drop in lending rates in the Large Corporate segment, which had not yet incorporated the rise in interest rates into its spreads; in particular, the contribution from Lending and Structured Finance decreased from €159.3m to €150m, despite the strong growth in volumes, with the other units' performance virtually unchanged (Markets and Trading) (€58.7m); Specialty Finance saw a slight increase (up 1.7%, from €71.2m to €72.4m). Holding Functions reported an increase in net interest expense of €3.2m, with a reduced contribution from leasing operations and treasury management to address the uncertainties of the coming quarters, including the impact of the T-LTRO interest on earnings being smoothed, which offset the extraordinary dividend income from the holdings in Italian BTPs (up €35m).

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg.
Consumer Banking	934.3	878.8	6.3%
Wealth Management	294.6	281.1	4.8%
Corporate and Investment Banking	281.1	286.9	-2.0%
Holding Functions and other (including IC)	(30.8)	(31.8)	-3.1%
Net interest income	**1,479.2**	**1,415.0**	**4.5%**

Net treasury income – This stood at €161.8m, down 17.9% compared to last year (€197m), due to a lower contribution from the proprietary portfolio of €43.8m (against €94.9m), with a marked effect on trading activities (where a loss of €4.1m was reported, compared with profits of €37.4m last year) and lower realized gains on banking book securities of €23.2m (€47.9m). Conversely, client business by the Market Division rose to €83.2m (€60.7m), with the equity segment in particular increasing from €25.1m to €68m, €40.8m of which earned on arbitrage transactions and issues of certificates in the first half; in the second half of the year, there was an increase in profits on arbitrage in the fixed-income segment due to the resumption in volatility. The contribution from Principal Investing decreased from €30.7m to €20.1m as a result of charges on the Assicurazioni Generali securities lending activity (approx. €10m, €6.5m of which in fees payable), despite the healthy flows in terms of dividends and fund distributions collected (approx. €30.3m).

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg.
Corporate Investment Banking	80.4	93.2	-13.7%
of which: client fixed income	83.1	60.7	n.m.
Principal Investing	20.1	30.7	-34.5%
Holding Functions	48.0	57.5	-16.5%
Other (including Intercompany)	13.3	15.6	-14.7%
Net treasury income	**161.8**	**197.0**	**-17.9%**

Net fee and commission income – This stood at €850.5m, up 14.2% on last year, with a quarterly contribution steadily above €200m, meaning that fee income now accounts for 30% of total revenues. Wealth Management was the driver of this growth, reporting an increase of 25.5% (from €335.9m to €421.6m, 50% of the total), on the back of further improvement in terms of profitability (from 87 bps to 93 bps) and AUM/AUA (up 11.3%), with constant growth in the management fees component (up 27.5%, from €252.1m to €321.5m) and in upfront fees on placements (from €41.8m to €61.1m) and balanced development between the Premier segment (up 22.3%, from €126.6m to €154.8m) and Private Banking (up 18%, from €40.0m to €167.9m). Corporate & Investment Banking (up 8.8%, from €318.1m to €346.1m) confirmed the growth trend in the M&A advisory segment (up 24.6%, from €127.5m to €158.9m) due to diversification, geographical (Messier et Associés: up 27%), segment (Mid Corporate: up 31%) and product (Lending: up 21.2%), without being affected by the lower contribution from Capital Markets activity (ECM: down 43%). Consumer Finance remained stable (€123.5m) despite the decline in insurance products, which was offset by lower commercial rappel fees, and the contribution of new initiatives (PagoLight in particular).

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg.
Wealth Management	421.6	335.9	25.5%
Corporate & Investment Banking	346.1	318.1	8.8%
Consumer Banking	123.5	123.0	0.4%
Holding Functions and other (including intercompany)	(40.7)	(32.3)	26.0%
Net fee and commission income	**850.5**	**744.7**	**14.2%**

Insurance sector and other investments accounted for using the equity method – Income from this sector grew from €271.7m to €359.3m, on a higher contribution from Assicurazioni Generali (up 30.4%, from €273.4m to €356.6m), which reflected positive performances in the life, non-life and asset management segments in 2021, only partially offset by the higher writedowns recorded in the first quarter of 2022 (mainly on Russian securities). The result includes €2.7m relating to three other investments (IEO, CLI Holdings II and Finanziarie Gruppo Bisazza).

Operating – These increased by 6%, from €1,238.1m to €1,312.1m, reflecting the expansion of the commercial structures, IT investments (infrastructure consolidation and digital agenda), and the generalized increase in business volumes and resumption of marketing/communication activities. The financial year includes the Bybrook consolidation for approximately €7m. The good performance in revenues allowed the cost/income ratio to be kept under control, declining from 47% to 46%. The main cost components performed as follows:

- Labour costs rose by 5.7%, from €635.3m to €671.5m, with the fixed component (up 5%) reflecting the increase in headcount (from 4,921 to 5,016), as well as the efforts to retain key figures in an increasingly competitive labour market; while the variable remuneration (up 8%) reflected the Group's good performance. The highest increases were in Wealth Management (up 10.2%, from €241m to €265.7m) and Corporate & Investment Banking (up 4.5%, from €165.4m to €172.8m), the latter reflecting the significant increase in the fixed component;
- Administrative expenses (up 6.3%, from €602.8m to €640.6m) reflected the higher volumes (operating costs: up 9%, from €97m to €106m), the substantial project component (up 23%, from €43.3m to €53m) and growth in IT costs (up 6% from €192m to €203m), which affected all business lines. In detail, Wealth Management (up 8.9%, from €230.5m to €251m) was affected by the implementation of the new CheBanca! app, the front-end/advisory platform to support domestic Private Banking business, and branch renovation expenses; Corporate & Investment Banking (up 13.5%, from €141.3m to €160.4m) includes work done on the trading platforms, the implementation of ESG strategies (including the Climate Stress Test), and intensive commercial activities (marketing, travel and representation costs doubled), in addition to the increase in MBCS recovery costs (up 21%); Consumer Finance (down 0.5%, from €210m to €208.9m) bucked the trend, slightly managing to offset investments in marketing (up 11%) and the costs incurred through development of innovative channels (Compass Link agency network; PagoLight) with lower credit recovery costs (down 13%).

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg.
Labour costs	671.5	635.3	5.7%
of which: directors	*12.8*	*7.5*	*70.7%*
stock option and performance share schemes	*13.3*	*14.4*	*-7.6%*
Sundry operating costs and expenses	640.6	602.8	6.3%
of which: depreciations and amortizations (incl. IFRS16)	*86.6*	*85.8*	*0.9%*
administrative expenses	*554.0*	*517.0*	*7.2%*
Operating costs	**1,312.1**	**1,238.1**	**6.0%**

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg.
Legal, tax and professional services	18.2	12.6	44.4%
Other consultancy expenses	36.2	33.8	7.1%
Credit recovery activities	57.3	60.4	-5.1%
Marketing and communication	42.1	39.6	6.3%
Rent and property maintenance	22.5	20.8	8.2%
EDP	151.7	142.6	6.4%
Financial information subscriptions	48.9	44.4	10.1%
Bank services, collection and payment commissions	31.3	24.4	28.3%
Operating expenses	60.5	64.2	-5.8%
Other labour costs*	11.2	4.7	n.m.
Other costs	42.2	42.5	-0.7%
Direct and indirect taxes	31.9	27.0	18.1%
Total administrative expenses	**554.0**	**517.0**	**7.2%**

* This heading includes travel and conference expenses.

Loan loss provisions - These decreased by 2.5%, from €248.8m to €242.6m, confirming the good quality of assets (gross NPLs at all-time lows, and net NPLs below 1% of loans) despite the prudent provisioning management and sizeable overlays (almost unchanged at €293.9m). The risk indicators remained very good even after the macro scenario reversed and inflation started to consolidate, as shown by the trend in moratoria, which have now basically ended with no particular difficulties reported. Consumer Finance took adjustments of €190.1m, down 26.2% on last year (€257.6m), with risk indicators still better than pre-Covid levels, very high recovery rates, and gross non-performing loans at record lows (gross NPL ratio: 5.74%) with coverage levels at all-time highs (non-performing: 78.8%; performing: 3.75%) and with no change to the overlays set aside (€215.3m). Corporate & Investment Banking reported adjustments of €21.8m, in contrast to net writebacks of €40.1m credited last year: the lower writebacks in Wholesale Banking (which reduced from €78.2m to €49.2m) reflect the effects of certain positions having been reclassified from UTP status (€35.1m, compared with €110m), which was offset only to a minor degree by the first releases of overlays (the stock of which declined from €87.7m to €57.6m) linked to repayments, often in advance, and to improvements at the level of both counterparty (reratings) or sectors (those impacted most heavily by Covid-19 were revised compared to last year); Specialty Finance showed a significant increase in value adjustments, from €38.1m to €71m, €30m of which in relation to certain NPL portfolios held by MBCS, with the objective of accelerating the deleveraging process. Wealth Management reported adjustments of €14m, 24.7% less than last year (€18.6m) and the CoR decreasing from 13 bps to 9 bps, benefiting from positive risk and recovery performance indicators (with overlays increasing from €3.3m to €14.9m), €13.6m of which for mortgage loans and €0.4m in the Private Banking segment.

Provisions of €16.7m were also taken for leasing operations, €10m were extraordinary and relating to older non-performing items (referred to as "vintage NPEs") to promote de-risking.

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg.
Corporate & Investment Banking	21.8	(40.1)	n.m.
Consumer Banking	190.1	257.6	-26.2%
Wealth Management	14.0	18.6	-24.7%
Holding Functions (leasing)	16.7	12.7	31.5%
Loan loss provisions	**242.6**	**248.8**	**-2.5%**
Cost of risk (bps)	**48**	**52**	

Provisions for other financial assets[14] - Provisions for other financial assets totalled €37.4m. Compared to last year (net writebacks of €48.4m), there was a reversal in the trend of investment funds mandatorily measured at fair value, which, due to the sharp decline of the financial markets in the second half of the year, reflect losses for the twelve months of €34.3m. In particular, the seed capital portfolio contributed €32m (split equally between Cairn and RAM funds). This item also includes provisioning for securities in the treasury banking book (loss of €2.3m), in particular due to the higher amount taken in respect of corporate and financial securities which was only in part mitigated by the lower provisions for Italian government securities, which were boosted by an improvement in rating.

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg.
Hold-to-Collect securities	(0.8)	(0.9)	11.1%
Hold-to-Collect & Sell securities	(2.3)	(6.2)	62.9%
Financial assets mandatorily FVTPL[1]	(34.3)	55.5	n.m.
Provisions for other financial assets	**(37.4)**	**48.4**	**n.m.**

[1] These are funds recognized at fair value.

[14] Under IFRS 9, the impairment process applies to all financial assets (securities, repos, deposits and current accounts) recognized at cost (the "Hold to Collect" model) and to all bonds recognized at fair value through other comprehensive income (the "Hold to Collect and Sell" model).

Other gains (losses) - Other gains (losses) amounted to €90.1m (€85.6m), €76.6m of which in payments to the resolution funds (Single Resolution Fund and Deposit Guarantee Schemes), €12.3m in provisions for a set of derivative contracts guaranteeing the financial performance of pension funds subscribed to between 2010 and 2014 exiting the scope of trading operations in view of their gradually being run down (over the course of several years); an extraordinary donation of €1.5m approved by the CSR Committee for charitable initiatives paid Opera San Francesco linked to the Group's exceptional results for the 2021 calendar year. Extraordinary income (approx. €10m) mainly relates to the release of provisions set aside in respect of leasing operations (€3.1m) and the net gains realized on the disposal of Spafid Connect (€5m), most of which were offset by liabilities, mainly the cancellation of the Spafid goodwill (€3.7m) and other adjustments to the investment in Cairn Capital (€4.7m, including the put & call option valuation, exchange rate differences and estimated of extraordinary bonuses).

Income taxes – These stood at €250.3m, including extraordinary gains of €37m, which, reflects the realignment of tax and book values for goodwill booked by Compass Banca under Article 110 of Italian Law-Decree 104/20 (the "August Decree"),[15] as subsequently amended, resulting in €48.6m being credited to profit and loss, and also the higher tax set aside (€11.6m) to take into account the possible impact deriving from the potential distribution of extraordinary dividends by the international Group legal entities outside of the participation exemption regime.[16] After the extraordinary items, the tax burden stood at 24.6%, an improvement on last due to the higher component of exempt income (Assicurazioni Generali profits accounted for using the equity method). The main Italian companies forming part of the Mediobanca Group all adhere to the consolidated tax regime provided by Articles 117ff of the Italian Income Tax Act (known also as "national tax consolidation"). Of the various effects deriving from this decision, the main benefit is being able to determine an overall amount of comprehensive income, which is equal to the algebraic sum of the tax income or losses reported by the parties that have opted into this system, which amount is subject to IRES at 24%.

[15] The Italian budget law for 2022 (Italian Law No. 234 of 30 December 2021) changed the withholding tax rate due overall to deduct the higher values recorded over the course of eighteen financial years, raising it to a maximum of 16%, instead of the 3% previously in force.

[16] Article 87 of the Italian Income Tax Act (Italian Presidential Decree No. 917/86).

Balance-sheet/profit-and-loss data by division

WEALTH MANAGEMENT

This division brings together all asset administration and management services offered to the following client segments:

– Affluent & Premier (CheBanca!);

– Private Banking (Mediobanca Private Banking and CMB Monaco).

Wealth Management also includes the Asset Management division (Mediobanca SGR, Cairn Capital, RAM Active Investment and Mediobanca Management Company), plus the fiduciary activities performed by Spafid, Spafid Family Office SIM and Spafid Trust

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg. (%)
Profit-and-loss			
Net interest income	294.6	281.1	4.8
Net trading income	10.3	10.3	n.m.
Net fee and commission income	421.6	335.9	25.5
Total income	**726.5**	**627.3**	**15.8**
Labour costs	(265.7)	(241.0)	10.2
Administrative expenses	(251.0)	(230.5)	8.9
Operating costs	**(516.7)**	**(471.5)**	**9.6**
Loan loss provisions	(14.0)	(18.6)	-24.7
Provisions for other financial assets	(0.1)	1.9	n.m.
Other income (losses)	(4.7)	3.5	n.m.
Profit before tax	**191.0**	**142.6**	**33.9**
Income tax for the period	(55.9)	(42.4)	31.8
Minority interest	(0.9)	—	n.m.
Net profit	**134.2**	**100.2**	**33.9**
Cost/Income (%)	*71.1*	*75.2*	

	30/6/22	30/6/21
Balance-sheet data		
Loans and advances to customers	15,297.9	14,404.5
of which:		
Chebanca! mortgage loans	*11,368.2*	*11,062.8*
Private Banking	*3,929.7*	*3,341.7*
New loans	2,163.7	2,219.6
Risk-weighted assets	5,685.7	5,217.0
ROAC	28%	21%
No. of staff	2,104	2,037

	30/6/22	30/6/21	Chg. (%)
Commercial data			
Relationship managers	507	486	4.3%
Financial advisors	516	465	11.0%
No. of branches/agencies CheBanca!	207	205	1.0%
Private Banker	137	131	4.6%

Net profit for the year stood at €134.2m (up 33.9%) on revenues of €726.5m (up 15.8%), driven by an excellent performance in fees (up 25.5%), which now accounts for 58% of revenues (54% last year); ROAC thus rose from 21% to 28%, with the cost/income ratio falling to 71.1% (75.2%). The second half showed appreciable growth in net profit, albeit less vigorous than in the first half (€61.8m against €72.4m), taking into account the market scenario which slowed the growth in management fees and new placements.

Net New Money for the year amounted to €9bn, €2.1bn of which in the fourth quarter; TFAs stood at €80.2bn, albeit with a penalizing market effect (loss of €2.3bn, of which €3.8bn in the last half-year), which eroded a good portion of the inflows recorded in recent months. The portfolio's average profitability increased to 93 bps (from 88 bps).

In line with the 2019-23 Strategic Plan guidelines, during the year the distribution structure reached 1,160 people (1,082 at end-June 2021), 1,023 of whom in the Premier segment, split equally between bankers (507) and financial advisors (516) working at 105 branches and 102 points of sale. The number of bankers employed in the Private Banking segment increased to 137 (131 last year).

The Mediobanca Private Banking product offering was distinguished during the year under review for its ongoing innovation and development, with the objective of continuing to provide the best investment opportunities to its target UHNWI customers. New portfolio management products were launched consistent with the economic scenario (Tactical Equity Europe, Inflation), whereas in Private Markets, the first fund with a specific focus on venture capital was closed in partnership with Russell Investments (total commitment of $120m), as was an exclusive initiative with Goldman Sachs (total commitment of $20m). Investments in real estate assets involved the acquisition of a luxury building in Milan for a total value of approx. €240m. The Mediobanca BlackRock Co-Investment programme ended the year having completed the first two of its investment initiatives for a total of €180m, while in investments in club deals with high potential Italian SMEs as the target, a further €120m was invested in a company operating in the cosmetics sector, a company in the cyber security sector and a third company in the infotainment sector. The collaboration between MB Private and Investment Banking also continued profitably during the twelve months, with the development Mid Corporate business, which during the year under review generated NNM of approx. €1.6bn, plus a further approx. €1.2bn deriving from money motion events intercepted on the market, around €500m of which have already been converted into AUM/AUA.

Specifically for clients in Monaco, CMB Monaco has complemented its traditional offering on liquid markets also with private markets initiatives, making solutions available to them which offer higher returns; in this scenario it has launched a co-operation with a European investment company specialized in facilitating access for individual investors to private equity funds through its own digital platform. CMB is also assessing other initiatives in private markets in conjunction with the Private Banking division.

Mediobanca Asset Management supported its offering to customers by adding new products to the range offered. In the portfolio management area, customizable lines were launched for Premier clients and new thematic lines were launched for Private Banking clients. New funds were launched during the year under review: Mediobanca Global Thematic Multimanager 100 ESG (an SFDR Article 8 Fund) for €80m, Mediobanca MFS-Prudent Capital (Euro hedge and unhedged versions), which by end-June 2022 had raised over €170m, and Target Maturity Diversified Credit Portfolio 2027 and 2028 (with totals of €80 and €85m subscribed for respectively); with a view to increasing integration between product factories, Mediobanca Asset Management also received its first fund management mandate from Compagnie Monégasque de Gestion.

Cairn Capital continued its growth trajectory, recording assets of €8.3bn, following the issue of new CLOs (XV and XIV for €400m each). The new market scenario has helped Bybrook's distressed funds, with new opportunities in the special situations area, and fresh interest from investors in Europe and the United States.

RAM assets stood at €1.9bn (€1.7bn at 30 June last, €2.1bn at 31 December 2021), despite the performance in the second half offsetting the good performance of the first. Several funds have delivered quality performances in a difficult panorama: the three long/short funds have shown some resilience in the last six months, on the back of a very positive performance in 2021, while, as stated in the interim report, the company also received five-star Morningstar ratings for its Emerging Markets Equities and Multi-Asset funds, and HFM Europe voted the Emerging Markets Equities fund as "Machine Learning Fund of the Year" for 2021.

Net deposits (NNM) for the year under review (€9bn, €4.6bn of which in the second half) included €5.5bn in indirect funding, split between the Private segment (€3.1bn, €1.3bn of which in managed assets), Premier (€2.2bn) and institutional clients (€192m);[17] deposits increased by €3.5bn, €2.3bn of which from Mediobanca Private Banking and €530m from Premier customers.

Total Financial Assets (TFAs) totalled €80.2bn (up 12.3%), boosted by NNM as described above, but also by the acquisition of the Bybrook assets (€2.2bn), wiped out by the market effect (which accounted for €2.3bn). The Premier segment contributed €33.9bn (up 4.2% compared to last year), €16.5bn of which in AUM/AUA, (up 5.4%), the Private Banking segment contributed €34.3bn (up 14.8%), €23bn of which in AUM AUA, (up 6.4%), and Asset Management contributed €25.5bn (up 25.6%). AUM/AUA increased from €46.3bn to €51.5bn (up 11.3%). The Asset Management division's products placed within the Group climbed to €13.5bn (compared with €11.3bn last year).

				Chg. %	
Net TFAs	**30/6/22**	**31/12/21**	**30/6/21**	**June 22 / June 21**	**June 22 / Dec 21**
Affluent Banking	33,917	34,243	32,549	4.2%	-1.0%
Private Banking	34,319	33,810	29,906	14.8%	1.5%
Asset Management	25,459	23,959	20,272	25.6%	6.3%
Intercompany	(13,450)	(12,629)	(11,258)	19.5%	6.5%
Wealth Management	**80,245**	**79,383**	**71,468**	**12.3%**	**1.1%**

				Chg. %	
Deposits	**30/6/22**	**31/12/21**	**30/6/21**	**June 22 / June 21**	**June 22 / Dec 21**
Affluent Banking	17,450	17,028	16,920	3.1%	2.5%
Private Banking	11,315	10,221	8,296	36.4%	10.0%
Asset Management	—	—	—	n.a.	n.a.
Wealth Management	**28,765**	**27,249**	**25,216**	**14.1%**	**5.6%**

[17] Due to the good trend in CLOs, with the new issues of €400m each for CLOs XIV and XV, which more than offset the €300m redemption of CLO V and the last tranche of expected outflows of €400m from institutional management mandates for Mediobanca SGR.

AUM/AUA	30/6/22	31/12/21	30/6/21	Variazione % June 22 / June 21	Variazione % June 22 / Dec 21
Affluent Banking	16,467	17,215	15,629	5.4%	-4.3%
Private Banking	23,003	23,589	21,610	6.4%	-2.5%
Asset Management	25,459	23,959	20,272	25.6%	6.3%
Intercompany	(13,450)	(12,629)	(11,258)	19.5%	6.5%
Wealth Management	**51,479**	**52,134**	**46,252**	**11.3%**	**-1.3%**

Net New Money	2020-2021 IQ	2020-2021 IIQ	2020-2021 IIIQ	2020-2021 IVQ
Affluent Banking	818	782	1,215	889
Private Banking	108	545	175	221
Asset Management	(503)	(131)	(289)	2
Wealth Management	**424**	**1,195**	**1,101**	**1,112**

Net New Money	2021-2022 IQ	2021-2022 IIQ	2021-2022 IIIQ	2021-2022 IVQ
Affluent Banking	866	589	876	434
Private Banking	978	2,029	1,299	1,747
Asset Management	(416)	311	368	(70)
Wealth Management	**1,429**	**2,929**	**2,542**	**2,110**

Customer loans for the division totalled €15.3bn (compared with €14.4bn last year): residential mortgages increased from €11.1bn to €11.4bn, on new loans of €2.2bn (in line with last year); the Private Banking share increased from €3.3bn to €3.9bn, with growing contributions from CMB Monaco (up 20.4% from €2.1bn to €2.5bn) and Mediobanca Private Banking (up 12.8% from €1.1bn to €1.4bn).

Gross NPLs decreased from €226.2m to €222.2m (equal to 1.4% of total loans), and mainly regard CheBanca! mortgage loans (€195.5m, representing 1.7% of the loan stock), which on a net basis represented 0.9% (€98.6m, €33.4m of which in bad debts) with a coverage ratio that increased from 46.6% to 49.6% (66.5% of bad debts). Gross NPLs in Private Banking totalled €26.7m (0.7% of the stock), of which €11.9m from CMB Monaco, representing 0.4% of net loans to customers (€11.8m, with coverage ratio of 44.3%). Mortgages classified as Stage 2 decreased from €835.1m to €781.5m (just under 6.9% of the total), while the share of the Private Banking segment fell from €125m to €56.7m. The moratoria granted on mortgage loans were virtually over, at just €19.6m (€210.6m last year), while there were no moratoria at all in the Private Banking sector (€0.9m, the figure at end-June 2021).

Wealth Management closed the financial year with revenues up 15.8% (from €627.3m to €726.5m), with an increase in fees (up 25.5% from €335.9m to €421.6m) due to the higher AUM/AUA. The half-year contribution was fairly balanced: with management fees rising from €156.7m to €164.8m, €83m of which in the fourth quarter; banking fees rose from €40.2m to €44.5m, and a healthy flow in terms of upfront fees (up from €35.2m to €25.9m), as much of the BlackRock upfront fees (€17m) were recorded in the first six months.

(€m)

Revenues	**12 mths ended 30/6/22**	**12 mths ended 30/6/21**	**Chg. %**
Affluent	393.0	358.0	9.8%
Private Banking	235.4	202.1	16.5%
Asset Management	89.2	59.0	51.2%
Other	8.9	8.2	8.5%
Total revenues	**726.5**	**627.3**	**15.8%**

The main income items performed as follows:

- Net interest income increased by 4.8% (from €281.1m to €294.6m), with a positive contribution from the Premier segment (up 3.1%, from €229.3m to €236.4m), driven by higher volumes of mortgages and deposits, and Private Banking (up 12.4%, from €51.8m to €58.2m), which, however, was more exposed to the rise in interest rates; the cost of funding in the Premier segment fell by approx. 11 bps, through careful management of promotions and waivers, being able to count on greater customer loyalty;
- Net fee and commission income grew by 25.5% (from €335.9m to €421.6m), with a significant contribution made by all components: management fees up by 27.5% (from €252.1m to €321.5m), upfront fees up by 46.2% (from €41.8m to €61.1m), and performance fees contributing €10m. Fees earned by the Premier segment were up 22.3% (from €126.6m to €154.8m), by Private Banking up 18.9% (from €141.6m to €168.4m), and by Asset Management up from €59.5m to €89.5m (50.4%), including the contribution of Bybrook (€20m) and a good performance by Mediobanca Asset Management SGR (up €7m).

(€m)

Commissions - segment	**12 mths ended 30/6/22**	**12 mths ended 30/6/21**	**Chg. %**
Affluent	154.8	126.6	22.3%
Private Banking	168.4	141.6	18.9%
Asset Management	89.5	59.5	50.4%
Other	8.9	8.2	n.m.
Total commissions	**421.6**	**335.9**	**25.5%**

(€m)

Commissions - nature	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg. %
Recurring Fees	406.2	329.7	23.2%
- of which: management fees	*321.5*	*252.1*	*27.5%*
- of which: banking fees	*84.7*	*77.6*	*9.1%*
Upfront	61.1	41.8	46.2%
Performance fees	10.0	13.2	-24.2%
Negative fees	(55.7)	(48.8)	14.1%
Total commissions	**421.6**	**335.9**	**25.5%**

– Operating costs rose from €471.5m to €516.7m (up 9.6%), due to the 10.2% increase in labour costs (from €241m to €265.7m) which reflects the strengthening of the commercial structure (approx. of which €5m for Bybrook), plus the natural increase in the variable remuneration component because of the good results delivered; the higher administrative expenses (up 8.9%, from €230.5m to €251m) chiefly regard the strong project activity (the advisory project, plus the new CheBanca! app), enhancement of the IT infrastructure, and the higher transaction volumes.

(€m)

Costs	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg. %
Affluent Banking	(282.8)	(267.8)	5.6%
Private Banking	(151.9)	(137.3)	10.6%
Asset Management	(72.3)	(57.7)	25.3%
Other	(9.7)	(8.7)	11.5%
Total costs	**(516.7)**	**(471.5)**	**9.6%**

Loan loss provisions reduced from €18.6m to €14m, and reflect the good performance in mortgage loans (down from €18.6m to €13.6m), in light of the results of the moratoria, the low level of defaults and the adjustment to the new, less positive macro scenario than that for 2021; the contribution of the Private Banking segment stood at €0.4m. Due to the specific nature of certain businesses, it was deemed appropriate to increase overlays to €14.9m, €14.2m of which attributable to CheBanca! and €0.7m to CMB Monaco.

Other gains (losses) reflect a loss of €4.7m, attributable to adjustments in respect of Cairn Capital (valuation of the put & call option, exchange rate differences, and extraordinary bonus estimates).

CONSUMER FINANCE

This Division provides retail clients with the full range of consumer credit products: personal and special-purpose loans, salary-backed finance, credit cards, plus a buy-now-pay-later solution called "Pagolight". The Division also includes Compass RE, which reinsures risks linked to insurance policies sold to clients, the newly-incorporated Compass Rent, which operates in second-hand vehicle and car hire, and the newly-incorporated Compass Link, which distributes Compass products and services via external collaborators.

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg. %
Profit-and-loss			
Net interest income	934.3	878.8	6.3
Treasury income	0.4	—	n.m.
Net fee and commission income	123.5	123.0	0.4
Total income	**1,058.2**	**1,001.8**	**5.6**
Labour costs	(105.9)	(104.2)	1.6
Administrative expenses	(208.9)	(210.0)	-0.5
Operating costs	**(314.8)**	**(314.2)**	**0.2**
Loan loss provisions	(190.1)	(257.6)	-26.2
Other income (losses)	—	(15.2)	n.m.
Profit before tax	**553.3**	**414.8**	**33,4**
Income tax for the period	(182.9)	(135.9)	34,6
Net profit	**370.4**	**278.9**	**32,8**
Cost/Income (%)	*29.7*	*31.4*	

	30/6/22	30/6/21
Balance-sheet data		
Loans and advances to customers	13,750.1	12,942.9
- of which:		
Personal loans	*6,934.7*	*6,713.8*
Salary-backed finance	*1,790.0*	*1,775.8*
New loans	7,658.6	6,460.4
Risk-weighted assets	12,981.1	11,779.2
ROAC	33%	27%
No. of staff	1,454	1,446

	30/6/22	30/6/21	Chg. %
Commercial data			
Branches Consumer	181	179	1.1%
Agencies Consumer	65	52	25.0%

The division reported a net profit of €370.4m,[18] an increase of 32.8% compared to last year (€278.9m), exceeding the profit for 2019 (€336.4m), a new all-time record. This excellent commercial performance contributed to the result by growing quarter on quarter, with volumes definitively back within the Plan trajectory and direct personal loans accounting for more than 30% of the total, with very good asset quality (gross NPL ratio below 6%), which was reflected in the cost of risk (142 bps, a new all-time low). The division's ROAC rose from 27% to 33%, with a cost/income ratio of 29.7%, lower than last year (31.4%).

The Italian consumer credit market recorded an increase of 16% in the first six months of 2022, compared to the same period last year, which was still partly slowed down by the effects of the pandemic. Growth in personal loans accelerated further (up 28%, after growing by 27% in 2021), in addition to the good trend in special-purpose loans (up 10% in 2022, compared with 15% in 2021), whereas the trend in car loans reversed (down 10% in 2022); the resumption of salary-backed finance was confirmed (up 10% in 2022). Compass's market share remained at 10%, with personal loans at 13% and salary-backed loans at 7%.

New business for the year under review amounted to €7.7bn (up 18.5%) with over €1.7m in new transactions completed during the year (up 19%). Personal loans drove growth (up 24.1%) with an important contribution from the direct channel (up 33%, from €1.8bn to €2.4bn); the demand for special-purpose loans remained good (up 5.4%), although the purchase of cars and motorcycles after last year's acceleration was penalized by the supply chain crisis, largely offset by the purchase of goods related to the telephone sector. Salary-backed loans (up 55.8%) and credit card transactions (up 9%) recovered strongly. The commercial data for the second half represented an improvement on those of the first (€4bn, against €3.7bn), with a more marked increase in direct personal loans (up 19%) and salary-backed loans (up 13%).

The good performance in personal loans was driven by expansion of the distribution network, with 13 new local branches opened during the twelve months, making a total of 246 (65 of which are agencies, that have lower relative costs).

[18] The separate financial statements for the Compass group include an approx. €49m benefit in respect of tax relief on brands and goodwill (under the Italian budget law for 2022); this item, which is one-off and not directly related to business, is represented in the consolidated accounts under "Other items" for the Holding Functions Division.

During the financial year, activities in digital innovation continued, both in order to promote access to consumer credit through digital channels (personal loans channelled via the internet increased by 53%, to around €650m), which now represent 27% of personal loans from the direct channel, and studying the Bank's entry to the buy-now-pay-later segment. As part of its corporate strategy to strengthen its BNPL operations, which are considered essential in order to obtain new customers (through cross-selling) and expand the business in terms of products and channels, in the coming months Compass Banca will be working alongside selected fintech partners, with which it is already collaborating (Noosa, HeidiPay, Soisy), with the aim of developing cutting-edge technology for e-commerce and new products, accelerating the affiliation of resellers, developing new anti-fraud platforms, and improving the user experience.

Gross customer loans at end-June 2022 stood near €15bn, reaching an all-time high, up 5.6% on last year (€14.2bn). Personal loans stood at €7.8bn, up 2.5%, €4.6bn of which were direct loans (up 10.9%), €4.5bn special-purpose loans (up 12.8%), and €1.8bn salary-backed loans (up 0.8%).

Gross non-performing loans decreased from €971.5m to €858.2m, due to the low default rates, plus the stock disposals made in November 2021 and May 2022 (for a total of €134m). Gross NPLs now represent 5.74% of total loans (6.86%), the lowest figure recorded since the new definition of default was introduced in September 2019, and lower than in March 2020 (6.25%), with the coverage ratio up to 78.8% (75.8%), in turn driving a reduction in net NPLs from €235.4m to €181.7m (1.3% of total loans). Moreover, the rules for identifying forbearance measures were refined during the year, resulting in a more rigorous definition of UTP positions. Net bad debts were confirmed at below €10m, with a coverage ratio of 97.3%. Net positions classified as Stage 2 increased slightly, from €1,467.3m to €1,476.7m (10.6% of the total).

This good commercial performance was reflected in increased revenues (up 5.6% from €1,001.8m to €1,058.2m), with the main income items performing as follows:

– Net interest income rose by 6.3% from €878.8m to €934.3m, with a stable contribution in the last three quarters, and benefiting from the growth in average loans (up 3.4%) and from adoption of the new Lexitor approach[19] (€17m), which offset the higher funding and hedging costs; profitability was

[19] New Article 125-sexies of the Italian Consolidated Law on Banking concerning claims settled after 25 July 2021.

hit by the generalized pressure on lending rates, which was offset in the first half-year only by a decrease in the cost of funding, which started to rise again from early 2022, with difficulties in passing the increased cost onto customers;

– Net fee and commission income remained stable (rising from €123m to €123.5m): lower *rappel* fees credited back to third-party networks, and the first contributions from BNPL operations, offset the lower insurance products sales.

Labour costs stood at €105.9m (up 1.6%), the growth being due to the opening of new points of sale and expansion of the commercial structure. Other administrative expenses remained under control, at €208.9m (versus €210m), the slightly decreasing trend being despite ongoing investments in technologies, new products (the Pagolight platform), growth in volumes, and expansion of the commercial network, due to a reduction in credit recovery expenses.

Loan loss provisions dropped significantly, from €257.6m to €190.1m (down 26.2%), reflecting some extremely positive operating performances, which made it possible to keep the cost of risk down to extremely low levels (142 bps, compared to 198 bps last year) without affecting coverage ratio (the coverage ratio for performing loans in particular was 3.75%) and overlays (which in fact rose from €197m to €215.3m in the year under review).

On 26 July 2021, Italian Law No. 106/2021 came into force, converting Italian Law-Decree 73/2021 into law which in turn had revised the wording of Article 125-*sexies* of the Italian Consolidated Banking Act, clarifying the effects of the Lexitor ruling: the refund of upfront fees only applies to contracts executed subsequent to the issue of the ruling, a stance which was subsequently confirmed by the Bank of Italy. The provisions for risks originally set aside for protection purposes (€15m) were drawn only to a limited extent (approximately €3m); however, in view of the high number of claims received and the legal uncertainties deriving from the ruling issued by the court of Turin in November 2021, which raised an issue of constitutional legitimacy which is currently being reviewed by the Italian Constitutional Court, Compass Banca has prudentially decided to retain the provisions set aside in the previous year to cover this contingent liability. As at 30 June 2022, the provision amounted to approximately €11.7m.

CORPORATE & INVESTMENT BANKING

This division provides services to Corporate customers in the following areas:

– *Wholesale Banking:* lending, capital market activities and advisory services, and trading, client and proprietary (performed by Mediobanca, Mediobanca International, Mediobanca Securities and Messier et Associés);

– *Specialty Finance*: i.e. factoring, carried out by MBFACTA, and credit management (credit recovery activities [on behalf of Group companies and third parties] and the purchase of NPL portfolios) carried out by MBCredit Solutions and MBContact Solutions.

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg. %
Profit-and-loss			
Net interest income	281.1	286.9	-2.0
Net treasury income	80.4	93.2	-13.7
Net fee and commission income	346.1	318.1	8.8
Total income	**707.6**	**698.2**	**1.3**
Labour costs	(172.8)	(165.4)	4.5
Administrative expenses	(160.4)	(141.3)	13.5
Operating costs	**(333.2)**	**(306.7)**	**8.6**
Loan loss provisions	(21.8)	40.1	n.m.
Provisions for other financial assets	(3.7)	2.2	n.m.
Other income (losses)	(0.4)	0.5	n.m.
Profit before tax	**348.5**	**434.3**	**-19.8**
Income tax for the period	(114.9)	(147.0)	(21.8)
Minority interest	(8.6)	(2.8)	n.m.
Net profit	**225.0**	**284.5**	**-20.9**
Cost/Income (%)	*47.1*	*43.9*	

	30/6/22	30/6/21
Balance-sheet data		
Loans and advances to customers	21,085.0	19,292.3
of which: Corporate	*17,975.8*	*16,579.6*
Factoring	*2,758.6*	*2,328.7*
Credit Management - NPLs	*350.6*	*384.0*
Corporate new loans	9,464.2	7,992.6
Factoring turnover	10,733.1	9,149.5
NPLs purchased	95.8	78.2
Risk-weighted assets	20,785.6	19,924.8
ROAC	14%	16%
No. of staff	650	635
Front Office Wholesale	320	300

The 12M results reflect an outstanding commercial performance, delivering revenues of over €700m (up 1.3%, from €698.2m to €707.6m) driven by a strong performance in fee income (up 8.8%, from €318.1m to €346.1m), which was at an all-time high level, due to the material contribution from the French Corporate Finance activities (up 27%, from €50m to €63m) as well as business with Mid Corporate clients (up 31%, from €19.3m to €25.3m). Conversely, there was a reduction in net trading income (down 13.7%, from €93.2m to €80.4m), which, after an outstanding first half-year (€63.3m) were adversely impacted by the market trends in 2H, proprietary trading especially. The cost/income ratio stood at 47.1%, absorbing the impact of the growth in operating costs (up 8.6%). Loan loss provisions for the twelve months (€21.8m) are reflected in a net profit of €225m, lower than last year's (€284.5m), which was helped by writebacks to loans totalling €40.1m. Wholesale Banking contributed €222m to the bottom line, and factoring €21.9m, while MBCredit Solutions recorded a net loss of €18.8m due to the NPL business, after one-off provisions of €30m for deleveraging. The division's adjusted ROAC, calculated excluding the above provisions, was equal to 14% (16% last year).

In 1H 2022, the global M&A market[20] recorded a 21% contraction compared to 1H 2021. The most significant downturn was on the North American market, which shrank by 26%, whereas Europe showed signs of resilience (down 8%), with the French and Spanish markets decreasing by 10% and 26% respectively. Italy appears to be bucking this trend, reporting growth of 106%, but this performance does not reflect a generalized increase in Italian M&A activity, but rather is due to a single transaction: the takeover bid launched by Schema Alfa for Atlantia (the deal is worth $52bn, the largest deal in Europe and the fourth largest worldwide in the first six months).

In addition to the reduction in volumes in 1H 2022, there was also a contraction in the market multiples, with the global EV/Ebitda ratio dipping by 10% after recording a ten-year high in the last quarter. By sector, whereas the US market is dominated by High Technology (29% of volumes), followed by Real Estate (9%), Energy (9%) and Healthcare (6%), Europe reflects a more balanced division between Industrial (20%), Real Estate (12%), High Technology (11%) and FIG (11%).

[20] Source: Refinitiv – Global Mergers & Acquisitions – deals announced.

In the 2021/22 financial year, the division participated in the main strategic transactions completed on the Italian market. In general the performances exceeded expectations for all industries. Some of the main deals worth noting include: the merger between Nexi and SIA (two of the leading Italian players in the payment systems market); the disposal of 50% of Open Fiber to a consortium consisting of CDP Equity and Macquarie; the voluntary public tender offer launched by Blackstone for Reale Compagnia Italiana; the disposal of certain EssilorLuxottica group assets; the reorganization of Novamont's ownership structure; and Snam's acquisition of a new floating regasification unit. Various deals have also been completed in the mid-corporate/sponsor solutions segment, including the sale of Zanzar to 21 Invest, the sale of Viabizzuno to Clessidra, the sale of Bios Line and Bernardinello to Palladio, the sale of Arcaplanet to Cinven, HIG's investment in some of the Acqua & Sapone consortium companies, and Gilde's public tender offer for TAS shares. In the Debt Advisory sector, the Bank has completed deals in France, Italy, and for the first time also in Spain. In France, Mediobanca acted as financial advisor in the agreements between Veolia and Suez, assisted the CMA CGM group in its acquisition of Gefco and certain assets owned by US company Ingram, and provided advisory services in the deal which led to Totalenergie taking a 50% stake in US energy operator Clearway. In Spain, Mediobanca assisted Atrys in its acquisition of a healthcare company, Aegon in the disposal of its 50% stake in Liberbank Vida y Pensiones, and assisted HIG in its acquisition of EYSA, an innovative Spanish company operating in sustainable mobility.

The future pipeline continues to look healthy, with various deals already announced, some of the most important including the Texas Pacific Group's investment in Doc Generici, the commercial partnership between Nexi and Alpha Bank (Greece), the acquisition of French group La Médicale by Assicurazioni Generali, the acquisition of Althea by a consortium consisting of F2i and DWS, plus the strategic agreements between Nexi and Intesa Sanpaolo to manage the merchant acquiring business.

In Equity Capital Markets, against a backdrop of unhelpful conditions on the European market (which lost 77%),[21] Mediobanca acted as Joint Global Co-Ordinator and Joint Bookrunner and Euronext Growth Advisor in the Technoprobe IPO, the largest initial offering ever seen on the Euronext Growth Market. The outbreak of the Russia/Ukraine conflict and the ensuing market instability have led to a marked slowdown in the number of equity and debt

[21] Source: Dealogic – Dealogic Quarterly Rankings – Equity Capital Markets.

offerings. Several previously announced IPOs in which the Bank had a role as Global Co-Ordinator or Bookrunner have been postponed. The only exception to this is De Nora, which was floated on the market from end-June 2022. In all the main geographical markets covered by Mediobanca (Italy, France, Spain/Portugal and the United Kingdom), the Bank has played major roles in numerous bond issues (including by Enel, Snam, Société Générale, Terna, UGI International and Unicredit). Multiple deals have also been completed in Italy and Spain/Portugal in the Green Social and Sustainability Bond segment. The Bank has also completed a series of deals in the Markets segment; particularly noteworthy in this regard were the roles in several strategic equity deals, with high levels of activity in certificates business, helped by the retail and private banking networks; while in the fixed-income segment, Mediobanca played a role in some of the leading securitizations implemented during the year.

During the year under review, after the calendar provisioning rules were extended to include NPL portfolios acquired, the Group decided to separate the activities of MBCredit Solutions, choosing instead to leverage third-party NPL management, and commencing a gradual and orderly disposal process of the NPL portfolios acquired, which will be transferred to Revalea, a new company shortly to be set up by Compass once the relevant authorizations are received.

Customer loans increased from €19.3bn to €21.1bn, with the contribution from Wholesale Banking rising from €16.6bn to €18bn and that of Specialty Finance from €2.7bn to €3.1bn. The Lending and Structured Finance portfolio increased from €14.3bn to €15.6bn, on new loans of €8.1bn which offset redemptions of €7.1bn (€1.8bn of which were early redemptions). The factoring loan stock rose by 18.4%, from €2.3bn to €2.8bn, on turnover of €10.7bn (up 17.3%); while MBCredit Solutions' NPLs stock decreased from €384m to €350.6m, in addition to performing loans for €0.3m.

	30/6/22		30/6/21		Chg.
	(€m)	%	(€m)	%	
Italy	11,340.3	53.8%	10,797.6	56.0%	5.0%
France	2,432.8	11.5%	1,661.1	8.6%	46.5%
Spain	1,472.0	7.0%	1,267.3	6.6%	16.2%
Germany	980.6	4.7%	1,093.5	5.7%	-10.3%
U.K.	1,281.2	6.1%	1,429.4	7.4%	-10.4%
Other non resident	3,578.1	17.0%	3,043.4	15.8%	17.6%
Total loans and advances to customers CIB	**21,085.0**	**100.0%**	**19,292.3**	**100%**	**9.3%**
- of which: Specialty Finance	*3,109.2*	*14.7%*	*2,712.7*	*14.1%*	*14.6%*

Asset quality remains at its best-ever levels: gross NPLs were cut by more than one-half (from €225m to €109m), giving a gross NPL ratio of 0.5%, after two UTP exposures were reclassified, one of which more significant (€77.3m at 30 June 2021), completing a long turnaround period (which had started in December 2014); net NPLs meanwhile fell to €24.8m, with a coverage ratio of 77.2% (€103.8m and 53.9% respectively last year).[22] This item does not include the NPLs acquired by MBCS (€350.6m). There was a reduction in the positions classified as Stage 2 (from €631m to €591.2m; 2.8% of total loans) following several large corporate repayments. The coverage ratio for performing loans (Stage 1 and Stage 2) is 0.5% (0.7%), with overlays amounting to €57.6m (€87.7m), mostly concentrated in the Large Corporate segment (€44.4m, versus €76m), the reduction in which reflects the good performance by the loan book.

Revenues rose by 1.3% from €698.2m to €707.6m, €565.6m of which from Wholesale and €142m from Specialty Finance activities. The main income items performed as follows:

– Net interest income totalled €281.1m, down 2% on last year (€286.9m), reflecting the performance in lending (down 6%, from €151m to €143m), which, in addition to the absence of certain extraordinary items from last year in connection with the Burgo reclassification, also reflects the pressure on spreads which outweighed the higher volumes. Conversely, NII from Markets and Trading activities increased, due to a greater client solutions component; and NII from Speciality Finance also grew by 1.7% (from €71.2m to €72.4m), driven by factoring (up 7%, from €40.8m to €43.9m);

– Net fee and commission income was 8.8% (from €318.1m to €346.1m, €159.1m of which in 2H), on a good performance in Wholesale Banking (up 2.6%, from €270m to €276.9m) reflecting the growth in M&A advisory (up 24.6%, from €127.5m to €158.9m) and a balanced contribution from the various industries (infrastructure and telecommunications added approx. 30%, Financial Institutions around one-quarter, and the Mid Corporate segment around 20%) and geographies (France with Messier & Associés contributing €63m; approx. 40% of the total Corporate Finance fees generated; Spain €7m). Lending fees were up 21.2%, from €50.5m to €61.2m, helped by some substantial acquisition finance deals, and offset the decrease in Capital Markets, ECM in particular (down from €41m to €23.5m) as DCM remained stable at €19m. Fees earned in Specialty Finance, which were up 43.7% (from €48.1m to €69.2m) reflected a good performance in terms of NPL over-collections (from €23m to €45m), with third-party activity largely stable (€22.3m);

[22] Including the NPLs acquired, gross NPLs rise to €469.3m (2.2% of total loans) and net NPLs to €375.4m (1.8%).

– Net treasury income totalled €80.4m, consisting substantially of the Markets division's contribution (€83.2m), which reflects a major recovery in client business (up 37%, from €60.7m) concentrated in the equity segment, which witnessed a leap in arbitrage and structured product trading in 1H in particular; in 2H, the return of interest rate volatility has also had the effect of relaunching the fixed-income business, which had been hard hit in recent quarters. The reduction compared to last year (down 13.7%) is attributable to the proprietary desk (equity and fixed income), whose contribution went from €37.4m to a loss of €4.1m after the heavy losses in the last six months (loss of €23.2m) conditioned by the unfavourable trend of the financial markets, in particular on Italian equities and US rates.

Revenues	**12 mths ended 30/6/22**	**12 mths ended 30/6/21**	**Chg. (%)**
Capital Market	42.7	62.5	-31.7%
Lending	212.0	213.9	-0.9%
Advisory M&A	158.9	127.5	24.6%
Trading Prop	-5.3	60.1	n.m.
Market, sales and other gains	157.3	114.8	37.0%
Specialty Finance	142.0	119.3	19.0%
Total Revenues	**707.6**	**698.2**	**1.3%**

Commissions	**12 mths ended 30/6/22**	**12 mths ended 30/6/21**	**Chg. (%)**
Capital Market, Sales and other gains	56.8	92.0	-38.3%
Lending	61.2	50.5	21.2%
Advisory M&A	158.9	127.5	24.6%
Specialty Finance	69.2	48.1	43.7%
Total Commissions	**346.1**	**318.1**	**8.8%**

Operating costs rose by 8.6%, from €306.7m to €333.2m, as a result of the increase in labour costs (up 4.5% from €165.4m to €172.8m), which in Wholesale Banking reflect the highly competitive market, a variable remuneration component at all-time highs, project activities (up 41%), and the resumption of commercial activities (with travel and communication/marketing expenses virtually doubling); while Specialty Finance posted a 14.4% increase in operating costs (from €56.8m to €65m), due in particular to the higher credit recovery expenses of MBCS (from €20m to €24m), and the higher number of projects launched by MBFACTA (costs up €1.5m).

Loan loss provisions amount to €21.8m on a net basis, representing the difference between writebacks to the Corporate loan book (which too, however, were lower than last year, down from €78.2m to €49.2m) and the increase in provisioning in Specialty Finance, which rose from €38.1m to €71m, €63.5m of which involved MBCS, consisting of sterilization of the extra collections (€28.7m), as well as one-off provisions totalling €30m. The net writebacks credited in respect of the Wholesale Banking corporate loan book reflect one material UTP returning to performing status, and the reversal of overlays (down from €75.9m to €44.4m) mostly as a result of repayments.

Provisions for other financial assets totalled €3.7m, mainly attributable to securities measured at fair value.

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg (%)
CIB loans	49.2	78.2	-37.1%
Specialty Finance loans	(71.0)	(38.1)	86.4%
Other financial assets	(3.7)	2.2	n.m.
Total provisions	**(25.5)**	**42.3**	**n.m.**

INSURANCE - PRINCIPAL INVESTING

The Insurance - Principal Investing (PI) division includes the Group's portfolio of equity investments and holdings, including the 12.8% stake in Assicurazioni Generali in particular. The latter company has been the main component of this division for many years, and is distinguished for its sound management, consistency of results, high profitability and contributions in terms of diversification and stabilization of the Mediobanca Group's revenues.

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg (%)
Profit-and-loss			
Other incomes	12.3	23.6	-47.9
Equity-accounted companies	359.3	271.7	32.2
Total income	**371.6**	**295.3**	**25.8**
Labour costs	(4.0)	(3.6)	11.1
Administrative expenses	(1.0)	(1.0)	n.m.
Operating costs	**(5.0)**	**(4.6)**	**8.7**
Net loss provisions	(32.4)	51.8	n.m.
Profit before tax	334.2	342.5	-2.4
Income tax for the period	(14.5)	(33.9)	-57.2
Net profit	**319.7**	**308.6**	**3.6**

	30/6/22	30/6/21
Balance-sheet data		
Banking book equity securities	741.2	744.2
IAS28 investments	3,157.8	3,702.8
Risk-weighted assets	8,203.8	7,246.0

This division delivered a net profit of €319.7m, up 3.6% on last year (€308.6m), with the equity-accounted result increasing significantly (up 32.2%, from €271.7m to €359.3m), on the back of an improved contribution from Assicurazioni Generali (up 30.4%, from €273.4m to €356.6m), most of which was offset by capital losses on investment funds (which amounted to €32.4m, compared to a gain last year of €51.8m).

Trading income, included among other income, includes €30.2m in dividends on securities (€13.4m of which from Cairn Capital) and expenses in respect of the Assicurazioni Generali securities lending transaction (€10.2m, €6.5m of which in fees payable and €3.7m in cost of collateral). Value adjustments, mainly writedowns to holdings in funds, reflected the negative performance of financial markets in the second half of the year, in particular with reference to seed capital invested in the RAM and Cairn funds.

The book value of the Assicurazioni Generali investment (12.8% of the company's share capital) decreased from €3,663.1m to €3,069.4m, on pro rata profits of €356.6m, dividends collected (€310.1m, €93.2m of which was the second tranche of the 2019 dividend) and the pro rata reduction in the valuation reserve (down €640.2m) which reflected the closing balance for Assicurazioni Generali as at 31 March 2022, penalized in the bond sector in particular. The book value of the IEO (25.4%) decreased slightly, from €39.7m to €39.1m, reflecting a slight loss for the period. During the financial year, the investments in CLI II Holding (recognized at €41.8m) and Finanziaria Gruppo Bisazza (22.7%, recognized at €7.4m) entered the IAS 28 segment.

The other securities in the banking book, i.e. €741.2m, remained nearly unchanged: the decrease in provisions (from €525.4m to €482m) reflects the above decrease in fair value (loss of €32.4m), the transfer to IAS 28 (loss of €49.2m) and other net investments of €17.7m; the equity segment rose from €219m to €259.2m reflecting the new fair value of the Burgo equity-like instrument (the book value of which increased from €55m to €110m) more than offsetting the losses on other investments (loss of €15.6m relating to listed shares and loss of €3m relating to unlisted shares). New investments amounted to €7.5m.

HOLDING FUNCTIONS (CENTRAL, TREASURY AND LEASING)

The Holding Functions comprises SelmaBipiemme Leasing, MIS and other minor companies, Group Treasury and ALM[23] (with the aim of optimizing funding and liquidity management on a consolidated basis, including the securities held as part of the banking book), and the part of costs relating to central Group functions not allocated to the business lines, including operations, support units (Planning and Financial Reporting, Corporate Affairs, Investor Relations, etc.), senior management and the control units (Risk Management, Group Audit and Compliance).

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg. (%)
Profit-and-loss			
Net interest income	(50.6)	(47.4)	6.8
Net trading income	48.0	57.5	-16.5
Net fee and commission income	5.5	11.8	-53.4
Total income	**2.9**	**21.9**	**-86.8**
Labour costs	(123.0)	(121.1)	1.6
Administrative expenses	(35.6)	(39.0)	-8.7
Operating costs	**(158.6)**	**(160.1)**	**-0.9**
Loan loss provisions	(16.7)	(12.7)	31.5
Provisions for other financial assets	(1.2)	(7.5)	-84.0
Other income (losses)	(86.3)	(73.5)	17.4
Profit before tax	**(259.9)**	**(231.9)**	**12.1**
Income tax for the period	118.5	67.5	75.6
Minority interest	(1.8)	(1.7)	5.9
Net profit	**(143.2)**	**(166.1)**	**-13.8**

	30/6/22	30/6/21
Balance-sheet data		
Loans and advances to customers	1,568.4	1,774.1
Banking book securities	7,074.3	6,120.0
No. of staff [1]	797	792
Risk-weighted assets	2,721.6	2,992.3

[1] The 797 resources are divided as follows: 98 in SelmaBipiemme (104 last year); 34 in Group Treasury and ALM (32); 138 in MIS (130), 209 in operations (205), 163 in support functions (164), 149 in control functions (143) plus 6 in management (senior management and assistants, 7 last year). Of these, the cost of approximately 236 FTEs is reallocated to the business lines (233).

The net loss incurred by the Holding Functions division decreased from €166.1m to €143.2m, reflecting a positive tax one-off of €34.9m (booked at end-December 2021) which offset roughly half of the payments to resolution funds (€76.7m, €51.1m of which to the Single Resolution Fund). Total income reduced from €21.9m to €2.9m, exclusively due to the lower gains realized on disposals of banking book securities (down from €47.9m to €23.2m), whereas hedging

[23] Group Treasury finances the individual business areas' operations, applying the funds transfer pricing (FTP) rate based on the relevant curves, with spreads varying depending on the expiries agreed for the respective use of funds.

operations improved their contribution from €13.6m to €18.4m, offsetting the increase in net interest expense (from €47.4m to €50.6m) attributable to the reduction in leasing activities (down from €35.9m to €34m) and to prudent treasury management with a substantial liquidity position.

Operating costs were down 0.9%, as a result of the central cost component falling to 7.8% of the Group's total costs and the lower leasing expenses (down 7.8%).

The main segments performed as follows:

- *Treasury* – the cost of funding optimization process continues, which now stands at 54 bps (65 bps last year) due to the growth in Wealth Management TFAs that now account for 47% of the Group's total funding, and enable the liquidity ratios to remain stable at prudent levels (LCR: 158.7%; NSFR: 115.5%), anticipating most of the expiries falling due in the autumn months. Net interest expense grew slightly, from €83.3m to €84.6m, despite the healthy contribution from banking book securities (from €48m to €77m), which was largely offset by the impact of the T-LTRO on earnings being smoothed to take into account the change in the ECB's monetary policy; while trading profits decreased from €57.5m to €47.9m, because of the reduced sales in the banking book segment;
- *Leasing:* a net profit of €2.7m was earned from leasing operations in the twelve months, in line with last year (€2.5m) despite the extraordinary provisions of €10m (taken at end-December 2021 to accelerate the NPL deleveraging strategy), having been offset in full by the positive resolution of certain tax disputes (which added €5m) and an outstanding performance in terms of the ordinary cost of risk (ordinary provisions were virtually halved, down from €12.7m to €6.7m), following the successful conclusion of the moratoria process and the full repayment of some UTP positions. The reduction in leases (down approx. 10%) impacted on net interest income (which decreased by 5.3%) but was offset by the rise in fee income. Gross NPLs reduced from €174.5m to €137.9m, and represent 8.3% of the loan book (9.4%); while net NPLs total €64.4m, account for 4.1% of total loans, and reflect a coverage ratio of 53.3%.

* * *

E-MARKET SDIR CERTIFIED

The financial highlights for the other Group companies in the twelve months under review are shown below:

(€m)

Company	Percentage shareholding	Business Line	Total assets	Loan and advanced to customers	Total net equity[1]	No. of staff
Mediobanca Securities (data in USDm)	100%	*CIB*	8.5	—	6.3	5
Mediobanca Funding Luxembourg	100%	*CIB*	11.1	10.0	0.9	—
Messier et Associés S.A.S.*	100%	*CIB*	65.6	—	20.4	38
Messier et Associés L.L.C. (data in USDm)*	100%	*CIB*	0.2	—	0.2	2
Mediobanca International	100%	*CIB*	7,482.5	5,412.6	443.1	17
MBFACTA	100%	*CIB*	2,919.1	2,760.2	204.6	43
MBCredit Solutions	100%	*CIB*	410.4	350.9	145.8	202
MB Contact Solutions	100%	*CIB*	1.3	—	0.4	4
Compass Banca	100%	*CF*	15,379.2	13,752.8	2,895.5	1,447
Quarzo S.r.l.	90%	*CF*	0.1	—	—	—
Quarzo CQS S.r.l.	90%	*CF*	0.1	—	—	—
Compass RE	100%	*CF*	315.7	1.0	157.1	1
Compass Rent	100%	*CF*	7.1	—	2.4	8
Compass Link	100%	*CF*	0.8	—	—	1
CheBanca!	100%	*WM*	29,812.3	11,368.2	884.0	1,489
Mediobanca Covered Bond	90%	*WM*	0.8	—	0.1	—
CMB Monaco	100%	*WM*	7,107.0	2,518.7	964.0	244
Spafid	100%	*WM*	52.2	—	43.1	44
Spafid Family Office SIM	100%	*WM*	1.4	—	0.9	4
Cairn Capital Group Limited (data in GBPm)*	89.07%	*WM*	106.8	—	81.1	58
RAM Active Investments (data in CHFm)*	98.28%	*WM*	25.1	—	22.5	34
RAM Active Investments (Luxembourg) (data in CHFm)	98.28%	*WM*	9.9	—	1.9	6
RAM UK (data in CHFm)**	98.28%	*WM*	0.3	—	0.1	—
CMG Monaco	100%	*WM*	5.9	—	1.2	12
Spafid Trust S.r.l.	100%	*WM*	1.4	—	1.2	3
Mediobanca SGR S.p.A.	100%	*WM*	66.3	—	53.6	51
Mediobanca Management Company S.A.	100%	*WM*	11.9	—	9.1	5
Revalea	100%	*HF*	3.0	—	3.0	—
CMB RED	100%	*HF*	75.1	—	75.1	—
Mediobanca International Immobilière	100%	*HF*	2.0	—	2.0	—
SelmaBipiemme Leasing	60%	*HF*	1,701.0	1,568.3	225.6	98
Mediobanca Innovation Services	100%	*HF*	90.3	—	35.2	136
Spafid Connect	100%	*HF*	10.4	—	9.1	—

[1] This includes the profit for the period.

* Taking into account the put and call option; see Part A1 – section 3 – Area and methods of consolidation, p. 117.

** Total revenues are fully attributable to intercompany transactions.

(€m)

Company	**Percentage Shareholding**	**Business Line**	**Income**	**Costs**	**Provisions**	**Gain/(loss) fot the period**
Mediobanca Securities (data in USDm)	100%	*CIB*	3.3	—	—	0.3
Mediobanca Funding Luxembourg	100%	*CIB*	0.6	(0.6)	—	—
Messier et Associés S.A.S.*	100%	*CIB*	63.6	(30.1)	—	24.6
Messier et Associés L.L.C. (data in USDm)*	100%	*CIB*	—	—	—	—
Mediobanca International	100%	*CIB*	19.2	(9.4)	3.6	7.0
MBFACTA	100%	*CIB*	51.3	(12.0)	(8.5)	20.9
MBCredit Solutions	100%	*CIB*	89.9	(52.4)	(63.5)	(18.5)
MB Contact Solutions	100%	*CIB*	1.1	(1.0)	—	—
Compass Banca	100%	*CF*	1,073.9	(310.9)	(190.1)	441.4
Quarzo S.r.l.	90%	*CF*	—	—	—	—
Quarzo CQS S.r.l.	90%	*CF*	—	—	—	—
Compass RE	100%	*CF*	34.2	(0.9)	—	24.5
Compass Rent	100%	*CF*	0.2	(2.4)	—	(1.7)
Compass Link	100%	*CF*	—	(0.6)	—	(0.5)
CheBanca!	100%	*WM*	393.0	(282.9)	(12.2)	47.1
Mediobanca Covered Bond	90%	*WM*	0.1	(0.1)	—	—
CMB Monaco	100%	*WM*	116.8	(77.8)	(0.4)	63.0
Spafid	100%	*WM*	8.5	(13.9)	—	(0.7)
Spafid Family Office SIM	100%	*WM*	1.3	(1.7)	—	(0.4)
Cairn Capital Group Limited (data in GBPm)*	89,07%	*WM*	34.8	(26.1)	—	7.4
RAM Active Investments (data in CHFm)*	98,28%	*WM*	12.2	(14.7)	—	(2.7)
RAM Active Investments (Luxembourg) (data in CHFm)	98,28%	*WM*	0.8	(2.4)	—	(1.9)
RAM UK (data in CHFm)* **	98,28%	*WM*	0.6	(0.6)	—	—
CMG Monaco	100%	*WM*	6.8	(4.2)	—	1.9
Spafid Trust S.r.l.	100%	*WM*	0.7	(0.8)	—	(0.1)
Mediobanca SGR S.p.A.	100%	*WM*	32.5	(17.3)	—	10.3
Mediobanca Management Company S.A.	100%	*WM*	2.2	(1.8)	—	0.3
Revalea	100%	*HF*	—	—	—	—
CMB RED	100%	*HF*	0.2	(0.2)	—	—
Mediobanca International Immobilière	100%	*HF*	0.2	(0.1)	—	0.1
SelmaBipiemme Leasing	60%	*HF*	39.2	(15.6)	(16.8)	4.5
Mediobanca Innovation Services	100%	*HF*	0.7	(0.7)	—	—
Spafid Connect	100%	*HF*	0.5	(0.8)	—	2.6

* Taking into account the put and call option; see Part A1 – section 3 – Area and methods of consolidation, p. 117.
** Total revenues are fully attributable to intercompany transactions.

Finally, it should be noted that:

– CMB Monaco closed its local financial statements for the twelve months ended 31 December 2021 with a net profit of €16.3m, higher than the previous year (€14.4m) following reversals from the provisions for risks totalling €4.5m (in line with the previous year). A good performance was delivered in fee income (up 12%, from €66.1m to €74.1m) and net interest income (up 3%, from €44m to €45.2m) with customer loans increasing (from €2,064m to €2,336m) and despite the reduction in market interest rates. Costs rose by 10%, from €71m to €78m, due to major investments in connection with the strategic repositioning process (new recruits and IT investments, in line with the technology innovation strategy undertaken by the bank). TFAs grew by 14% in the twelve months, from €11.4bn to €13bn, on a substantial contribution from net new money in AUM/AUA, helped by the new advisory service, plus the market effect. Deposits were stable at €4.3bn.

Other information

Related party disclosure

Financial accounts outstanding as at 30 June 2022 between companies forming part of the Mediobanca Group and related parties, and transactions undertaken between such parties during the financial year, are illustrated in Part H of the Notes to the Accounts, along with all the information required in terms of transparency pursuant to Consob resolution no. 17221 issued on 12 March 2010 (amended most recently by resolution no. 21624 of 10 December 2020). All such accounts form part of Group companies' ordinary operations, are maintained on an arm's length basis, and are entered into solely in the interests of the companies concerned. No atypical or irregular transactions have been entered into with such counterparties

Article 15 of Consob's market regulations

With reference to Article 15 (previously Article 36) of Consob resolution 16191/07 (Market Regulations) on the subject of prerequisites for listing in respect of parent companies incorporated or regulated by the laws of non-EU member states and relevant to the preparation of the consolidated accounts, CMB Monaco is the only Group company affected by this provision, and adequate procedures have been adopted to ensure it is fully complied with.

Principal risks facing the Group

In addition to the customary information on financial risks (credit, market, liquidity and operational risks), the notes to the accounts contain a description of the other risks to which the Group is exposed in the course of its business, as they emerged from the ICAAP self-assessment process now required by the regulations in force. In particular, this involves concentration risk versus Italian groups in the Group's corporate activities, financial risk on the banking book (primarily interest rate risk), strategic or business risk, risk deriving from exposure to volatility on financial markets for the equities held in the HTCS portfolio, and exposure to sovereign debt.

Consolidated Non-Financial Statement

The Group publishes a Consolidated Non-Financial Statement which is drawn up in accordance with Article 4 of Italian Legislative Decree 254/16, and contains information on environmental and social issues, human resources, protection of human rights and anti-corruption measures, in order to facilitate understanding of the Group's activities, performance, results and impact generated.

The Group's consolidated non-financial statement is published annually on the Bank's website at www.mediobanca.com (in the section entitled "Responsible Business"), and is drawn up in accordance with the provisions of Italian Legislative Decree 254/16 and with the core option of the Global Reporting Initiative Sustainability Reporting Standards (the "GRI Standards") published in 2016 by the Global Reporting Initiatives (GRI), which are currently the most widely used and internationally recognized standards in non-financial reporting. Furthermore, starting from the 2021-2022 Consolidated Non-Financial Statement, useful information was included for alignment with the EU Taxonomy, a preliminary self-assessment with respect to the Principles for Responsible Banking, and the first two intermediate segment targets relating to indirect emissions, as required by the Net Zero Banking Alliance.

Research

Economic research is carried on by the Research Area. The Research Area's catalogue includes the customary publications which have been produced for many years now ("Leading Italian Companies", "Financial Aggregates of Italian Companies", "Medium-Sized Industrial Companies"), plus a series of industrial economic reports on the sectors in which the Italian market is most involved internationally. Research covers the sectors of most importance to Italian manufacturing industry (e.g. "Made-in-Italy" products), and sectors at the cutting edge in technology terms. Special attention is also devoted to family business issues.

Rating

On 9 August this year, Moody's confirmed its BBB1 rating for Mediobanca, but revising the outlook from stable to negative following the S&P Global Ratings' decision (29 July), which confirmed its BBB rating for Mediobanca, also in this case revising the outlook from positive to stable. Both ratings follow the same actions taken for Italian sovereign debt and the main Italian banks, due to lower expectations in terms of economic growth and the greater risks in the business sector perceived after the downfall of the government led by Mario Draghi. With regard to other agencies, it should be noted that in December 2021, Fitch Ratings, following an improvement in the sovereign rating for Italy, upgraded Mediobanca's rating from BBB- to BBB, with a Stable Outlook.

Other reports

The following documents are also available on the Bank's website at www.mediobanca.com (section "Governance"): the Annual Statement on Corporate Governance and Ownership Structure and the Report on Remuneration and Compensation Paid as required by Article 123-*bis* of Italian Legislative Decree No. 58 of 24 February 1998 (the "Consolidated Law on Finance"), plus the Basel III (Pillar 3).

Outlook

The macroeconomic scenario, defined in conjunction with the budget, factors in central bank measures to dampen the inflationary pressure and a stabilization of the Russia/Ukraine conflict, resulting in a rise in interest rates and a moderate widening of the BTP/Bund spread. Growth in Italian GDP is expected to slow in 2023.

In this scenario, the Group expects to see another year of growth in terms of profitable assets, revenues and profits and so meet the objectives set for 2023 by the 2019-23 Strategic Plan, namely revenues of approx. €3bn (2019-23 CAGR: +4%), EPS of €1.10 (CAGR +4%), ROTE up to 11%, and total shareholder remuneration of €1.9bn in cash dividends.

The increase in lending will be due to growth by all divisions; assets under management are also expected to increase on the back of the ongoing investments in network expansion and technology innovation. Revenues in FY 2022-23 should be boosted by higher fees on growing volumes of AUM plus a CIB deal pipeline which looks healthy for the first six months; while net interest income should continue to grow at the same rates seen in recent years, helped in part by asset repricing.

The resources and technology investment plans will continue, and these, coupled with the effects of inflation, are likely to take the cost/income ratio to 47%; while the cost of risk is expected to remain stable, on the back of a solid industrial performance helped by the cushion of the substantial overlays.

Any further deterioration in the macroeconomic scenario would impact on the growth of profitable assets and hence of revenues. Even if this were so, the impact would be mitigated by the highly resilient business model featuring two segments, Consumer Finance and Insurance, that are more decoupled from the trend in GDP, Wealth Management having structural room for further growth, and Corporate and Investment Banking which, despite being a cyclical business, has excellent asset quality and a unique market position. All metrics in terms of efficiency (cost/income ratio), asset quality, capitalization and shareholder remuneration (payout ratio) are therefore expected to remain solid and at high levels.

Reconciliation of the Parent Company's individual data with the Group's consolidated data

(€ '000)

	Shareholders' equity	Net profit (loss)
Balance at 30/06 as per Mediobanca S.p.A. accounts	4,561,702	508,647
Net surplus over book value for consolidated companies	14,822	600,615
Differences on exchange rates originating from conversion of accounts made up in currencies other than the Euro	8,989	—
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	5,154,750	(202,285)
Dividends received during the period	—	—
Total	**9,740,263**	**906,977**

Milan, 22 September 2022

THE BOARD OF DIRECTORS

DECLARATION BY HEAD
OF COMPANY FINANCIAL REPORTING

DECLARATION IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS
as required by Article 81-*ter* of Consob resolution no. 11971 issued on 14 May 1999 as amended

1. The undersigned Alberto Nagel and Emanuele Flappini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby declare, and in view *inter alia* of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the interim financial statements:
   – were adequate in view of the company's characteristics;
   – were effectively applied in the year ended 30 June 2021.

2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the consolidated financial statements as at 30 June 2021 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at international level (CoSO and CobiT frameworks).

3. It is further hereby declared that
   3.1 the consolidated financial statements:
   – has been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to EC regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002;
   – corresponds to the data recorded in the company's books and account ledgers;
   – is adequate for the purpose of providing a truthful and accurate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.

   3.2 the review of operations contains reliable analysis of the Group's operating performance and results, and of the situation of Mediobanca S.p.A. and the group of companies comprised within its area of consolidation, along with a description of the main risks and uncertainties to which they are exposed.

Milan, 22 September 2022

Chief Executive Officer	*Head of Company Financial Reporting*
Alberto Nagel	Emanuele Flappini

EXTERNAL AUDITORS' REPORT

Building a better
working world

Mediobanca S.p.A.

Consolidated financial statements as at 30 June 2022

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree no. 39/2010 and article 10 of Regulation (EU) no. 537/2014

(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Mediobanca Group (the "Group"), which comprise the consolidated balance sheet as at 30 June 2022, the consolidated income statement, statement of consolidated comprehensive income, the statement of changes to consolidated net equity and consolidated cash flows statement for the year then ended, and notes to the accounts.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Mediobanca Group as at 30 June 2022, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n.38, dated 28 February 2005 and article 43 of Legislative Decree n. 136, dated 18 August 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Mediobanca S.p.A. (the "Bank") in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

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Key Audit Matters	Audit Response
Classification and measurement of loans to customers represented by loans measured at amortised cost	
Loans to customers (loans) recorded amongst financial assets measured at amortised cost, included in line item 40. b) of the consolidated balance sheet, amount to Euro 52.394 million as at 30 June 2022, and represent approximately 58% of total assets. The composition of such loans is included in tables 4.2 and 4.3 in Part B, section 4, of the notes to the accounts. Net impairment losses for credit risk on the loans to customers (loans) measured at amortised cost are included in line item 130. a) of the consolidated income statement; the composition of such net impairment losses is included in table 8.1 in Part C, section 8, of the notes to the accounts. The disclosures regarding the changes in the credit quality of the loans to customers (loans), the classification and measurement criteria adopted and the related income statement effects are provided in *Part A – Accounting policies*, in *Part B – Notes to the consolidated balance sheet*, in *Part C – Notes to the consolidated income statement* and in *Part E Information on risks and related hedging policies* of the notes to the accounts. The classification and measurement of the loans to customers (loans) measured at amortised cost in the appropriate risk staging is relevant for the audit because the amount of loans is significant to the financial statements as a whole and because the amount of the related impairment losses is determined by the directors through the use of estimates that have a high degree of complexity and subjectivity. For classification purposes of the loans to customers (loans), the directors carry out complex analyses, which involve using internally developed models, as well as subjective elements, in order to identify exposures that show evidence of a significant increase in credit risk since the date of initial recognition or	In relation to this aspect, our audit procedures, which were performed also with the support of our risk management and information technology specialists, included amongst others: • an understanding of the policies, processes and controls applied by the Group in relation to the classification and measurement of loans to customers (loans); • an assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls in order to assess their operational effectiveness; • an understanding of the methodology used in relation to the statistical evaluations and the reasonableness of the hypotheses adopted as well as the execution of tests of controls and substantive procedures aimed at verifying the accuracy of the determination of the relevant parameters for the purposes of determining the impairment losses; • an analysis of the changes in the composition of loans to customers (loans) compared to the previous year and a discussion of the results with management; • performing substantive procedures in order to verify, on a sample basis, the correct classification and measurement of credit exposures; • an analysis of the results of the procedures performed by the component auditors of the controlled entities with particular reference to the: i) classification and measurement of real estate mortgages, ii) accounting for the disposals of non-performing loans carried out during the

specifically identified impairment. The processes for the classification of such loans considers both internal information about the historical performance of exposures and external information about the referenced sector.

Measuring loans to customers (loans) is a complex activity, with a high degree of uncertainty and subjectivity, in respect of which the directors also apply internally developed valuation models and make estimates that consider many quantitative and qualitative factors, including historical collections, expected cash flows and related estimates on collection timing, an assessment of any guarantees, the impact of macroeconomic variables and future scenarios also related to the sale of non-performing loans by the controlled entities and risks of the sectors in which the Group's customers operate.

Moreover, the classification and measurement processes of the loans to customers (loans) involve considering specific factors aimed at reflecting the current uncertainty on the evolution of the macroeconomic scenario.

year and iii) estimation of the effects of disposal scenarios regarding non-performing loans;

- an assessment of the adequacy of the disclosures provided in the notes to the accounts.

Measurement of financial instruments not quoted in active markets and measured at fair value at on a recurring basis

As at 30 June 2022 financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy as established by the relevant international accounting standard, amount to a total asset balance of Euro 5.878 million and a total liability balance of Euro 6.605 million. The composition of financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy, is included in table A.4.5.1, Part A of the notes to the accounts.

The disclosures on the classification and measurement of financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy are provided in *Part A - Accounting policies*, in *Part B – Notes to the consolidated balance sheet*, in *Part C – Notes to the*

In relation to this aspect, our audit procedures, which were performed also with the support of our risk management and information technology specialists, included amongst others:

- an understanding of the policies, processes and controls applied by the Group in relation to the classification and measurement of financial instruments measured at fair value on a recurring basis within the level 2 and level 3 fair value hierarchy categories;
- an assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls in order to assess their operational effectiveness;

consolidated income statement and in *Part E - Information on risks and related hedging policies* of the notes to the accounts.

The measurement of these financial instruments is performed by the directors through the use of complex models, accepted by the prevailing valuation practices, which make use of directly or indirectly observable inputs and internal estimates based on qualitative and quantitative assumptions.

The measurement of such financial instruments is relevant to the audit because the amount of such financial instruments is significant to the financial statements as a whole and because of the multiplicity and complexity of the valuation models and parameters used as well as the subjective elements considered for the purposes of the estimates.

- an understanding of the valuation models used for the measurement of the financial instruments as well as the methods used for determining the fair value hierarchy classification;
- an analysis of the changes in the composition of the financial instruments' portfolio compared to the previous year and the discussion of the results with management;
- performing substantive procedures in order to verify, on a sample basis, the fair value of financial instruments through the analysis of the valuation models, the reasonableness of the qualitative and quantitative assumptions formulated, and input parameters used as well as the appropriate fair value level classification;
- an assessment of the adequacy of the disclosures provided in the notes to the accounts.

Measurement of intangible assets with an indefinite useful life arising from business combinations

As at 30 June 2022 the carrying amount of intangible assets with an indefinite useful life originating from business combinations amount to Euro 770 million of which Euro 83 million recorded during the year. The composition of intangible assets with an indefinite useful life is included in the tables 10.1 and 10.2 in Part B, section 10, of the notes to the accounts.

During the year impairments were charged for Euro 3,7 million; the composition of such impairments is included in table 19.1 in Part C, section 19, of the notes to the accounts.

The disclosures on the methods used for the measurement of intangible assets with an indefinite useful life and the set up the impairment test are provided in *Part A – Accounting policies*, in *Part B – Notes to the consolidated balance sheet* and in *Part C – Notes to the consolidated income statement* of the notes to the accounts.

In relation to this aspect, our audit procedures, which were performed also with the support of our business valuation specialists, included amongst others:

- an understanding of the methods for determining the recoverable amount used by the directors in the impairment test process and the related key controls;
- verifying the consistency of the valuation methodologies used with the requirements of the international accounting standard IAS 36, taking into account of the market practice, the distinctive characteristics of the single CGU and the business combination performed during the year;
- verifying the mathematical accuracy and the correctness of the calculations underlying the valuation models used;

The directors perform an evaluation of the recoverable amount of intangible assets with an indefinite useful life at least annually (impairment test). Such evaluation, in accordance with the international accounting standard IAS 36, is based on the comparison between the carrying amount in the consolidated financial statements and the higher of the fair value less costs to sell and the value in use of each cash generating unit ("CGU") to which these intangible assets are allocated.

The estimate of the recoverable amount of each CGU was performed by the directors, also with the support of third-party consultants, through an impairment process based on complex models using information, parameters and assumptions characterised by a high level of subjectivity such as expected cash flows, nominal growth rates and the cost of capital. The elements described above implicate a high level of complexity and subjectivity in the estimation processes.

For the year ending as at 30 June 2022, the estimation process resulted complex also considering the persisting uncertainty of macroeconomic scenario.

For the reasons described above, we have considered the recoverability of intangible assets with an indefinite useful life arising from business combinations a key audit matter for the audit of the consolidated financial statements of the Group as at 30 June 2022.

- an assessment of the differences between the historical results and forecast data in order to verify the reasonableness of the assumptions used by the directors;
- an analysis of the reasonableness of the assumptions and parameters used by the directors for the impairment test who were assisted with the support of third-party consultants, and of the forecast used in the same, also considering the uncertainty of macroeconomic scenario as well as the related sensitivity analyses;
- an assessment of the adequacy of the disclosures provided in the notes to the accounts.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005 and article 43 of Legislative Decree no. 136/2015 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Bank or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("*Collegio Sindacale*") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by international standards on auditing (ISA Italia), regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Mediobanca S.p.A., in the general meeting held on 28 October 2020, engaged us to perform the audits of the separate and consolidated financial statements for each of the years ending 30 June 2022 to 30 June 2030.

We declare that we have not provided prohibited non-audit services, referred to article 5, paragraph 1, of EU Regulation n. 537/2014, and that we have remained independent of the of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (*Collegio Sindacale*) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Mediobanca S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Mediobanca S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Mediobanca Group as at 30 June 2022, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Mediobanca Group as at 30 June 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Mediobanca Group as at 30 June 2022 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Mediobanca S.p.A. are responsible for the preparation of the consolidated non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that consolidated non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such consolidated non-financial information is subject to a separate compliance report signed by us.

Milan, 29 September 2022

EY S.p.A.
Signed by: Davide Lisi, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

(€'000)

Assets		30/6/22	30/6/21*
10.	Cash and cash equivalents	8,578,844	3,273,438
20.	Financial assets at fair value with impact taken to profit and loss	10,681,019	12,649,596
	a) Financial assets held for trading	*9,530,935*	*11,273,737*
	b) Financial assets designated at fair value	*516,483*	*680,539*
	c) Other financial assets mandatorily at fair value	*633,601*	*695,320*
30.	Financial assets at fair value with impact taken to comprehensive income	4,133,685	4,567,371
40.	Financial assets at amortized cost	60,105,275	55,295,675
	a) Due from banks	*3,351,341*	*4,020,443*
	b) Due from customers	*56,753,934*	*51,275,232*
50.	Hedging derivatives	872,431	308,370
60.	Adjustment of hedging financial assets (+/-)	—	—
70.	Equity investments	3,157,866	3,702,925
80.	Reinsured portion of technical reserve	—	—
90.	Property, plant and equipments	511,828	510,209
100.	Intangible assets	838,413	744,139
	of which:		
	goodwill	*616,791*	*602,363*
110.	Tax assets	808,257	792,265
	a) current	*211,290*	*208,062*
	b) deferred	*596,967*	*584,203*
120.	Assets classified as held for sale**	191	4,178
130.	Other assets	880,611	750,534
Total assets		**90,568,420**	**82,598,700**

* The numbers at 30 June 2021 were re-processed to comply with the provisions of Circular No. 262/2005, seventh update.

** Related to Spafid Connect business unit disposal deal.

(€'000)

Liabilities and net equity		30/6/22	30/6/21
10.	Financial liabilities at amortized cost	66,715,625	58,475,015
	a) Due to banks	*15,751,826*	*12,830,919*
	b) Due to customers	*32,723,575*	*27,064,789*
	c) Debt securities in issue	*18,240,224*	*18,579,307*
20.	Trading financial liabilities	9,206,705	10,063,629
30.	*Financial liabilities designated at fair value*	641,664	833,048
40.	Hedging derivatives	1,361,863	375,413
50.	Adjustment of hedging financial liabilities (+/-)	—	—
60.	Tax liabilities	659,787	549,604
	a) current	*257,268*	*210,817*
	b) deferred	*402,519*	*338,787*
70.	Liabilities included in disposal groups classified as held for sale*	—	381
80.	Oher liabilities	955,196	898,035
90.	Staff severance indemnity provision	21,969	26,886
100.	Provisions	137,768	144,209
	a) commitments and financial guarantees	*24,264*	*27,155*
	b) post-employment and similar benefits	—	*1,410*
	c) other provisions	*113,504*	*115,644*
110.	Insurance reserves	119,001	131,350
120.	Revaluation reserves	433,592	931,230
130.	Redeemable shares repayable on demand	—	—
140.	Equity instruments repayable on demand	—	—
150.	Reserves	6,908,263	6,851,502
160.	Share premium reserve	2,195,606	2,195,606
170.	Share capital	443,640	443,640
180.	Treasury share (-)	(240,807)	(216,736)
190.	Minority interests (+/-)	101,571	88,312
200.	Profit/(loss) for the period (+/-)	906,977	807,576
Total liabilities and net equity		**90,568,420**	**82,598,700**

* Related to Spafid Connect business unit disposal deal.

Consolidated Income Statement

(€'000)

Items		30/6/22	30/6/21
10.	Interest and similar income	1,847,987	1,819,894
	of which: interest income calculated according to the effective interest method	*1,655,536*	*1,641,948*
20.	Interest expense and similar charges	(353,681)	(402,327)
30.	**Net interest income**	**1,494,306**	**1,417,567**
40.	Fee and commission income	834,723	719,736
50.	Fee and commission expense	(166,719)	(134,458)
60.	**Net fee and commission income**	**668,004**	**585,278**
70.	Dividends and similar income	117,764	106,904
80.	Net trading income	(84,822)	83,916
90.	Net hedging income (expense)	(2,115)	(2,078)
100.	Gain (loss) on disposal/repurchase:	99,111	12,415
	a) financial assets measured at amortized cost	*31,131*	*(10,018)*
	b) financial assets valued at fair value with impact taken to comprehensive income	*69,000*	*24,051*
	c) financial liabilities	*(1,020)*	*(1,618)*
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	(20,770)	108,412
	a) financial assets and liabilities designated at fair value	*13,288*	*(7,167)*
	b) other financial assets mandatorily valued at fair value	*(34,058)*	*115,579*
120.	**Total income**	**2,271,478**	**2,312,414**
130.	Net write-offs (write-backs) for credit risk:	(206,182)	(270,469)
	a) financial assets measured at amortized cost	*(203,877)*	*(264,322)*
	b) financial assets valued at fair value with impact taken to comprehensive income	*(2,305)*	*(6,147)*
140.	Gains (losses) from contractual modifications without derecognition	(55)	(193)
150.	**Net income from financial operations**	**2,065,241**	**2,041,752**
160.	Premiums earned (net)	44,374	50,220
170.	Other income (net) from insurance activities	(12,916)	(14,131)
180.	**Net profit from financial and insurance activities**	**2,096,699**	**2,077,841**
190.	Administrative expenses:	(1,381,467)	(1,304,499)
	a) personnel costs	*(671,474)*	*(636,708)*
	b) other administrative expenses	*(709,993)*	*(667,791)*
200.	Net transfers to provisions:	(6,941)	(32,819)
	a) commitments and financial guarantees	*2,893*	*(13,125)*
	b) other sums set aside (net)	*(9,834)*	*(19,694)*
210.	Net adjustments to tangible assets	(57,057)	(53,425)
220.	Net adjustments to intangible assets	(29,528)	(32,368)
230.	Other operating income (expense)	177,335	217,020
240.	**Operating costs**	**(1,297,658)**	**(1,206,091)**
250.	Gain (loss) on equity investments	359,254	271,732
260.	Net result from fair value valuation of tangible and intangible assets	—	—
270.	Impairment charges to goodwill	(3,733)	(62,473)
280.	Gain (loss) on disposal of investments	7,087	(29)
290.	**Profit (loss) on ordinary activity before tax**	**1,161,649**	**1,080,980**
300.	Income tax for the year on ordinary activities	(251,995)	(271,781)
310.	**Profit (loss) on ordinary activities after tax**	**909,654**	**809,199**
320.	Gain (loss) of ceded operating assets, net of tax	—	—
330.	**Net profit (loss) for the period**	**909,654**	**809,199**
340.	Net profit (loss) for the period attributabe to minorities	(2,677)	(1,623)
350.	**Net profit (loss) for the period attributable to Mediobanca**	**906,977**	**807,576**

Statement of consolidated comprehensive income

(€'000)

		30/6/22	30/6/21
10.	Profit (Loss) for the period	909,654	809,199
	Other income items net of tax without passing through profit and loss	**98,187**	**47,350**
20.	Equity securities designated at fair value with impact taken to comprehensive income	37,918	64,121
30.	Financial liabilities at fair value with impact taken to profit and loss (variation of own credit risk)	4,425	(5,730)
40.	Hedging of equity securities designated at fair value with impact taken to comprehensive income	—	—
50.	Property, plant and equipments	—	—
60.	Intangible assets	—	—
70.	Defined benefit schemes	4,718	2,004
80.	Non-current assets held for sale	—	—
90.	Share of valuation reserves attributable to equity-accounted companies	51,126	(13,045)
	Other income items net of tax passing through profit and loss	**(596,480)**	**508,876**
100.	Foreign investments hedges	(10,606)	1,390
110.	Exchange rate differences	8,156	475
120.	Cash flow hedges	193,621	15,166
130.	Hedging instruments (non-designated elements)	—	—
140.	Financial assets (other than equity securities) valued at fair value with impact taken to comprehensive income	(89,644)	40,083
150.	Non-current assets held for sale	—	—
160.	Share of valuation reserves attributable to equity-accounted companies	(698,007)	451,762
170.	**Total other income items, net of tax**	**(498,293)**	**556,226**
180.	**Comprehensive income (Heading 10 +170)**	**411,361**	**1,365,425**
190.	**Consolidated comprehensive income attributable to minorities**	**3,793**	**2,310**
200.	**Consolidated comprehensive income attributable to Mediobanca**	**407,568**	**1,363,115**

Statement of Changes to Consolidated Net Equity

(€'000)

	Total net equity at 30/6/21	Allocation of profit for previous period		Changes during the reference period									Total net equity at 30/6/22	Net equity attributable to the group at 30/6/22	Net equity attributable to the minorities at 30/6/22
				Transactions involving net equity								Overall consolidated profit for the 12 mths ended 30/6/22			
		Reserves	Dividends and other fund applications	Changes to reserves	New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options[1]	Changes to investments				
Share capital:	460,269	—	—	—	—	—	—	—	—	—	—	—	460,269	443,640	16,629
a) ordinary shares	460,269	—	—	—	—	—	—	—	—	—	—	—	460,269	443,640	16,629
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,197,454	—	—	—	—	—	—	—	—	—	—	—	2,197,454	2,195,606	1,848
Reserves:	6,921,421	809,199	(569,164)	33,029	—	(217,360)	—	—	—	12,146	—	—	6,989,271	6,908,263	81,008
a) retained earnings	6,785,617	809,199	(569,164)	34,800	—	—	—	—	—	—	—	—	7,060,452	6,980,071	80,381
b) others	135,804	—	—	(1,771)	—	(217,360)	—	—	—	12,146	—	—	(71,181)	(71,808)	627
Valuation reserves	929,523	—	—	1,771	—	—	—	—	—	—	—	(498,293)	433,001	433,592	(591)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(216,736)	—	—	—	—	(24,071)	—	—	—	—	—	—	(240,807)	(240,807)	—
Profit (loss) for the period	809,199	(809,199)	—	—	—	—	—	—	—	—	—	909,654	909,654	906,977	2,677
Total net equity	11,101,130	—	(569,164)	34,800	—	(241,431)	—	—	—	12,146	—	411,361	10,748,842	X	X
Net equity attributable to the Group	11,012,818	—	(569,164)	25,334	—	(241,431)	—	—	—	12,146	—	407,568	X	10,647,271	X
Net equity attributable to minorities	88,312	—	—	9,466[2]	—	—	—	—	—	—	—	3,793	X	X	101,571

[1] Represents the effects of the performance shares related to the ESOP schemes.
[2] Represents the effect of the repurchasement of RAM Active Investments shares against Group reserves.

Statement of Changes to Consolidated Net Equity

(€'000)

	Total net equity at 30/6/20	Allocation of profit for previous period Reserves: Reserves	Allocation of profit for previous period Reserves: Dividends and other fund applications	Changes during the reference period: Changes to reserves	Transactions involving net equity: New shares issued	Transactions involving net equity: Treasury shares acquired	Transactions involving net equity: Extra-ordinary dividend payouts	Transactions involving net equity: Changes to equity instruments	Transactions involving net equity: Treasury shares derivates	Transactions involving net equity: Stock options[1]	Transactions involving net equity: Changes to investmen ts	Overall consolidated profit for the 12 mths ended 30/6/21	Total net equity at 30/6/21	Net equity attributable to the group at 30/6/21	Net equity attributable to the minorities at 30/6/21
Share capital:	460,246	—	—	—	23	—	—	—	—	—	—	—	460,269	443,640	16,629
a) ordinary shares	460,246	—	—	—	23	—	—	—	—	—	—	—	460,269	443,640	16,629
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,197,454	—	—	—	—	—	—	—	—	—	—	—	2,197,454	2,195,606	1,848
Reserves:	6,340,226	601,429	—	(19,708)	(23)	(15,038)	—	—	—	14,535	—	—	6,921,421	6,851,502	69,919
a) retained earnings	6,202,878	601,429	—	(18,667)	(23)	—	—	—	—	—	—	—	6,785,617	6,716,325	69,292
b) others	137,348	—	—	(1,041)	—	(15,038)	—	—	—	14,535	—	—	135,804	135,177	627
Valuation reserves	372,256	—	—	1,041	—	—	—	—	—	—	—	556,226	929,523	931,230	(1,707)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(231,538)	—	—	—	—	14,802	—	—	—	—	—	—	(216,736)	(216,736)	—
Profit (loss) for the period	601,429	(601,429)	—	—	—	—	—	—	—	—	—	809,199	809,199	807,576	1,623
Total net equity	9,740,073	—	—	(18,667)	—	(236)	—	—	—	14,535	—	1,365,425	11,101,130	X	X
Net equity attributable to the Group	9,648,581	—	—	(13,177)	—	(236)	—	—	—	14,535	—	1,363,115	X	11,012,818	X
Net equity attributable to minorities	91,492	—	—	(5,490)[2]	—	—	—	—	—	—	—	2,310	X	X	88,312

[1] Includes the effects of the first application of IFRS16 accounting standard deriving from sub-leasing contracts.

[2] Represents the effects of the stock options and performance shares related to the ESOP schemes.

Consolidated Cash Flow Statement Direct Method

(€'000)

	Amount	
	30/6/22	**30/6/21***
A. CASH FLOWS FROM OPERATING ACTIVITY		
1. Operating activity	**536,428**	**335,123**
- interest received (+)	1,616,990	1,593,479
- interest paid (–)	(293,903)	(440,699)
- dividends and similar income (+)	117,945	97,486
- net fees and commission income (+ / –)	256,591	296,147
- cash payments to employees (–)	(511,278)	(484,144)
- net premium income (+)	33,458	15,606
- other premium from insurance activity (+ / –)	(149,719)	(110,993)
- other expenses paid (–)	(498,788)	(527,684)
- other income received (+)	252,774	174,473
- income taxes paid (–)	(287,642)	(278,548)
- Expenses/income from group of assets being sold net of tax	—	—
2. Cash generated/absorbed by financial assets	**(1,642,077)**	**(4,930,311)**
- financial assets held for trading	1,258,324	75,584
- financial assets valued at fair value	63,529	(592,002)
- financial assets mandatorily valued at fair value	(26,991)	117,167
- financial assets valued at fair value with impact taken to other comprehensive income	406,218	(753,595)
- financial assets valued at amortized cost	(3,537,825)	(3,550,247)
- other assets	194,668	(227,218)
3. Cash generated/absorbed by financial liabilities	**6,968,561**	**4,499,744**
- financial liabilities valued at amortized cost	7,244,844	4,527,626
- financial liabilities held for trading	(70,086)	(60,043)
- financial liabilities designated at fair value	(61,075)	580,571
- other liabilities	(145,122)	(548,410)
Net cash flow (outflow) from operating activities	**5,862,912**	**95,444**
B. CASH FLOWS FROM INVESTMENT ACTIVITY		
1. Cash generated from:	**322,163**	**207,500**
- disposal of shareholdings	—	—
- dividends received in respect of equity investments	313,833	206,954
- disposals of tangible assets	2,075	546
- disposals of intangible assets	6,255	—
- disposals of subsidiaries or business units	—	—
2. Cash absorbed by:	**(58,620)**	**(54,875)**
- purchases of shareholdings	—	—
- purchases of tangible assets	(26,460)	(26,335)
- purchases of intangible assets	(32,160)	(28,540)
- purchases of subsidiaries or business units	—	—
Net cash flow (outflow) from investment activity	**263,543**	**152,625**
C. CASH FLOWS FROM FUNDING ACTIVITY		
- issuance/acquisition of treasury shares	(241,431)	—
- issuance/acquisition of capital instruments	—	—
- distribution of dividends and other purposes	(579,618)	(3,694)
- purchases/acquisition of minorities	—	—
Net cash flow (outflow) from funding activities	**(821,049)**	**(3,694)**
NET CASH FLOW (OUTFLOW) DURING THE PERIOD	**5,305,406**	**53,487**

* The numbers at 30 June 2021 were re-processed to comply with the provisions of Circular No. 262/2005, seventh update.

Reconciliation of Movements in Cash Flow during the Period

(€'000)

Accounting items	Amount	
	30/6/22	30/6/21*
Cash and cash equivalents: balance at start of period	3,273,438	3,219,951
Total cash flow (ouflow) during the period	5,305,406	53,487
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	8,578,844	3,273,438

* The numbers at 30 June 2021 were re-processed to comply with the provisions of Circular No. 262/2005, seventh update.

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Accounting Policies

A.1 - General Part

SECTION 1

Statement of conformity with IAS/IFRS

The consolidated financial statements at 30 June 2022 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and the respective interpretations issued by the IFRS Interpretations Committee (IFRIC), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of Regulation (EC) No. 1606/02 issued by the European Parliament and Council on 19 July 2002. In particular, account was taken of the "Instructions on preparing statutory and consolidated financial statements for banks and financial companies which control banking groups" issued by the Bank of Italy under Circular no. 262 of 22 December 2005 - seventh update of 29 October 2021[1], as subsequently supplemented - which defines the financial reporting templates and related completion methods, as well as the contents of the Notes to the Accounts[2]. This report was also drawn up in accordance with the provisions of Article 154-*ter* of Legislative Decree No. 58 of 24 February 1998 (Italian Law on Finance).

SECTION 2

General principles

These consolidated financial statements comprise:

- Consolidated balance sheet;
- Consolidated income statement;

[1] Following entry into force of the seventh update to Circular No. 262, it was necessary to reclassify "On-demand loans to banks and central banks" from item 40 a) "Financial assets at amortized cost - loans to banks" to item 10 "Cash and cash equivalents" in the balance sheet and the corresponding adjustment in the Cash Flow Statement. No changes were required in the income statement. Furthermore, some tables of the notes to the accounts were remade as specified in the relevant sections (detailed information on commission income and expense; separate statement of contributions to the resolution fund and to the deposit guarantee schemes in Administrative expenses; separate entry of software that is not an integral part of hardware pursuant to IAS 38 in the tables of intangible fixed assets; clarification of purchased and originated credit-impaired loans, POCI loans, in credit quality tables).

[2] On 4 August 2022, the consultation for the eighth update of the Circular ended. This update is mainly aimed at adopting the new international accounting standard IFRS 17 "Insurance contracts" starting on 1 January 2023 and the resulting amendments introduced in other international accounting standards, including IAS 1 "Presentation of Financial Statements" and IFRS 7 "Financial Instruments: Disclosures".

- Consolidated statement of other comprehensive income;
- Statement of changes to consolidated net equity;
- Consolidated cash flow statement, drawn up using the direct method;
- Notes to the accounts.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in part A.2, and show data for the period under review compared with that for the previous financial year in the case of balance-sheet figures or the corresponding period of the previous financial year for profit-and-loss data.

During the twelve months under review, the European Commission approved the following three regulations, which include certain changes to accounting standards already in force: 2021/1421 of 30 August 2021, 2021/2036 of 19 November 2021 and 2022/357 of 2 March 2022. In particular, as follows:

- Regulation 2021/1421 adopted the amendments to IFRS 16 proposed by the IASB in the document "Amendments to IFRS 16 Leases: Covid-19-Related Rent concessions beyond 30 June 2021" published 31 March 2021. Under this Regulation amendments to the standard were extended to payments contractually due up to 30 June 2022 included. These amendments are valid for the Group starting from 1 July 2021[3].
- Regulation 2021/2036 of 19 November 2021 adopted the accounting standard "IFRS 17 Insurance Contracts" and at the same time amended the following standards: IFRS 1, IFRS 3, IFRS 5, IFRS 7, IFRS 9, IFRS 15, IAS 1, IAS 7, IAS 16, IAS 19, IAS 28, IAS 32, IAS 36, IAS 37, IAS 38 and IAS 40. These amendments are valid for the Group starting from 1 July 2023[4].
- Regulation 2022/357 of 2 March 2022 adopted the amendments to IAS 1 and IAS 8. These amendments clarify the differences between accounting principles and accounting estimates in order to ensure a consistent adoption of accounting standards and the comparability of financial statements. These amendments are valid for the Group starting from 1 July 2023[4].

[3] For a specific discussion of this issue, reference is made to Part M - Disclosure on Leases.

[4] No changes to the Group's principles are expected.

It should be noted that the amendments to the accounting standards laid down in the regulations adopted above did not result in substantial changes with respect to the approach adopted by the Mediobanca Group.

The measures and statements published in the last 12 months by the regulatory and supervisory authorities regarding the most suitable way to apply the accounting standards are summarized below.

– ESMA:
  On 29 October 2021, ESMA published the annual statement "*European common enforcement priorities for 2021 annual financial reports*" outlining the priorities on which listed companies must focus when preparing the annual reports for December 2021. ESMA in particular recommended that the IFRS 2021 financial statements provide information on the following four topics:

  a) long-term impacts deriving from the Covid-19 pandemic and related recovery phase with a careful evaluation thereof and transparency in accounting[5];
  b) effects of climate change[6], impacts, estimates and strategies carried out for its mitigation and company's position statement on sustainability goals[7];
  c) measurement of expected credit losses (ECL) including a sensitivity analysis and details concerning the management of (allocated and used) overlays, the assessments made (material adjustments) and any significant increase in credit risk (SICR)[8];
  d) information on the taxonomy and communication for the alignment of economic activities pursuant to Article 8 of Regulation (EU) 2020/852[9].

On 13 May, ESMA published the recommendation "*Implications of Russia's invasion of Ukraine on half-yearly financial reports*" to promote the transparency of information provided on the Russian invasion of Ukraine in half-yearly financial reports. ESMA in particular emphasized the need for issuers to provide useful information to users and to adequately reflect both the current and, as far as possible, the expected impact of the Russian invasion of Ukraine on the issuers' financial position, performance and cash flow. ESMA also stressed the importance of providing information on identifying the main risks and

[5] Please refer to Part E - Section 1 - Prudential consolidated risks, specifically to paragraph 6 "Impact of Covid-19 pandemic".
[6] ESMA expects the impact of climate issues to be taken into account by entities within the scope of IFRS standards, in particular within the scope of IAS 16, IAS 36 and IAS 38.
[7] Please refer to Part E - ESG and climate change risk.
[8] Please refer to Part E - Section 2.3 - Methods for measuring expected losses.
[9] Please refer to the contents of the consolidated Non-Financial Report published on www.mediobanca.com.

uncertainties to which issuers are exposed. Previously, in its Public statement of 14 March 2022, "*ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets*", ESMA listed the different ways in which the Agency had taken action to support the markets and European investors.[10]

– EBA:
  On 24 November 2021, the European Banking Authority (EBA) published a Report[11] summarizing the results deriving from monitoring activities concerning the implementation of the International Financial Reporting Standard (IFRS) 9 by the European Union institutions in the context of the current pandemic. The results of the analyses conducted by the EBA are meant to assist the supervisory authorities in assessing the quality and adequacy of the adoption of the IFRS 9 framework, also considering the high expert-judgment levels adopted by the banks under review in terms of provisioning (and overlay) level and Stage 2 and Stage 3 classification.

  The EBA recalled that the application of overlays should be understood as a temporary measure, necessary in case the models are unable to cope with a specific situation, and should not be used in the long term; it is therefore essential that adjustments to provisions be accompanied by appropriate governance measures in order to ensure that credit risk is correctly reflected in the final impairment metrics and incorporated into the ECL models.

– CONSOB:
  On 19 May 2022, CONSOB published Warning Notice No. 3/22, which makes reference to the Public Statement "Implications of Russia's invasion of Ukraine on half-yearly financial reports" of ESMA and pays particular attention to the need to incorporate qualitative and quantitative information in the financial reports regarding any impacts of the conflict in Ukraine on the issuers' financial position, performance and cash flow.[12]

Going-concern statement

With reference to the requirements of the Bank of Italy, CONSOB and ISVAP under Joint Document no. 4 of 3 March 2010, the Group's consolidated financial statements at 30 June 2022 were prepared on a going-concern basis: the Directors believe that no risks and uncertainties have arisen such as to raise doubts on the Group's going-concern assumption. The Directors consider

[10] Please refer to Part E - Section 1 - Consolidated prudential risks; especially the paragraph on Impacts caused by the war in Ukraine.
[11] EBA/Rep/2021/35 IFRS 9 Implementation by EU Institutions - Monitoring Report.
[12] Please refer to Part E - Section 1 - Consolidated prudential risks; especially paragraph 7 which discusses the impacts caused by the war in Ukraine.

that the Group has a reasonable expectation of continuing to operate in the foreseeable future.

For information on the Group's risks and related safeguards, please refer to the contents of "Part E - Information on risks and related hedging policies" in these Notes to the Accounts and in the Group's Review of Operations.

Discretionary assessments, risks and uncertainties linked to the use of significant accounting estimates

In compliance with IFRS, senior management are required to formulate assessments, estimates and assumptions that may influence the adoption of the accounting standards and the amounts of assets, liabilities, costs and revenues recognized in the financial statements, as well as the disclosure relating to contingent assets and liabilities.

The assumptions underlying such estimates take into account all the information available at the date of preparation of the financial statements, as well as assumptions considered reasonable, including in light of past experience.

In this regard, it should be noted that financial estimates may, due to their very nature and insofar as reasonable, need to be revised as a result of changes in the circumstances on which they have been based, of the availability of new information or of greater experience accrued.

The main cases requiring the use of subjective assessments and opinions on the part of senior management are as follows:

a) quantification of losses due to the impairment of receivables and, in general, of other financial assets;

b) assessment of the fair value of equity investments and other non-financial assets (goodwill, tangible assets, including the value in use of assets acquired under lease, and intangible assets);

c) use of valuation models to measure the fair value of financial instruments not listed on active markets;

d) estimates of liabilities deriving from company defined benefit retirement plans;

e) quantification of legal and fiscal provisions for risks and charges.

The above list of valuation processes is provided for the sole purpose of allowing the reader to better understand the main areas of uncertainty, but it should not be understood in any way to suggest that alternative assumptions may, at present, be more appropriate. For the most relevant items being estimated, information on the main hypotheses and assumptions used in the estimate is provided in the specific sections of the Notes to the Accounts, including a sensitivity analysis with respect to alternative hypotheses.

Group project on interbank benchmark rates transition

After completing the activities necessary to complete the transition to the new interbank rates that took place during the year under review for rates denominated in GBP, CHF and JPY, the Bank started the preparatory activities for the discontinuation of the Libor USD rate - scheduled for June 2023 - and introduction of fall-back clauses in line with the 2021 ECB recommendations relating to contracts and products indexed to the Euribor rate, although the discontinuation of the latter has not been scheduled for the time being. Preliminary activities have also been started for the operational management of the Term SOFR rate, in line with the market practice that is progressively emerging.

It should be noted that, in light of regulatory actions and of the current progress of activities undertaken by the Group, no critical issues arose when completing the transition by the required deadlines, nor are they expected for the future disposal of the USD Libor.

Please note that the Group has adopted Regulation (EU) 2020/34 of 15 January 2020 (“Regulation 34”), which incorporates the IASB waivers of September 2019 to avoid that the uncertainty caused by the lack of a single alternative benchmark for the entire market may lead to discontinuing a hedging relationship. Specifically, the transactions involved are IRS contracts with underlying USD Libor entered into by the Parent Company to hedge bonds and deposits for a notional amount of USD2,011m.

Targeted Longer-Term Refinancing Operations - T-LTRO

The T-LTRO III refinancing operation consists in a disbursement plan, for up to 10 operations, each with a three-year maturity, starting from September 2019 on a quarterly basis.

During 2020, with the intention of further supporting the granting of credit to households and businesses, an additional discount (50 bps bonus) was introduced for transactions in place between 24 June 2020 and 23 June 2021, subsequently renewed also for those in place between 24 June 2021 and 23 June 2022. Such bonus will be granted at the expiry of each transaction subject to compliance with a certain level of loans to households and businesses (referred to as "eligibility criteria"). In addition to the contents reported in the documentation regarding the discount, the program calculates the final interest at maturity based on the average quarterly refinancing rate on bank deposits.

In light of the ECB's new monetary policy, the effective interest rate at maturity of the loan (under IFRS 9) has been modified to take into account the expected rise in rates and non-renewal of the additional bonus in the third year. In this sense, the estimate of interest income was re-measured (with an impact of approximately €17m) and the June 22 facility reformulated (€37m) until maturity rather than just in the current year. Altogether, the contribution to Heading 10 "Interest and similar income" during the year under review amounted to €33.8m (€57.4m in the previous year).

Group's hedge accounting manual

The drafting of the Group's hedge accounting manual was completed during the year under review. It details the methodological and procedural choices for hedge accounting and the testing methods to verify its economic relationship. Moreover, the use of a behavioural model for CheBanca! accounts, to increase the efficiency of hedge accounting, made it possible to reduce the Group's exposure to interest rate risk with a benefit on net interest income in light of the extension of the duration of deposits.

New ESEF Regulation

Directive (EU) 2013/50, amending Directive (EC) 2004/109 (Transparency Directive), established that all annual financial reports of issuers whose securities are admitted to trading on a regulated market should be drawn up in a single electronic communication format. The European Commission implemented these rules in Delegated Regulation 2019/815 of 17 December 2018 (ESEF Regulation - European Single Electronic Format). The Regulation requires issuers who prepare consolidated financial statements in accordance with IFRS to prepare and publish their annual financial report in the XHTML (eXtensible HyperText Markup Language) format, using the "Inline Extensible Business Reporting Language (iXBRL)" for the markup of Consolidated Financial Statements (Balance Sheet, Profit and Loss Account, Statement of Other Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement) and specific corporate information, as required by the regulation, starting, for the Mediobanca Group, from the Financial Statements as at 30 June 2022. Starting from the subsequent financial statements (30 June 2023), Mediobanca will also be required to mark up the information contained in the notes to the accounts.

The combination of the XHTML format with i-XBRL markups aims to:

- make annual financial reports readable both by human users and by automatic devices;
- improve the accessibility, analysis and comparability of the information included in annual financial reports.

However, issuers may still continue to publish their Financial Statements in other formats (i.e., PDF).

In compliance with the specifications of the ESEF Regulation, this document is presented with i-XBRL markups of the numerical values in the consolidated financial statement templates and master data and in XHTML format for the other parts of the annual report. The final phase of the project for markups in block of the Notes to the Accounts has started.

SECTION 3

Area and methods of consolidation

The consolidated financial statements comprise the financial position and the results of the Group Legal Entities and companies directly or indirectly controlled by them, including those operating in sectors other than the one in which the Parent Company operates.

Based on the combined provisions of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", the Group has proceeded to consolidate its Legal Entities on a line-by-line basis, and its associates and joint arrangements using the net equity method.

The following events in the twelve months should be noted:

- on 31 August 2021, operating and employee contracts (mainly managers) of Bybrook Capital LLP were transferred to Cairn Capital Group Limited, which held a Revenue Sharing Agreement (RSA) as of January 2021; the transaction also involved the purchase of 8 essentially dormant entities, purchased for £1; the purchase of Bybrook assets was partly settled with Cairn shares (approximately 21.9%), of which only half subject to a put & call agreement, thus the stake in the company will go from 85.13% to 64.58% (89.07% including put & call agreements);
- the stake in RAM rose from 94.7% to 94.9% following the exit of two equity partners;
- on 11 March 2022, a special purpose vehicle called CMB Real Estate Development SAM ("CMB RED SAM") was established, 40% of which held by Mediobanca and 60% by CMB MONACO, for the purpose of constructing the new offices of CMB MONACO in the Principality;
- on 23 March 2022, the investment in Messier & Associés went from 80.61% to 79.66% following the Group Legal Entity's issue of 6,000 ordinary shares with a nominal value of €0.10 to employees who are the beneficiaries of the Plan for the free allocation of shares;
- on 19 April, the company Revalea S.p.A. was established. It is wholly owned by Compass Banca, to which the "NPL purchase" business unit of the Group Legal Entity MBCS will be contributed. Once the necessary authorizations have been obtained, the company will be in charge of credit management. The demerger and subsequent transfer of the business unit, provided the necessary authorizations have been obtained, will be accounted for at book value, thus without effects on the consolidated accounts;
- it should be noted that in July 2021 the Group Legal Entity Ricerche e Studi was delisted from the Register of Companies.

On 21 June 2022, Mediobanca submitted to FCA a request for authorization to carry out cross-border operations in the UK through the London branch, in line with the rules approved by the Brexit steering committee. FCA will have a period of 6-12 months at its disposal to examine the application and complete the authorization process.

Lastly, it should be noted that the company RAM UK (not yet operational), wholly controlled by RAM GVA, was established during the year under review.

1. Group Legal Entities and jointly-controlled entities (consolidated pro-rata)

Name	Registered office	Type of relationship[1]	Shareholding Investor company	Shareholding % interest	Voting rights in %[2]
A, COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A,1 Line-by-line					
1, MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2, SPAFID S.P.A	Milan	1	A.1.1	100.0	100.0
3, SPAFID CONNECT S.P.A.	Milan	1	A.1.4	100.0	100.0
4, MEDIOBANCA INNOVATION SERVICES - S.C.P.A.	Milan	1	A.1.1	100.0	100.0
5, CMB MONACO S.A.M.	Monte Carlo	1	A.1.1	100.0	100.0
6, CMG MONACO S.A.M.	Monte Carlo	1	A.1.5	99.92	99.92
7, CMB ASSET MANAGEMENT S.A.M.	Monte Carlo	1	A.1.5	99.5	99.5
8, MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.	Luxembourg	1	A.1.1	99.0	99.0
		1	A.1.9	1.0	1.0
9, COMPASS BANCA S.P.A.	Milan	1	A.1.1	100.0	100.0
10, CHEBANCA! S.P.A.	Milan	1	A.1.1	100.0	100.0
11, MBCREDIT SOLUTIONS S.P.A.	Milan	1	A.1.9	100.0	100.0
12, SELMABIPIEMME LEASING S.P.A.	Milan	1	A.1.1	60.0	60.0
13, MB FUNDING LUXEMBOURG S.A.	Luxembourg	1	A.1.1	100.0	100.0
14, MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.0	100.0
15, MB FACTA S.P.A.	Milan	1	A.1.1	100.0	100.0
16, QUARZO S.R.L.	Milan	1	A.1.9	90.0	90.0
17, QUARZO CQS S.R.L.	Milan	1	A.1.9	90.0	90.0
18, MEDIOBANCA COVERED BOND S.R.L.	Milan	1	A.1.10	90.0	90.0
19, COMPASS RE (LUXEMBOURG) S.A.	Luxembourg	1	A.1.9	100.0	100.0
20, MEDIOBANCA INTERNATIONAL IMMOBILIERE S. A R.L.	Luxembourg	1	A.1.8	100.0	100.0
21, CAIRN CAPITAL GROUP LIMITED	London	1	A.1.1	89.07*	64.6
22, CAIRN CAPITAL LIMITED	London	1	A.1.21	100.0	100.0
23, CAIRN CAPITAL NORTH AMERICA INC.	Wilmington (USA)	1	A.1.21	100.0	100.0
24, CAIRN CAPITAL INVESTMENTS LIMITED (non-operating)	London	1	A.1.21	100.0	100.0
25, CAIRN INVESTMENT MANAGERS LIMITED (non-operating)	London	1	A.1.21	100.0	100.0
26, Bybrook Capital Management Limited	Grand Cayman	1	A.1.21	100.0	100.0
27, Bybrook Capital LLP	Reading	1	A.1.26	100.0	100.0
28, Bybrook Capital Services (UK) Limited	Reading	1	A.1.26	100.0	100.0
29, Bybrook Capital Burton Partnership (GP) Limited	Grand Cayman	1	A.1.26	100.0	100.0
30, Bybrook Capital (GP) LLC	Wilmington	1	A.1.26	100.0	100.0
31, Bybrook Capital (US) LP	Wilmington	1	A.1.26	100.0	100.0
32, SPAFID FAMILY OFFICE SIM	Milan	1	A.1.3	100.0	100.0
33, SPAFID TRUST S.R.L.	Milan	1	A.1.3	100.0	100.0
34, MEDIOBANCA MANAGEMENT COMPANY S.A.	Luxembourg	1	A.1.1	100.0	100.0
35, MEDIOBANCA SGR S.P.A.	Milan	1	A.1.1	100.0	100.0
36, RAM ACTIVE INVESTMENTS S.A.	Ginevra	1	A.1.1	98.3**	94.9
37, RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.	Luxembourg	1	A.1.36	100.0	100.0
38, MESSIER ET ASSOCIES S.A.S.	Paris	1	A.1.1	100.0***	79.7
39, MESSIER ET ASSOCIES L.L.C.	New York	1	A.1.38	100.0***	50.0
40, MBCONTACT SOLUTIONS S.R.L.	Milan	1	A.1.11	100.0	100.0
41, COMPASS RENT S.R.L.	Milan	1	A.1.9	100.0	100.0
42, COMPASS LINK S.R.L.	Milan	1	A.1.9	100.0	100.0
43, RAM ACTIVE INVESTMENTS LIMITED (UK) (non-operating)	London	1	A.1.36	100.0	100.0
44, CMB REAL ESTATE DEVELOPMENT SAM	Monte Carlo	1	A.1.5	60.0	60.0
		1	A.1.1	40.0	40.0
45, REVALEA S.P.A.	Milan	1	A.1.9	100.0	100.0

* Taking into account the put and call option exercisable as from the third anniversary of the closing date of the transaction.

** Taking into account the put and call options exercisable from the third to the tenth anniversary of the closing date of the transaction.

*** Taking into account the put and call option exercisable from the fifth anniversary of the closing date of the transaction.

Legend

1 Type of relationship:
1 = Majority of voting rights in ordinary AGMs.

2 Effective and potential voting rights in ordinary AGMs.

2. *Considerations and significant assumptions used to determine consolidation area*

The area of consolidation is defined on the basis of IFRS 10, "Consolidated Financial Statements", which provides that control occurs when the following three conditions apply:

– When the investor has power over the investee, defined as having substantive rights over the investee's relevant activities;

– When the investor has exposure, or rights, to variable returns from its involvement with the investee; and

– When the investor has the ability to exert power over the investee to affect the amount of the variable returns.

Generally, there is a presumption that a majority of voting rights entails control. The Group reconsiders whether or not it has control of an investee if the facts and circumstances of the case indicate that there have been changes in one or more of the three relevant elements for the definition of control. The consolidation of a subsidiary begins when the Group gains control over it and ends when the Group loses control. Any assets, liabilities, revenues and costs of the Group Legal Entity acquired or sold during the year are included in the consolidated financial statements as of the date on which the Group obtained control until the date on which the Group no longer exercises control over the company.

Any changes in the equity investment held in a Group Legal Entity that do not lead to a loss of control will be recognized in net equity.

If the Group loses control over a subsidiary, it will be required to eliminate the related assets (including goodwill), liabilities, minority interests and other components of net equity, while any profit or loss will be recognized in the profit and loss account. Any equity investments that may be held thereafter must be recognized at fair value.

Group Legal Entities are consolidated on the line-by-line basis, which means that the carrying amount of the parent's investment and its share of the Group Legal Entity's equity after minority interests are eliminated against the addition of that company's assets and liabilities, income and expenses to the parent company's totals. Any surplus arising following allocation of asset and liability items to the Group Legal Entity is recorded as goodwill. Goodwill is initially recognized at cost consisting in the excess of the total amount paid and the amount recognized for minority interests compared to the identifiable net

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assets acquired and liabilities incurred by the Group. If the fair value of the net assets acquired exceeds the total amount paid, after verifying the correct identification and evaluation of all assets acquired and all liabilities incurred, the difference (gain) is recognized in the profit and loss account. Intra-group balances, transactions, income and expenses are eliminated upon consolidation.

Investments in associates and joint arrangements are consolidated using the equity method. Associates are companies that are subject to significant influence, a concept defined as the power to participate in activities which are significant for the company without having control of it. Significant influence is assumed to exist in cases where one company holds at least 20% of the voting rights of another. In establishing whether or not significant influence exists, account is also taken of potential rights, rights exercisable under options, warrants or conversion rights embedded in financial instruments; the ownership structure is also considered, as well as voting rights owned by other investors, etc.

The definition of joint arrangement used is that provided in IFRS 11, which involves the twofold requirement of the existence of a contractual arrangement and that such an arrangement must provide joint control to two or more parties.

According to the equity method, an equity investment in an associate or joint venture should be initially recognized at cost. The book value of the investment will be increased or decreased to record the Group's share of the investee's profits and losses realized after the acquisition date. Goodwill relating to the associate or joint venture will be included in the book value of the investment and will not be tested for impairment separately. This value will be reduced if the investee distributes dividends.

The Group's share of the investee's profit or loss will be recognized in the consolidated income statement, including any value impairment or write-ups.

Any changes in other components of the statement of comprehensive income relating to those investee companies will be presented as part of the Group's comprehensive profit and loss account. Furthermore, in the event that an associated company or a joint venture recognizes a change by directly posting it in net equity, the Group will recognize its share, where applicable, in the statement of changes in net equity. Unrealized gains and losses deriving from transactions between the Group and the associates or joint ventures will be eliminated in proportion to the equity investment held in the associates or joint ventures.

After applying the equity method, the Group will assess whether it is necessary to recognize an impairment loss of its investment in the associated companies or joint ventures. At each reporting date, the Group assesses whether there is objective evidence that the investments in associated companies or joint ventures have suffered a loss in value. In this case, the Group will calculate the amount of the loss as the difference between the recoverable value of the associate or joint venture and the book value of the same in its financial statements, recording this difference in the profit (loss) for the year under the item "share of the profit (loss) of associates and joint ventures attributable to the Group".

The financial statements of the consolidated companies represented in currencies other than the Euro are converted by applying the exchange rate prevailing at the end of the accounting period to the balance-sheet items, and the average exchange rates for the same period to the profit-and-loss items. All exchange rate differences arising as a result of conversion are recorded in a specific net equity valuation reserve which, as and when the investment is sold, is reclassified in the profit and loss account.

Associated company Assicurazioni Generali, meanwhile, will continue to use IAS 39 until 31 December 2022 (rather than IFRS 9 as adopted by the Mediobanca Group since 1 July 2018), having opted for the deferred approach provided by IFRS 9 as governed by IFRS 4. Accordingly, in the Mediobanca Group's consolidated financial statements, the figures shown under "Value reserves for investments accounted for using the equity method" will be calculated in accordance with IAS 39 until 31 March 2023. Such amounts will therefore be classified in the Statement of Other Comprehensive Income based on IAS 39 with no adjustments.

With regard to the determination of the stake used for equity-based consolidation, it should be noted that it was determined as the ratio of the shares owned excluding those held for trading and/or through securities lending transactions (which transfer ownership, but not risks and benefits) and voting capital, represented by share capital after deducting treasury shares.

3. Investments in Group Legal Entities with significant minority interests

Nothing to report.

4. Significant restrictions

The Group considers that no restrictions currently in force, under the terms of its Articles of Association, shareholders' agreements or external regulations, would prevent it or otherwise limit its ability to access its assets or settle its liabilities.

The Group also considers that no rights are in force to protect the interest of minority or third parties.

5. Other Information

The reporting date for the consolidated financial statements is the date on which the Parent Company's financial year ends. In cases where Group companies have reporting periods ending on different dates, these companies are consolidated based on financial and earnings situations prepared as at the reporting date for the consolidated financial statements.

The financial statements of all Group Legal Entities have been drawn up based on the same accounting principles used at Group level.

Associates which have reporting periods ending on different dates compared to the Parent Company prepare a pro forma accounting statement as at the consolidated reporting date, or alternatively send a statement referring to a previous date as long as it is not more than three months previously. This possibility is expressly provided by IAS 28 (par. 33-34) provided that due account is taken of any material transactions or events that occur between said date and the reporting date for the financial statements. As mentioned previously, Assicurazioni Generali, an associate company, will adopt IFRS 9 in the preparation of its own consolidated financial statements starting from 1 January 2023, in conjunction with the first-time adoption of IFRS 17 - *Insurance Contracts*, which replaces the current IFRS 4 - *Insurance Contracts*. Until that date, the Assicurazioni Generali group will therefore continue to apply IAS 39. It should be noted that under this standard, reductions in the value of the AFS equity portfolio (shares and fund units), if certain quantitative or timing thresholds are exceeded, are considered as evidence of impairment and accordingly must be measured through profit or loss. Breach of such thresholds is recorded in accounting terms in the annual and interim financial statements drawn up in compliance with IAS 34. The effects on valuation, if material, are included among the subsequent events, if any, that require the reporting package to be amended.

SECTION 4

Events subsequent to the reporting date

No events have taken place that would cause the results presented in the consolidated report for the twelve months ended 30 June 2022 to be amended.

SECTION 5

Other aspects

In compliance with Directive (EC) 2004/109 (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 (the "ESEF Regulation"), this document was drawn up in XHTML and the consolidated financial statements were "marked up" using the integrated computer language iXBRL, approved by ESMA. For further information, please refer to the paragraph "New ESEF Regulation: Group project" in "Part A Accounting Policies - A.1 General Part" of the consolidated notes to the accounts. The entire document was filed at the relevant offices and institutions in accordance with applicable legislation.

The consolidated financial statements are accompanied by the Certification of the Financial Reporting Officer pursuant to Article 154-*bis* of the Italian Law on Finance and are subject to a limited audit by the independent auditing firm EY S.p.A., according to the provisions of Legislative Decree No. 39 of 27 January 2010.

A.2 - Significant Accounting Policies

Financial assets measured at fair value through profit or loss

These include financial assets held for trading and other financial assets mandatorily measured at fair value.

Financial assets held for trading are assets which have been acquired principally for the purpose of being traded. This category comprises debt securities, equities, loans held for trading purposes, and the positive value of derivatives held for trading, including those embedded in complex instruments (such as structured bonds), which are recorded separately.

Assets not held for trading will be mandatorily measured at fair value through profit or loss if they do not meet the requirements to be measured at amortized cost or at fair value through other comprehensive income. In particular, as clarified by the IFRS Interpretation Committee, this category includes units in mutual investment funds[13].

Initial recognition occurs at the settlement date for securities and at the subscription date for derivatives. At initial recognition, such financial assets are booked at fair value not including any transaction expenses or income directly attributable to the asset concerned, which are taken through the profit and loss account. Following their initial recognition, they will continue to be measured at fair value, and any changes in fair value will be recognized in the profit and loss account. Interest on instruments mandatorily measured at fair value will be recognized according to the interest rate stipulated contractually. Dividends paid on equity instruments will be measured through profit or loss when the right to collect them becomes effective.

Equities and linked derivatives whose fair value may not be reliably measured using the methods described above are stated at cost (these too qualify as Level 3 assets). If the assets suffer impairment, they are written down to their current value.

Gains and losses upon disposal and/or redemption and the positive and negative effects of changes in fair value over time are reflected in the profit and loss account under the respective headings.

Assets held for trading mandatorily to be measured at fair value also include loans which do not guarantee full repayment of principal in the event of the counterparty's financial difficulties and which have therefore failed the SPPI test. The process followed to write down these positions is aligned with that used for other loans, on the grounds that the exposure is basically attributable to credit risk, with both the gross exposure and related provisioning stated.

[13] EBA/Rep/2021/35 IFRS 9 Implementation by EU Institutions - Monitoring Report.

The heading also includes financial assets measured at fair value upon initial recognition. In such cases, financial assets are recognized irrevocably at fair value through profit or loss if, and only if, their being included in this category eliminates or significantly reduces a measurement inconsistency.

Financial assets measured at fair value through other comprehensive income

These are financial instruments, mostly debt securities, which meet both the following conditions:

– The instruments are held on the basis of a business model whose objective is the collection of contractual cash flows and of proceeds deriving from the sale of such instruments;

– The contractual terms have passed the SPPI test.

Financial assets measured at fair value through other comprehensive income (FVOCI) are recognized at fair value, including transaction costs and income directly attributable to them. Thereafter, they will continue to be measured at fair value. Changes in fair value are measured through other comprehensive income, while interest and currency exchange gains/losses are recorded in the profit and loss account (in the same way as financial instruments measured at amortized cost).

Expected losses of financial assets measured at fair value through other comprehensive income (debt securities and equities) are calculated (as per the impairment process) in the same way as those of financial assets measured at amortized cost, with the resulting value adjustment, if any, recorded in the profit and loss account.

Retained earnings and accumulated losses recorded in other comprehensive income will be measured through profit or loss when the instrument is removed from the balance sheet.

The category also includes equities not held for trading which meet the definition provided by IAS 32, and which the Group decided to classify irrevocably in this category at the initial recognition stage. As the instruments in question are equities, they are not subject to impairment and no gains/losses on equities will be measured through profit or loss, including following the sale of the instrument. Conversely, dividends on the instruments will be measured through profit or loss when the right of collection takes effect.

Financial assets valued at amortised cost

These include loans and advances to customers and banks, debt securities and repo transactions which meet the following conditions:

- The financial instrument is held and managed according to the hold-to-collect business model, i.e., with the objective of holding it in order to collect the cash flows provided for in the contract;
- Such contractual cash flows consist entirely of payment of principal amount and interest (and therefore meet the requirements set by the SPPI test).

This heading also includes receivables originated from finance leases, the valuation and classification rules for which are governed by IFRS 16 (cf. below), even though the impairment rules introduced by IFRS 9 apply for valuation purposes.

The Group business model should reflect the ways in which financial assets are managed at a portfolio level and not at instrument level, on the basis of factors observable at a portfolio level and not at instrument level, such as the following:

- Operating procedure adopted by management in the performance evaluation process;
- Risk type and procedure for managing risks taken, including indicators for portfolio rotation;
- Means for determining remuneration mechanisms for risk-takers.

The business model is based on expected reasonable scenarios (without considering "worst case" and "stress case" scenarios). In the event of cash flows differing from those estimated at initial recognition, the Group is not bound to change the classification of financial instruments forming part of the portfolio, but uses the information for deciding the classification of new financial instruments[14].

[14] These considerations are stated in the internal management policies, which reiterate the link between business model and accounting treatment and introduce frequency and materiality thresholds for changes in portfolios of assets measured at amortized cost.

At initial recognition, the Group analyses contractual terms for the instruments to check whether the instrument, product or sub-product has passed the SPPI test. In this connection, the Group has developed a standardized process for performing the test, which involves analysing the loans using a specific tool, developed internally, which is structured on the basis of decision-making trees, at the level of the individual financial instrument or product based on their different degrees of customization. If the test is not passed, the tool will show that the assets should be measured at fair value through profit or loss (FVTPL). The method by which loans are tested differs according to whether or not the asset is a retail or corporate loan: at product level for retail loans, individually for corporate loans. An external info-provider is used to test debt securities; if, however, no test results are available, the instrument is analysed using the SPPI tool. When contractual cash flows for the instrument do not represent solely payments of principal and interest on the outstanding amount, the Group mandatorily classifies the instrument at fair value through profit or loss.

At the initial recognition date, financial assets are measured at fair value, including any costs or income directly attributable to individual transactions that can be established from the outset even if they are actually settled at later stages. The recognition value does not, however, factor in costs with the above characteristics which are repaid separately by the borrower, or may be classified as ordinary internal administrative expenses.

The instrument is measured at amortized cost, i.e. the initial value less/plus the repayments of principal made, write-downs/write-ups, and amortization - calculated using the effective interest rate method - of the difference between the amount disbursed and the amount repayable at maturity, adjusted to reflect expected losses.

The amortized cost method is not used for short-term receivables, as the discounting effect is negligible; for this reason, such receivables are recognized at historical cost. The original effective interest rate is defined as the rate of interest which renders the discounted value of future cash flows deriving from the loan or receivable by way of principal and interest equal to the initial recognition value of the loan or receivable.

The original effective interest rate for each loan will remain unchanged in subsequent years, even if new terms are negotiated leading to a reduction to below market rates, including non-interest-bearing loans. The relevant value adjustment is recognized in the profit and loss account.

In accordance with the provisions of IFRS 9, the impairment model involves financial assets being classified at one of three different risk stages (Stage 1, Stage 2 and Stage 3), depending on developments in the borrower's credit quality, to which different criteria for measuring expected losses apply. Accordingly, financial assets are split into the following categories:

- Stage 1: this includes exposures at their initial recognition date for as long as there is no significant impairment to their credit quality; for such instruments, the expected loss should be calculated depending on default events which may occur within twelve months of the reporting date;
- Stage 2: this includes exposures whose credit risk underwent a significant deterioration from the initial recognition date, although the exposures were performing as such; in the transition from Stage 1 to Stage 2, the expected loss will be calculated throughout the residual lifetime of the instrument;
- Stage 3: this category consists of impaired exposures according to the definition provided in the regulations. In the transition to Stage 3, exposures are valued individually, that is, the value adjustment is calculated as the difference between the carrying value at the reference date (amortized cost) and the discounted value of the expected cash flows, which are calculated by applying the original effective interest rate. The expected cash flows consider the anticipated collection times, the probable net realizable value of any guarantees, and the costs which are likely to be incurred for the recovery of the credit exposure from a forward-looking perspective which factors in alternative recovery scenarios and developments in the economic cycle.

In the model for calculating expected losses applied by the Group, forward-looking information was taken into consideration by referring to three possible macroeconomic scenarios (baseline, mild-positive and mild-negative) that may have an impact on PD and LGD, including any sales scenarios where the Group's NPL strategy considers that such assets should be recovered through sale on the market.

The Group adopts qualitative and quantitative criteria to establish whether there has been a significant increase in credit risk, using backstop indicators, such as accounts which are thirty or more days overdue or have been classified as forborne, to assess whether or not they should be treated as Stage 2. Cases of low-risk instruments at the recording date are identified, compatible with classification as Stage 1 (low credit risk exemption), where there is a BBB- rating on the Standard & Poor's scale, or a corresponding internal PD estimate.

Purchased or originated credit impaired items (POCIs) are loans that are already non-performing at the point in time when they are acquired or disbursed. At the initial recognition date they are measured at amortized cost on the basis of an internal rate of return which is calculated using an estimate of the recovery flows expected for the item; expected recovery flows are periodically updated in light of new evidence and discounted using the above-mentioned internal rate of return.

Following initial recognition, all financial assets measured at amortized cost are subject to the impairment model based on the expected loss, i.e., performing as well as non-performing exposures.

Impairment regards losses which are expected to materialize in the twelve months following the reporting date, or losses which are expected to materialize throughout the rest of the instrument's lifetime in the event of a significant increase in credit risk. Both the twelve-month and lifetime expected losses can be calculated on an individual or collective basis according to the nature of the underlying portfolio.

Expected credit losses[15] are recorded and released only to the extent that changes have occurred. For financial instruments considered to be in default, the Group records an expected loss on the residual lifetime of the instrument (similar to Stage 2 above); value adjustments are determined for all the exposures of the different categories considering forecast information reflecting macro-economic factors (forward-looking approach).

Derecognition of assets

A financial asset must be derecognized from the balance sheet if, and only if, the contractual rights to the cash flows deriving from it have expired, or if the asset has been transferred in accordance with the circumstances permitted under IFRS 9. In such cases the Group checks if the contractual rights to receive the cash flows in respect of the asset have been transferred, or if they have been maintained while a contractual obligation to pay the cash flows to one or more beneficiaries continues to exist. It is necessary to check that basically all risks and benefits have been transferred, and any right or obligation originated or maintained as a result of the transfer is recorded separately as an asset or

[15] Please refer to the specific section on Credit Quality in Part E of the Notes to the Accounts for an exhaustive analysis of the staging criteria and application of the forward-looking approach, including the adjustments made as a result of the Covid-19 situation.

liability where appropriate. If the Group retains virtually all risks and benefits, the financial asset must continue to be recorded.

If the Group has neither transferred nor maintained all risks and benefits, but at the same time has retained control of the financial asset, this continues to be recognized up to the residual interest retained in that asset.

The main forms of activity currently carried out by the Group which do not require underlying assets to be derecognized are the securitization of receivables, repo trading and securities lending. Conversely, items received as part of deposit bank activity, the return on which is collected in the form of a commission, are not recorded, as the related risks and benefits continue to accrue entirely to the end-investor.

When a financial asset measured at amortized cost is renegotiated, the Group derecognizes it only if the renegotiation entails a change of such magnitude that the initial instrument effectively becomes a new one. In such cases, the difference between the original instrument's carrying value and the fair value of the new instrument is measured through profit or loss, taking due account of any previous write-downs. The new instrument is classified as Stage 1 for the purpose of calculating the expected loss (save in cases where the new instrument is classified as a POCI).

In cases where the renegotiation does not result in substantially different cash flows, the Group does not derecognize the instrument, but the difference between the original carrying value and the estimated cash flows discounted using the original internal rate of return must be measured through profit or loss (taking due account of any provisions already set aside to cover it).

Leases (IFRS 16)

An agreement is classified as a lease[16] (or contains a lease) based on the substance of the agreement at the execution date. An agreement is, or contains, a lease if its performance depends on the use of a specific good (or goods) and confers the right to use such good (goods) - the "Right of Use" (RoU) - for an agreed period of time and in return for payment of a fee (Lease liabilities). This definition of leasing therefore also includes long-term rentals or hires.

[16] Leases in which the Group is a lessor may be divided into finance leases and operating leases. A lease is defined as a finance lease if all risks and benefits typically associated with ownership are transferred to the lessee. Such leases are accounted for by using the financial method, which involves a receivable being booked as an asset for an amount equal to the amount of the lease, after any expired instalments on principal paid by the lessee, and the interest receivable being taken through the profit and loss account.

Right-of-use assets are recognized among “Tangible assets”, and calculated as the sum of the current value of future payments (which corresponds to the current value of the recognized liability), the initial direct costs, any instalments received in advance or on the effective date of the lease (down payment), any incentives received from the lessor, and estimates of any costs for removing or restoring the asset underlying the lease.

The lease liability, which is booked under “Financial liabilities measured at amortized cost”, is equal to the discounted value of payments due in respect of the lease discounted, as required by the Standard, to the marginal financing rate, equal for the Group to the Funds Transfer Pricing rate (FTP) as at the date concerned.

The duration of the lease agreement must not only consider the non-cancellable period established by contract, but also the extension options if their use is considered reasonably certain; in particular, the counterparty’s past behaviour, the existence of corporate plans for the disposal of the leased business and any other circumstances indicative of the reasonable certainty of renewal must be considered when providing for automatic renewal.

After initial recognition, right-of-use assets are amortized over the lease duration and written down as appropriate. The liability will be increased by the interest expense accrued and progressively reduced as a result of the payment of fees; in the event of a change in payments, the liability will be recalculated against the right-of-use asset.

For sub-leases, i.e., when an original lease has been replicated with a counterparty, and there are grounds for classifying it as a finance lease, the liability in respect of the original lease is matched by an amount receivable from the sub-lessee rather than the value in use.

Hedging

With reference to hedging transactions, the Group has chosen to adopt the provisions of IFRS 9 starting on 1 July 2018, and not to make use of the exception granted, i.e. to continue to apply the IAS 39 rules to these transactions, with the exception of the specific cases set forth in IFRS 9 (para. 6.1.3)[17] and not governed by the same.

[17] IFRS 9 par 6.1.3: “For a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities (and only for such a hedge), an entity may apply the hedge accounting requirements in IAS 39 instead of those in this Standard. In that case, the entity must also apply the specific requirements for the fair value hedge accounting for a portfolio hedge of interest rate risk and designate as the hedged item a portion that is a currency amount (see paragraphs 81 A, 89 A and AG114-AG132 of IAS 39).”

Two types of hedges are used by the Group:

– Fair value hedges, which aim to offset the Bank's exposure to changes in the fair value of a financial item or homogenous group of assets in terms of risk profile;
– Cash flow hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in future cash flows attributable to specific risks relating to the items concerned;
– Hedges of foreign investments in currencies other than the Euro: these refer to the hedging of risks in an investment in a non-Italian company denominated in a foreign currency.

For the process to be effective, the item must be hedged with a counterparty from outside the Group.

Hedge derivatives are measured at fair value as follows:

– For fair value hedges, a change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument, both of which recognized in the profit and loss account, should a difference emerge as a result of the partial ineffectiveness of the hedge;
– For cash flow hedges, a change in fair value is recognized in net equity for the effective portion of the hedge and in the profit and loss account only when, with reference to the hedged item, the change in the cash flows to be offset actually occurs.

Hedge accounting is permitted for derivatives where the hedging relationship is formally designated and documented and provided that the hedge is effective at its inception and is expected to be so for its entire life.

At inception, the Group formally designates and documents the hedging relationship, with an indication of the risk management objectives and strategy for the hedge. The documentation includes identification of the hedging instrument, the item hedged, the nature of the risk hedged and how the entity intends to assess if the hedging relationship meets the requisites for the hedge to be considered effective (including analysis of the sources of any ineffectiveness and how this affects the hedging relationship). The hedging relationship meets the eligibility criteria for accounting treatment reserved for hedges if, and only if, the following conditions are met:

- The effect of the credit risk does not prevail over the changes in value resulting from the economic relationship;
- The coverage provided by the hedging relationship is the same as the coverage which results from the quantity of the item hedged which the entity effectively hedges, and the quantity of the hedge instrument which the Group actually uses to hedge the same quantity of the item hedged.

Fair value hedges

As long as the fair value hedge meets the qualifying criteria, the gain or loss on the hedging instrument must be recognized in the profit and loss account or under one of the other comprehensive income headings if the hedging instrument hedges another equity instrument for which the Group has chosen to measure changes in fair value through OCI. The hedge profit or loss on the hedged item is recorded as an adjustment to the book value of the hedge with a matching entry through the profit and loss account, even in cases where the item hedged is a financial asset (or one of its components) measured at fair value with changes taken through OCI. However, if the hedged item is an equity instrument for which the entity has opted to measure changes in fair value through OCI, the amounts remain in the statement of other comprehensive income.

If the hedged item is an unrecognized irrevocable commitment (or a component thereof), the cumulative change in fair value of the hedged item resulting from its designation is recognized as an asset or liability with a corresponding gain or loss recorded in the profit (loss) for the period.

Cash flow hedges

As long as the cash flow hedge meets the qualifying criteria, it is accounted for as follows:

- The gain or loss on the hedging instrument in relation to the effective portion of the hedge is measured through OCI in the cash flow reserve, whereas the ineffective part is measured through profit or loss.

- The cash flow reserve is adjusted to the lower of:
  - The cumulative gain or loss on the hedge instrument since the hedge's inception; and
  - The cumulative change in fair value (at the present value) of the hedged item (i.e., the present value of the cumulative change in the estimated future cash flows hedged) since the hedge's inception.

The cumulative amount in the cash flow hedge reserve will be reclassified from the cash flow hedge reserve to profit (loss) for the period as a reclassification adjustment in the same period or periods in which the estimated future cash flows being hedged have an impact on the profit (loss) for the period (e.g., in periods when interest receivable or payable are recorded, or when the planned sale takes place). However, if the amount constitutes a loss and the entity does not expect to recover the whole loss or part of it in one or more future periods, the entity must classify the amount it does not expect to recover in the profit (loss) for the period (as an adjustment due to reclassification) immediately.

Foreign currency investment hedges

As far as it complies with eligibility criteria, a cash flow hedge is accounted for in the following ways:

- The portion of gain or loss on the hedging instrument that results in an effective hedge is booked into Other Comprehensive Income; and
- The ineffective share is booked in the profit and loss account.

The cumulative gain or loss on the hedging instrument related to the effective part of the hedge which had been accumulated into the foreign currency exchange rate reserve will be reclassified from net equity to profit and loss as a reclassification adjustment (see IAS 1), as required by par. 48 and 49 of IAS 21 regarding the partial or total disposal of the foreign investment.

Equity investments

This heading consists of interests[18] held in jointly-controlled companies and associates. Companies subject to joint control, otherwise known as joint ventures, are defined as entities whose control is contractually stipulated as being shared between the Group and one or more other parties, or when the unanimous consent of all parties which share control of the entity is required for decisions regarding relevant activities.

Companies subject to significant influence, otherwise known as associates, are defined as entities in which the Group holds at least 20% of the voting rights (including "potential" voting rights) or for which - despite holding a lower share of the voting rights - it is entitled to participate in deciding the financial and management policies of the investee company by virtue of its being represented in that company's management bodies, without actually having control over it.

The Group uses the net equity method to account for these investments; hence they are initially recognized at cost and subsequently adjusted to reflect changes in the net assets attributable to the Group since the acquisition date.

Following application of the net equity method, if there is objective evidence that the value of an investment may have reduced, estimates are made of its recoverable value, taking into account the value of the discounted future cash flows which the investment might generate, including the final sale value of the investment itself.

If the recoverable value is lower than the book value, the difference is measured through profit or loss.

If, in a period following the year in which an impairment loss has been recorded, a change occurs in the estimates used to determine the recoverable value, the book value of the investment will be revised to reflect the recoverable value and the adjustment will give rise to a write-back.

[18] As specified in IAS 28, the stake in an associated company is the book value of the investment in the affiliated company calculated using the equity method together with any other long-term stake which, in substance, represents the entity's further net investment in the affiliated company. Any short-term transactions (trading and securities lending) are not relevant for the computation of the stake for equity-based consolidation purposes.

In cases where significant influence or joint control are lost, the Group recognizes and values any residual share still held at fair value. Any difference between the book value at the date on which the loss of significant influence or joint control occurs, plus the fair value of the share still held and the consideration received on disposal, will be recognized in the profit and loss account.

Tangible assets

This heading comprises land, core and investment properties, plant, furniture, fittings and equipment of all kinds. It also includes the R-o-U assets acquired under leases and related use of tangible assets (for lessees) and assets used under the terms of finance leases (for lessors), despite the fact that such assets remain the legal property of the lessor rather than the lessee.

Assets held for investment purposes refer to investments in real estate, if any (whether owned or acquired under leases), which are not core to the Bank's main activities and/or are chiefly leased out to third parties.

The heading also includes tangible assets classified pursuant to IAS 2 - Inventories, namely assets deriving from guarantees being enforced or acquired at an auction which the firm has the intention of selling in the near future, without carrying out any major refurbishment work and which do not fall into any of the previous categories.

Such assets are recognized at historical cost, which, in addition to the purchase price, includes any ancillary charges directly attributable to the purchase and/or commissioning of the asset. Extraordinary maintenance charges are accounted for by increasing the asset's value, while ordinary maintenance charges are recorded in the profit and loss account.

Fixed assets are depreciated over the length of their useful life on a straight-line basis, with the exception of land, which is not depreciated on the grounds that it has unlimited useful life. Properties built on land owned by the Group are recorded separately on the basis of valuations prepared by independent experts.

At annual and interim reporting dates, where there is objective evidence that the value of an asset may be impaired, its carrying amount is compared to its current value, which is the higher of its fair value after any costs to sell and its related value in use. Adjustments, if any, are recognized in the profit and loss account. If the reasons for recognizing a loss in value no longer apply, the adjustment will be written back, with the proviso that the amount credited may not exceed the value which the asset would have had after depreciation, which is calculated assuming no impairment took place.

Intangible assets

These chiefly comprise goodwill, long-term computer software applications and other intangible assets deriving from business combinations subject to IFRS 3.

Goodwill may be recognized where this is representative of the investee company's ability to generate future income. At annual and interim reporting dates, goodwill recorded as an asset is tested for impairment[19]. Any reduction in value due to impairment is calculated as the difference between the initial recognition value of goodwill and its realizable value, the latter being equal to the higher of the fair value of the related cash-generating unit after any costs to sell and its value in use, if any. Any adjustments will be recognized in the profit and loss account.

Other intangible assets are measured at cost, adjusted to reflect ancillary charges only where it is likely that future earnings will derive from the asset and the cost of the asset itself may be reliably determined. Otherwise, the cost of the intangible asset is booked through the profit and loss account in the year in which the expense was incurred.

The cost of intangible assets is amortized on a straight-line basis over the useful life of the related asset. If its useful life is indefinite the cost of the asset is not amortized, but the value at which it is initially recognized is tested for impairment on a regular basis.

[19] The Group has adopted a policy for the impairment testing process in line with the provisions of *Organismo Italiano di Valutazione* (OIV), *Impairment test dell'avviamento in contesti di crisi finanziaria* (Impairment test of goodwill during financial crises) of 14 June 2012, *Principi Italiani di Valutazione* (PIV, Italian Valuation Standards) published in 2015, Discussion Paper of 22 January 2019, Discussion Paper no. 01/2021 issued on 16 March 2021 by *Organismo Italiano di Valutazione* (O.I.V.) "*L'uso di informazione finanziaria prospettica nella valutazione d'azienda*" (Use of forward-looking financial information in company valuation), Discussion Paper no. 01/2022 issued on 29 June 2022 "*Impairment test dei Non-Financial Assets* (IAS 36)" (Impairment test of non-financial assets), Discussion paper No. 02/2021 issued on 16 March 2021 by Organismo Italiano di Valutazione (O.I.V.) "*Linee Guida per l'Impairment Test dopo gli effetti della pandemia da Covid-19*" (Guidelines for Impairment Tests after the effects of the Covid-19 pandemic), with suggestions published by ESMA, the guidelines of the joint document Bank of Italy, Consob, IVASS (document no.4 of 3 March 2010 and no.8 of 21 December 2018) and various Consob communications and warning notices.

At annual and interim reporting dates, if there is evidence of impairment the realizable value of the asset is estimated[20]. The impairment is recognized in the profit and loss account as the difference between the carrying amount and the recoverable value of the asset concerned.

Tax assets and liabilities

Income taxes are recorded through the profit and loss account, with the exception of tax payable on items debited or credited directly to net equity. Provisions for income tax are calculated on the basis of current, advance and deferred obligations. In particular, prepaid and deferred taxes are calculated on the basis of temporary differences - without time limits - between the value attributed to an asset or liability according to (Italian) statutory regulations and the corresponding values used for tax purposes.

Advance tax assets are recognized in the balance sheet based on the reasonable certainty that they will be recovered.

Deferred tax liabilities are recognized with the exception of tax-suspended reserves, if the size of available reserves previously subjected to taxation is such that it may be reasonably assumed that no transactions will be carried out on the Group's own initiative that might lead to their being taxed.

Deferred taxes arising upon business combinations are recognized when this is likely to result in a charge for one of the companies concerned.

Tax assets and liabilities are adjusted as and when changes occur in the regulatory framework or in applicable tax rates, inter alia to cover charges that might arise in connection with inspections by or disputes with the tax revenue authorities, according to IAS 12 and consistent with IFRIC 23.

Contributions to Deposits Guarantee Schemes and resolution funds are accounted for according to IFRIC 21.

[20] Under IAS 36, impairment testing, i.e. tests to ascertain whether or not there has been a loss in the value of individual tangible and intangible assets, must be carried out at least once a year, in conjunction with the preparation of the financial statements, or more frequently if any events indicate that such assets have suffered impairment (known as "impairment indicators").

E-MARKET SDIR CERTIFIED

Non-current assets held for sale and disposal groups (IFRS 5)

Under assets heading “Non-current assets held for sale and disposal groups” and under liability heading “Liabilities associated to disposal groups” the Group classifies non-current assets or groups of assets/liabilities whose booking value will be presumably recovered by mean of a sale process. To be classified in this Heading, assets or liabilities (or disposal groups) should be readily available for sale and selling plans should be identified, which are active and realistic in a way that their completion is considered highly probable. After the classification in the identified Heading, these assets are valued at the lower of the booking value and the fair value after costs to sell, with the exception of some categories of assets (i.e., assets falling under the scope of standard IFRS 9) for which IFRS 5 requires specifically that the valuation provisions of the applicable standard should be used. In case of held-for-sale assets to be still depreciated, this process ends when assets are classified in the mentioned Heading.

In case of discontinued operations, i.e., the sale of operating assets relating to an important business sector or geographical area, the standard requires gains and losses related thereto to be grouped together, after any tax effect, in the profit and loss Heading “320. Gains (losses) of discontinued financial assets, after tax”.

If the fair value of assets and liabilities held for sale, after costs to sell, is lower than their book value, a write-off will be calculated and booked through profit or loss.

Non-current assets held for sale and disposal groups are derecognized from the balance sheet when the sale occurs.

Provisions for risks and charges

These regard risks linked to loan commitments and guarantees issued, and to the Group's operations which could lead to expenses in the future as well as post-retirement plan provisions (cf. below).

In the first case (provisions for risks and charges to cover commitments and guarantees issued), the amounts set aside are quantified in accordance with the rules on impairment of financial assets measured at amortized cost.

In the other cases the rules of IAS 37 apply, i.e., the potential charge must be estimated reliably; if the time effect is material, provisions are discounted using current market rates; and the provision is recognized in the profit and loss account.

Provisions are reviewed on a regular basis, and where the charges that gave rise to them are deemed unlikely to crystallize, the amounts involved are written back to the profit and loss account in part or in full.

Withdrawals are only made from provisions to cover the expenses for which the provision was originally set aside.

As permitted by IAS 37, paragraph 92, no precise indication has been given of any potential liabilities where this could compromise the company in any way.

E-MARKET SDIR CERTIFIED

Staff severance indemnity provision and post-retirement schemes

Employee severance indemnities qualify as a defined-contribution retirement plan for units accruing from 1 January 2007 (the date on which the reform of supplemental retirement plans came into force under Legislative Decree No. 252/05), for cases where the employee opts into a supplemental retirement plan, and also for cases where contributions are paid into the treasury fund held with Istituto Nazionale di Previdenza Sociale (INPS, Italian national social security institution). For such payments, the amount accounted for under labour costs is determined on the basis of the contributions due without using actuarial calculation methods.

Severance indemnities accrued up to 1 January 2007 qualify as defined benefit retirement plans, and as such will be recorded depending on the actuarial value calculated in line with the projected unit method. Therefore, future payments will be estimated based on past statistical analyses (for example turnover and retirements) and on the demographic curve; these flows will then be discounted according to a market interest rate that takes the market yield of bonds of leading companies as a benchmark, taking into account the average residual duration of the liability weighted on the basis of the percentage of the amount paid or advanced for each maturity with respect to the total amount to be paid or advanced until the final settlement of the entire obligation.

Post-retirement plan provisions have been set aside under company agreements and also qualify as defined benefit plans. In this case, the current value of the liability is reduced by the fair value of any assets to be used under the terms of such plan.

Actuarial gains and/or losses are recorded in the Statement of Other Comprehensive Income, while the interest component is recognized in the profit and loss account.

Financial liabilities valued at amortised cost

These include the items Due to banks, Due to customers and Debt securities in issue less any amounts bought back. The heading also includes amounts receivable in respect of finance lease transactions, whose valuation and classification rules are governed by IFRS 16, but which are also affected by the impairment rules under IFRS 9. For a description of the rules for valuing and classifying lease receivables, see the relevant section.

Initial recognition takes place when funds raised are collected or debt securities are issued, and occurs at fair value, which is equal to the amount collected after transaction costs incurred directly in connection with the liability concerned. After initial recognition, liabilities are measured at amortized cost on the basis of the effective interest rate, with the exception of short-term liabilities which will continue to be stated at the amount collected.

Derivatives embedded in structured debt instruments are stripped out from the underlying contract and recognized at fair value when they are not closely correlated to the host instrument. Subsequent changes in fair value are recognized through the profit and loss account.

Financial liabilities are derecognized upon expiry or repayment, even if buybacks of previously issued bonds are involved. The difference between the liabilities' carrying value and the amount paid to repurchase them is recognized through the profit and loss account.

The sale of treasury shares over the market following a buyback (even in the form of repos and securities lending transactions) is treated as a new issue. The new sale price is recorded as a liability without passing through the profit and loss account.

Trading liabilities

This item includes the negative value of trading derivatives and any derivatives embedded in complex instruments. Liabilities in respect of technical shortfalls deriving from securities trading activity are also included. All trading liabilities are measured at fair value and changes are taken through the profit and loss account.

Financial liabilities measured at fair value

These include the value of financial liabilities measured at fair value through profit or loss based on the fair value option permitted under IFRS 9 and in accordance with the cases permitted under the regulation itself.

Such liabilities are measured at fair value and the earnings accounted for based on the following rules provided by IFRS 9:

– Changes in fair value attributable to changes in one's credit quality must be recognized in the Statement of Other Comprehensive Income (Net Equity);
– Other changes in fair value must be recognized through profit or loss;
– Amounts stated in other comprehensive income will not flow through profit or loss. This method cannot be adopted, however, if the recognition of the effects of the issuer's own credit quality in net equity generates or accentuates an accounting mismatch in profit and loss. In such cases, the profits or losses related to the liability, including those caused as the effect of the change in the issuer's credit quality, must be measured through profit or loss.

Financial liabilities recognized at present value of redemption amount

These consist of financial liabilities originating from agreements to buy out minorities in connection with acquisitions of controlling interests. Such financial liabilities, which are recorded in the balance sheet under heading 80, "Other liabilities", are recognized at the present value of the redemption amount.

Foreign currency transactions

Transactions in foreign currencies are recorded by applying the exchange rates as at the date of the transaction to the amount in the foreign currency concerned.

Assets and liabilities denominated in currencies other than the Euro are translated into Euros using exchange rates prevailing at the transaction dates. Differences on cash items due to translation are recorded through the profit and loss account, whereas those on non-cash items are recorded according to the valuation criteria used in respect of the category they belong to (i.e., at cost, through profit or loss or on an equity basis).

The assets and liabilities of non-Italian entities consolidated on a line-by-line basis have been converted at the exchange rate prevailing at the reporting date, whereas the profit-and-loss items have been converted using the average of the average monthly exchange rate readings for the period; any differences emerging after the conversion have been recognized in the valuation reserves of net equity.

Stock options, performance shares and long-term incentives

Stock option, performance share and long-term incentive (LTI) schemes operated on behalf of the Group staff members and collaborators are treated as a component of labour costs.

Schemes which involve payment through the award of shares are measured through profit or loss, with a corresponding increase in net equity, based on the fair value of the financial instruments allocated at the award date, thus spreading the cost of the scheme throughout the period of time in which the requirements in terms of service have been met and the performance targets, if any, have been achieved.

The overall cost of the scheme is recorded in each financial year up to the date on which the plan vests, so as to reflect the best possible estimate of the number of shares that will actually vest. Requirements in terms of service and performance targets are not considered in determining the fair value of the instruments awarded, but the probability of such targets being reached is estimated by the Group and this is factored into the decision as to the number of instruments that will vest. Conversely, market conditions will be included in establishing the fair value, whereas conditions unrelated to the requirements in terms of service are considered "non-vesting conditions" and are reflected in the fair value established for the instruments, and result in the full cost of the scheme being recorded in the profit and loss account immediately in the event that no service requirement and/or performance conditions have been met.

In the event of performance or service conditions not being met and the benefit failing to be allocated as a result, the cost of the scheme is written back. However, if any market conditions fail to be reached, the cost must be recorded in full if the other conditions have been met.

In the event of changes to the scheme, the minimum cost to be recorded is the fair value at the scheme award date prior to the change, if the original conditions for vesting have been met. An additional cost, established at the date on which the change is made to the scheme, must be recorded if the change has entailed an increase in the overall fair value of the scheme for the beneficiary.

For schemes which will involve payments in cash upon expiry, the Group records an amount payable equal to the fair value of the scheme measured at the award date of the scheme and at every reporting date thereafter, up to and including the settlement date, with any changes recorded as labour costs.

Treasury shares

These are deducted from net equity. Any gains/losses realized on disposal are recognized in net equity.

Fees and commissions receivable in respect of services

This heading includes all revenues deriving from the provision of services to customers with the exception of those relating to financial instruments, leases and insurance contracts.

Revenues from contracts with customers are measured through profit or loss when control over the service is transferred to the customer, in an amount that reflects the fee to which the Group considers to be entitled in return for the service rendered.

For revenue recognition purposes, the Bank analyses the contracts to establish whether they contain more than one obligation to provide services to which the price of the transaction should be allocated. The revenues are then recorded throughout the time horizon over which the service is rendered, using suitable methods to recognize the measurement in which the service is provided. The Group also takes into consideration the effects of any variable commissions, and whether or not a significant financial component is involved.

In the event of additional costs being incurred to perform or execute the contract, where such costs meet the requirements of IFRS 15, the Group will assess whether to capitalize them and then amortize them throughout the life of the contract, or to make use of the exemption provided by IFRS 15 to expense the costs immediately in cases where their amortization period would be complete within twelve months.

Dividends

Dividends are recognized in the profit and loss account during the year in which their distribution is approved; they concern distributions from equity securities that are not part of affiliated investments and/or joint ventures measured according to the provisions of IAS 28.

Recognition of costs

Costs are measured through profit or loss in accordance with the revenues to which they refer, except in case their capitalization requirements apply and where provided in order to determine amortized cost. Any other costs which cannot be associated with revenues are accounted for immediately in the profit and loss account.

Related parties

Related parties are defined, inter alia in accordance with IAS 24 and taking into account the Group's policy adopted in compliance with the CONSOB Regulation, as follows:

a) Individuals or entities which, directly or indirectly, exercise significant influence over the Bank;

b) Shareholders with stakes of 3% or more in the Bank's share capital[21];

c) The legal entities controlled by the Bank;

d) Associated companies, joint ventures and entities controlled by them;

e) Key management personnel, that is, individuals with powers and responsibilities, directly or indirectly, for the planning, direction and control of the Parent Company's activities, including the members of the Board of Directors and Statutory Audit Committee;

f) Entities controlled or jointly controlled by one or more of the entities listed under the foregoing letters a) and e) and the joint ventures of entities referred to under letter a);

[21] Excluding Italian and international market-makers and asset managers, which, in the exercise of their collective fund management activity, undertake not to take an active part in the management of the companies in which they are investing.

g) Close family members of the individuals referred to in letters a) and e) above, that is, individuals who may be expected to influence them or be influenced by them in their relations with Mediobanca (this category includes children, spouses and their children, partners and their children, dependents, spouses' dependents and their partners' dependents), as well as any entities controlled, jointly controlled or otherwise associated with such individuals.

A.3 - Information on transfers between financial asset portfolios

A.3.1 Reclassification of financial assets: changes to the business model, book value and interest income

There are no data to report at 30 June 2022.

A.4 - Information on fair value

QUALITATIVE INFORMATION

Introduction

IFRS 13 paragraph 24 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market.

The fair value of financial instruments listed in active markets is determined using the quoted price in the principal market, or alternatively in the most advantageous market where the Group has access; such instruments are said to be priced at Marked to Market. A market is defined as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For instruments not listed in an active market or if the market does not function properly (i.e., no sufficient and continuous number of transactions, or low bid-ask spreads or volatility), different valuation techniques populated by market data are used:

– Valuations of listed instruments with similar characteristics or values recorded in recent comparable transactions;
– Discounted cash flow method;
– Derivative price calculation models, prudentially adjusted to reflect the illiquid nature of some market data and other risks associated with specific transactions. These valuation models, the related inputs and the Fair Value or Independent Price Verification Adjustment are mapped in the Product Catalogue and in the Group's official Fair Value and Independent Price Verification operating procedures.

If no market data are available, valuation techniques based on internal estimates are used.

As a further guarantee of the objectivity of the valuations, the Group performs independent price verification processes (Independent Price Verification or IPV): a unit unrelated to the unit assuming the risk checks the prices of the financial instruments on a daily basis, using data provided by independent third parties.

Macroeconomic scenario

The second half of the year was characterized by an economic slowdown and uncertainties in both the equity and fixed income financial markets, which consisted in extraordinary levels of volatility generating an increase in the uncertainty of input parameters with an adverse impact on the fair value measurement process.

Remediation activities

During the year under review, work continued on improving the fair value measurement framework following the first On-Site Inspection on Valuation Risk, which ended in February 2020, and a second inspection, which ended in March 2022, specifically focusing on three types of products for which the Bank is awaiting a recommendation letter from the JST.

During the year under review, on the other hand, various projects were started to address the recommendations of the JST after the first inspection, requiring an extensive use of benchmarking analyses and European level best practices with the aim of further refining internal processes and the quality of data relating to:

- fair value hierarchy and adoption of the day-one profit rule;
- methods for calculating and verifying fair value for accounting purposes (fair value adjustment and independent price verification, IPV);
- effects on capital (prudent valuation).

The planned actions will have no significant effects on the profit and loss account since the related impacts were essentially taken into account during the course of the year under review and of the previous financial year.

IPV Process and Prudent Valuation Adjustments (PVA)

The Independent Price Verification (IPV) process for financial instruments involves defining the control, escalation and reporting methodologies used to verify the valuations of positions measured at fair value, for both owned instruments and those received as collateral.

This is governed by the "Group Independent Price Verification Policy", which illustrates the structure of the certification process from an operating and accounting viewpoint. As part of this process, "regulatory technical standards for Prudent Valuation"[22] were identified in line with the Community legislation[23] to ensure the right degree of certainty for the valuation of positions accounted

[22] The valuation for prudential purposes involves the use of some market parameters and Fair Value adjustments exclusively affecting Regulatory Capital and capital ratios.

[23] Under Article 105 of the Capital Requirements Regulation adopted in Regulation (EU) 575/2013 and referred to in Commission Delegated Regulation (EU) 2016/101.

for at fair value (of the banking book with impacts on equity and of the trading book). Lastly, a manual was drawn up stating the valuation method and the necessary inputs for each existing product.

Based on internal regulation, the necessary inputs for the financial instruments' valuation must be validated by independent units, with the objective of ensuring that such valuations are as much as possible aligned with the market and the required prudential criteria[24].

The entire IPV and Prudent Valuation process is subject to audit by the Internal Audit of the Group.

Fair value hierarchy

The fair value of financial assets and liabilities is reported according to a hierarchy based on the quality of the input parameter[25] used for its computation, as required by IFRS 13 and Circular no. 262 of the Bank of Italy.

In particular, financial assets and liabilities measured at fair value are classified into levels that give decreasing priority to measurements based on different market parameters: the highest priority (Level 1) is assigned to measurements based on quoted (unadjusted) prices on an active market for identical assets or liabilities; the lowest priority (Level 3) to those significantly deriving from unobservable parameters.

Specifically, the levels are identified as follows:

- Level 1: valuations based on quoted prices (univocal and without adjustments) in active markets for the financial instrument being valued.
- Level 2: valuations based on measurement techniques using inputs that are observable on the market either directly (prices) or indirectly (derived from prices). In this case fair value is measured via a comparable approach, or by a pricing model commonly used by other financial operators, with inputs

[24] CRR Article 105(2), (8).

[25] Cf. IFRS 13, paragraph 73: "the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement"; and paragraph 74: "The fair value hierarchy ranks fair value measurements based on the type of inputs; it does not depend on the type of valuation techniques used". For further details see IFRS 13, paragraphs 72-90.

observable on the market or estimated internally but having a limited impact on fair value.

– Level 3: valuations based on measurement techniques using significant unobservable inputs on the market and/or complex and uncertain pricing models. In this case fair value is determined on the basis of assumptions on future cash flows, which could lead to different estimates by different valuers for the same financial instrument.

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If the input used to measure the fair value of an asset or liability is categorized within different levels, the fair value level is determined by the significance of the input.

As part of the Group's process improvement activities, more stringent criteria were introduced during the year for the classification of the hierarchy (referred to as fair value levels) based on the effective liquidity of the listed prices and of the inputs used for mark-to-model valuations. In particular, for equity products, the hierarchy is now based on the observability of market share prices (supplied by info-providers and market consensus services) for the individual underlying risk factors.

Fair Value Adjustment

Fair value adjustment is defined as the difference to be added to, or subtracted from, the price observed on the market or the theoretical price generated by the model, to ensure that fair value reflects the price of a possible market transaction.

Fair value adjustments through profit or loss, as stated in IFRS 13, are fundamental in order to align the individual financial instrument's valuation with its actual exit price, in view of the level of market liquidity, the uncertainty of the valuation parameters and cost of funding and the complexity of valuation models used in the absence of shared market practices.

The accounting taxonomy is aligned with prudent valuation (Article 105 of the CRR - "Prudent Valuation" with an impact on equity) and therefore the scope of fair value adjustments includes the following categories:

– Close-Out Costs: this refers to the uncertainty of a valuation of the exit price that the Group might incur in the event of the, partial or total, disposal, of a position recognized at fair value;

- Investing and Funding Costs: this reflects the costs of financing or refinancing a position recognized at fair value;
- Market Price Uncertainty: this refers to the uncertainty of a valuation based on market prices;
- Concentrated Positions: this refers to the uncertainty of a valuation of the exit price for positions defined as concentrated;
- Model Risk: this refers to adjustments to mitigate the risk of misalignment with market practices in the valuation of a product for the choice and implementation of the related pricing model.

The improvements implemented during the year under review concerned the adjustments to credit curves and interest rate curves and the introduction of a new model risk framework concerning auto-callable options on underlying multi-assets: compared to last year's (expert-based) approach, no significant impacts were recorded. On the other hand, the analysis of the volatility rate of listed products remains to be completed, although no significant impact is expected.

Credit/Debt Value Adjustments and Funding Cost Adjustments (CVA/DVA/FCA)

Credit Value Adjustments (CVA) and Debt Value Adjustments (DVA) are incorporated into the valuation of derivatives to reflect the impact on fair value of the counterparty's credit risk and the Group's credit quality, respectively, as follows:

- CVA is a negative quantity which takes account of scenarios in which the counterparty may go bankrupt before the Bank does in case of amounts receivable (positive MTM) from the counterparty;
- DVA is a positive quantity which takes account of scenarios in which the Group may go bankrupt before the counterparty does in case of amounts payable (negative MTM) to the counterparty.

CVA and DVA are calculated taking into consideration any counterparty risk mitigation agreements that have been entered into, in particular collateral and netting agreements for each counterparty.

The CVA/DVA methodology used by the Group is based on the following inputs:

- Expected positive exposure (EPE) and expected negative exposure (ENE) of the valuation of the derivative contracts, arising from simulation techniques;
- Probability of default (PD), arising from the historical or implicit probability of default in the market prices for Credit Default Swaps or bond securities;
- Loss given default (LGD) based on the estimated value of expected recovery in the event of bankruptcy of the counterparty, as defined by specific analysis conducted by the Group or by the recovery rates conventionally used for the Credit Default Swap quotations.

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The fair value of noncollateralized derivatives may be affected by the Group's cost of funding; to take account of this aspect, some adjustments are calculated to reflect the different cost of funding (Funding Value Adjustments), using a discount curve representative of the average funding level of banks participating in the European corporate derivatives market.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs

As a rule the Group uses market prices (Level 1) or models based on observable inputs (Level 2).

However, all instruments whose fair value measurement is primarily determined by unobservable inputs (such as, for example, the volatility above certain thresholds, or the equity and credit correlation, etc.), or contains adjustments that significantly alter the most liquid inputs used, are classified as Level 3[26].

All level 3 instruments are subject to additional price verification procedures, which include: revision of relevant historical data, analysis of gains and losses, individual measurement of each single component of a structured product and benchmarking. This approach involves the use of subjective parameters and judgements based on experience and, consequently, adjustments to valuations taking into account the bid-ask spread, the liquidity or counterparty risk, and the type of measurement model adopted, may be required. In any case, all valuation

[26] Under paras. 73 and 75 of IFRS 13. For further information on this issue, please refer to Section A.5.

models, including those developed internally, are verified independently and validated by different Group units, thus ensuring an independent control structure.

Furthermore, the Independent Price Verification unit performs independent checks of the parameters used, comparing them with similar inputs from different sources.

Inputs for determining the fair value level

The Group has further refined the classification processes in the different fair value levels, increasingly focusing on the analysis of inputs used to measure fair value when a price is not listed on an active market.

A description of the main inputs for determining the fair value level is provided below:

- Prices: instruments traded on a regulated market or for which prices for bilateral exchanges are available are valued using prices obtained from info-providers;
- Interest rates/inflation swap rates: these are inputs used for the valuation of the derivative instruments involving the exchange of flows between two counterparties. Interest rate is the market's expectation regarding future trends in rates and is quoted for different maturities. The inflation swap rate is the market's expectation regarding the future trend in inflation. The illiquidity of these inputs has a direct impact on the valuation of a debt security or a derivative;
- Repo rates: interest rates applied to repurchase agreements on securities;
- Volatility: measurement of the expectations about the variability of market prices with respect to certain benchmarks. These may be quoted directly or taken from the prices of listed instruments. Volatilities may, among other things, refer to different types of underlying instruments (shares/indexes, interest rates: cap/floor or swaptions, exchange rates, inflation);
- Correlation: this measures the relationship between changes in two variables and is an input for the valuation of a derivative product where the payoff is determined by multiple risk factors / underlyings;

– Dividends: dividend yields on equity instruments are an estimate of the possible returns that such instruments will offer in the future in terms of cash flows. The yield and frequency of dividends paid are the most significant parameters for determining the fair value of instruments that are sensitive to the forward price of a share;

– Credit spreads: these represent an estimate of the risk of default of a counterparty and are quoted against a benchmark; they refer to a wide variety of underlying instruments (indexes and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad spectrum covered by this category is the reason why the range of unobservable inputs is so extensive.

Assets and liabilities measured at fair value on a recurring basis

This section provides disclosure on the measurement techniques and inputs used for assets and liabilities measured at fair value on a recurring basis, by fair value level.

Level 1

This hierarchy level comprises all instruments traded on active markets or whose quotations are available on an ongoing basis. The former instance includes cash equity instruments, funds and listed derivatives[27] (futures and options with equity, interest rates and sovereign debt as the underlying) traded on regulated markets for which an official closing price is available. The second category includes liquid debt securities (including Asset-Backed Securities and CLOs) for which prices are therefore available on a continuous basis and are executable at the reporting date.

Level 2

– Bond securities: securities traded on less liquid markets showing bid/ask spreads above adequate levels are classified as Level 2; likewise instruments not traded in active markets and valued at Mark to Model using the implied credit spread curves obtained from Level 1 or Level 2 instruments, and adding a further spread to reflect their illiquidity are classified as Level 2.

[27] Provided that the quotation, following the IPV process, is considered to be effectively liquid.

The model makes maximum use of observable inputs and minimum use of non-observable inputs. In this way, only if the credit spread curve applied is representative, will the bonds be categorized as Level 2. Fair value adjustments may be used to address the measurement uncertainty inherent in the use of alternative valuation techniques other than the use of market prices (Mark to Market);

- Derivatives: the fair value of derivatives not traded on an active market derives from applying Mark to Model measurement techniques. The Group mainly uses models with observable inputs, rather than those where the use of unobservable inputs is predominant[28]. When the inputs used for the valuation model of different components of a derivative have an active market, fair value is measured on the basis of their market quotations. Therefore, an OTC derivative that mainly uses observable Level 1 inputs (quoted prices)[29] or Level 2 inputs (e.g., interest rate curves, implicit volatilities and credit spreads)[30] is classified as Level 2. These classes of derivatives include:
  - Plain vanilla instruments, such as options with equity or exchange rates, interest rate swaps, cap & floor, credit default swaps and credit default indexes as underlyings;
  - Exotic instruments which use more complex models such as exotic equity options, structured forex including derivatives embedded in notes issued by the Group whose characteristics replicate those referred to above; a model risk fair value adjustment may still be applied to these instruments to take into account potential adverse impacts due to the valuation of these characteristics;
  - Certificate issues with credit derivatives or shares as underlying (equity index or single-name baskets), including the issuer's credit risk which is part of the overall fair value measurement.

All instruments classified as Level 2 must in any case show a majority of observable inputs used for the fair value measurement. If the IPV process reveals a high level of uncertainty due to the inputs used, these certificates are classified as Level 3 (such uncertainty usually concerns the correlation,[31] volatility or future dividends).

[28] As defined in paragraphs 3, 61 and 67 of IFRS 13.

[29] As stated in paragraphs 76-80 of IFRS 13.

[30] As described in paragraph 82 of IFRS 13.

[31] For example, in the case of certified issues with underlying auto-callable derivatives on a basket of equity securities. These instruments show a degree of uncertainty in terms of correlation between the share basket components with an impact deemed significant on the fair value of the instrument.

The observability of an input depends not only on the type of product, but also on the availability of quotes and on the expiry date.

Level 3

- Bonds: all instruments whose fair value is determined by using non-executable prices, i.e., those valued using implicit credit spread curves derived from Level 1 or Level 2 instruments to which a spread is added to take into account their unobservable illiquidity (referred to as Mark To Model), are classified at Level 3;
- Asset-Backed Securities, CLOs and loans: with the exception of those for which a bid / ask contribution with the related quantities is continuously recorded or which are listed on a liquid market (which fall within Level 1) even if a price from an info-provider exists;
- Financial instruments, often loans, that have failed the IFRS 9 SPPI (Solely Payments of Principal and Interests) test and for which specific measurement methods are applied that take into account the characteristics of the individual exposure;
- Equity securities other than those for which a quotation is available on an active market considered liquid (Level 1) and for which an internal model is used to determine fair value. Some residual equity securities whose fair value cannot be measured reliably using the methods described above are valued at cost verifying that it can represent a proxy;
- Investment funds (mutual funds, private equity funds, hedge funds and real estate funds): the latest Net Asset Value (NAV) available (for most funds, it is set quarterly) and no older than six months (for a few real estate funds), is used for the valuation, adjusted by the latest recorded transactions (payments, investments and distributions). In the event that a price on an active market (daily NAV) is available, the fund may be classified at Level 1;
- Derivatives: when the valuation of an OTC instrument has been materially affected by unobservable inputs. These classes of derivatives include:

- Plain vanilla instruments, such as options with equity with long maturity or dividends without a market consensus or options on equity basket (indexes and single name) as underlyings;
- Issues of Certificates that have a degree of uncertainty in the parameters such as to affect the entire fair value of the instrument, as for example the correlation between equity basket of the components underlying the auto-callable instruments on a basket of equity instruments;
- Exotic instruments that use complex models (exotic options) or certain pay-offs on types of risks such as exchange rates, whose valuation inputs are not directly observable, including derivatives embedded in bonds issued. These instruments also include put options sold to secure the financial return of pension funds within insurance products under Austrian legislation;
- Bespoke CDO tranches, for which no market prices for the valuation of the correlation data are available.

Fair value adjustments may be used to address the measurement uncertainty inherent in the use of alternative valuation techniques other than the use of market prices.

Assets and liabilities measured at fair value on a non-recurring basis

The fair value of the financial assets and liabilities measured at amortized cost and classified as "Financial assets measured at amortized cost" (loans to banks and customers) or as "Financial liabilities measured at amortized cost" (payables to banks and customers and debt securities in issue) is relevant only for information purposes in line with IFRS 7 requirements.

In such cases the fair value is calculated only for the purpose of meeting the Bank's responsibilities in terms of providing market disclosure, and has no impact on the book value of the investment, on the profit and loss account or on net equity. Such instruments are not normally traded, and their fair value is thus measured on the basis of internal inputs not directly observable on the market.

The fair value of corporate loans is measured using the Discounted Cash Flow Method i.e., adding, at the measurement date, the value of future cash flows discounted with appropriate rates to reflect the credit risk of the counterparty. The credit spread is determined using industry curves representing the counterparty (rating, geography, industry). For corporate receivables, loans to counterparties with official ratings are categorized as Level 2; in all other cases as Level 3. The same applies to retail loans (i.e., mortgage loans and consumer credit).

For on-demand or short-term receivables and payables, their book value is considered a good approximation of their fair value as allowed by IFRS 7. The related fair value, which is conventionally set equal to the book value, is brought back to Level 2.

Bonds issued by Mediobanca are categorized as Level 1 fair value if quoted in an active market (considering the market price as the input); if there are no quoted prices, fair value is categorized as Level 2 and is determined using the discounted cash flow method at a market interest rate adjusted for the Group's issuer risk (with a distinction being made between senior and subordinated risks). The fair value of our naked derivatives is also categorized as Level 2 when the Group proceeds to the split off of the embedded derivatives whose fair value level is determined as described above.

A.4.2 Sensitivity analysis and model evaluation

As required by IFRS 13, quantitative information on the significant non-observable inputs used for the assessment of Level 3 instruments is provided below.

Uncertainties of the inputs and impact on the Mark to Market method for equity products

Non-observable inputs	Description of input uncertainty	MtM +/- delta (€thousand) 30/6/22
Implicit volatility	Defined as a standard deviation from the consensus provided by the data provider Markit. For non-contributed underlyings a proxy derived from contributed underlyings is identified.	(16.7)
Equity-equity correlation	Defined as a standard deviation from the consensus provided by the data provider Markit. For non-contributed underlyings a proxy derived from contributed underlyings is identified.	(248.3)

During the year under review, a new monitoring process of equity volatility and correlation was introduced, in particular with regard to auto-callable equity instruments.

Measurement techniques - Equity - receivables and interest rate products

Product	Measurement technique	Non-observable inputs	Fair value* Assets 30/6/22 (€m)	Fair value* Liabilities 30/6/22 (€m)	Fair value* Assets 30/6/21 (€m)	Fair value* Liabilities 30/6/21 (€m)
OTC equity single name options, variance swap	Black-Scholes/ Black model	Implicit volatility[1]	10.59	(14.08)	20.29	(20.46)
OTC equity basket options, best of/ worst of, equity auto-callable multi-asset options	Black-Scholes/ Black model, local volatility model	Implicit volatility *Equity-equity correlation*[2]	13.08	(16.40)	32.28	(18.45)
*Put options to secure the financial return of pension funds**	Black-Scholes/ Black model	Projection of future premium flows and death rates of policy holders[3]	0.46	(30.52)		

* The carrying amount shown above is equal to the full fair value of structures and includes fair value adjustments. The instruments were reclassified as Level 3 starting from the last half year; the value as at 30 June amounted to €-19.8m classified at Level 2.

[1] Volatility in a financial context is a measurement of how much the price of an underlying instrument may vary over time. The higher the volatility of the underlying instrument, the greater the risk associated with it. In general, long positions in options benefit from increases in volatility, whereas short positions in options lose out from them. For equity derivatives, the implicit volatility area may be obtained from the price of the call and put options, as they have regulated markets. The uncertainty of this input is attributable to one of the following scenarios: illiquidity of quoted prices (wide bid/ask spreads, typical of long maturities or moneyness far from the At-The-Money spot), concentration effects and non-observable market data (again when maturities are considered too long or moneyness far from the At-The-Money spot).

[2] Equity-equity correlation is a measurement of the correlation between two equity underlying instruments. Variations in the correlation levels may impact an instrument's fair value positively or negatively, depending on the correlation type.
Equity-equity correlations are less observable than volatility, because correlation products are not quoted on any regulated markets. For this reason, correlations are more subject to input uncertainty.

[3] The contractual form is structured as a put option with an original duration between 10 and 30 years whose valuation is subject to uncertainty both with regard to the estimated future premiums and with regard to the NAV level of the underlying pension funds.

The main factors contributing to transitions between fair value levels include changes in market conditions and refinements in the measurement models and/or the non-observable inputs.

Fair value of an instrument may transition from Level 1 to Level 2 or vice versa mainly as a result of the loss (increase) in significance of the price expressed by the active market of the instrument.

Conversely, transfers from Level 2 to Level 3 or vice versa mainly arise as a result of the loss (increase) in significance of inputs, in particular the predominance of non-observable inputs over observable inputs.

A.4.4 Other information

The Group uses the exception provided under IFRS 13, paragraph 48 from measuring fair value of financial assets and liabilities on a net basis by offsetting market and counterparty credit risks.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a non-recurring basis, breakdown by fair value hierarchy

(€'000)

Financial assets/liabilities measured at fair value	30/6/22			30/6/21		
	Level1	Level2	Level3	Level1	Level2	Level3
1. Financial assets measured at fair value with impact taken to profit and loss	6,112,824	3,249,512	1,318,683	7,650,456	3,481,009	1,518,131
a) financial assets held for trading	5,836,934	2,732,339	961,662	7,378,291	2,773,061	1,122,385
b) financial assets designated at fair value	—	516,483	—	—	680,539	—
c) other financial assets mandatorily valued at fair value	275,890	690	357,021	272,165	27,409	395,746
2. Financial assets measured at fair value with impact taken to other comprehensive income	3,696,496	17,793	419,396	4,423,463	55,892	88,016
3. Hedging derivatives	—	872,431	—	—	308,370	—
4. Tangible assets	—	—	—	—	—	—
5. Intangible assets	—	—	—	—	—	—
Total	9,809,320	4,139,736	1,738,079	12,073,919	3,845,271	1,606,147
1. Financial liabilities held for trading	4,604,875	3,897,854	703,975	4,966,846	3,914,570	1,182,213
2. Financial liabilities valued at fair value	—	638,151	3,513	—	833,048	—
3. Hedging derivatives	—	1,361,864	—	—	375,413	—
Total	4,604,875	5,897,869	707,488	4,966,846	5,123,031	1,182,213

Despite the increase in volatility and uncertainty shown by the markets in recent months and the presence of some transactions showing a greater level of complexity and difficulty for the retrieval of valuation inputs, the Group's trading portfolio is mainly concentrated on liquid transactions with a low level of uncertainty.

Furthermore, assets and liabilities are offset for the same risk parameter in a good number of Level 3 positions, thus not involving volatility for the profit and loss account, i.e. trading on the same underlying and uncertain risk parameter (sold options), for €409.7m (€992.9m at 30 June 2021). Net of these items, the Level 3 assets held for trading increased from €129.4m to €551.9m almost exclusively for a structured brokerage transaction on unlisted preference shares, which will be converted into listed (€274.5m) at a certain date and the investment in CLO securities backed by financial guarantee transactions purchased largely in bulk (€171m). Outflows concern the conversion of ANHEUSER-BUSCH

Class C shares into listed shares originally sold at maturity (€58.4m), as well as redemptions of approximately €30m on hedges of auto-callable certificates; changes in fair value are negative for €23.1m while transfers from other levels are negligible.

Level 3 liabilities, after deducting sold options, increased from €189.2m to €294.2m, after new positions in auto-callable certificates on a basket of shares (€90.2m), and the entry of put options sold as collateral for the financial return of pension funds within insurance products under Austrian legislation (€30.5m). The other changes concerned transfers for (approximately €1.7m), reimbursements (€5.3m) and positive fair value adjustments (€12.1m).

Financial assets mandatorily measured at fair value mainly regarded investments in funds. They decreased from €395.7m to €357m after net sales of €26.1m and decreases of €12.6m.

Financial assets measured at fair value through other comprehensive income increased from €88m to €419.4m after the entry of a senior tranche of a securitization whose underlying is a portfolio of non-performing loans originated by an Italian bank (A2 Moody's rating and Alow DBRS), for which a Guarantee on the Securitization of Bad Loans (GACS)was obtained for a net investment of €275.6m. Changes in fair value were positive for €51.2m, of which €55m relating to the Burgo equity-like instrument.

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (level 3)

(€'000)

	Financial assets valued at fair value with impact taken to profit and loss				Financial assets valued at fair value with impact taken to other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading[1]	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily valued at fair value				
1. Opening balance	613,137	129,375	—	395,745	88,017	—	—	—
2. Increases	1,539,204	600,895	—	41,734	896,575	—	—	—
2.1 Purchases	1,412,618	546,173	—	28,609	837,836	—	—	—
2.2 Profits recognized in:	77,273	9,368	—	9,165	58,740	—	—	—
2.2.1 profit and loss	22,273	9,368	—	9,165	3,740	—	—	—
- of which, gains	*9,349*	*9,349*	—	—		—	—	—
2.2.2 net equity	55,000	—	—	—	55,000	—	—	—
2.3 Transfers from other levels	732	732	—	—	—	—	—	—
2.4 Other increases	48,581	44,621	—	3,960	—	—	—	—
3. Decreases	824,039	178,384	—	80,459	565,196	—	—	—
3.1 Disposals	535,659	68,935	—	54,684	412,039	—	—	—
3.2 Redemptions	177,967	32,315	—	—	145,652	—	—	—
3.3 Losses recognized in:	109,905	77,133	—	25,774	6,997	—	—	—
3.3.1 profit and loss	103,083	77,133	—	25,774	176	—	—	—
- of which, losses	*70,021*	*70,021*	—	—	—	—	—	—
3.3.2 net equity	6,821	—	—	—	6,821	—	—	—
3.4 Transfers to other levels	—	—	—	—	—	—	—	—
3.5 Other decreases	509	—	—	—	509	—	—	—
4. Closing balance	1,328,303	551,886	—	357,021	419,396	—	—	—

[1] After deducting the market value of options set against options combined with bonds issued (€0.09m at 30 June 2022 and €0.15 at 30 June 2021), in addition to sold options (respectively €409.7m and €992.9m) whose values are stated under assets and liabilities

A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (Level 3)

(€'000)

	Liabilities held for trading[1]	Liabilities designated at fair value	Hedging derivatives
1. Opening balance	189,206	—	—
2. Increases	124,854	3,513	—
2.1 Issuance	90,193	3,513	—
2.2 Losses recognized in:	2,437	—	—
2.2.1 profit and loss	2,437	—	—
- of which, losses	*2,437*	—	—
2.2.2 Net equity	—	—	—
2.3 Transfers from other levels	32,224	—	—
2.4 Other increases	—	—	—
3. Decreases	19,865	—	—
3.1 Redemptions	5,335	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	14,529	—	—
3.3.1 Profit and loss	14,529	—	—
- of which, gains	*9,091*	—	—
3.3.2 Net equity	—	—	—
3.4 Transfers to other levels	—	—	—
3.5 Other decrease	—	—	—
4. Closing balance	294,195	3,513	—

[1] After deducting the market value of options set against options combined with bonds issued (€0.09m at 30 June 2022 and €0.15m at 30 June 2021), in addition to sold options (respectively €409.7m and €992.9m) whose values are stated under assets and liabilities for the same amount.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value hierarchy

(€'000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/6/22				30/6/21			
	Book value	Level1	Level2	Level3	Book value	Level1	Level2	Level3
1. Financial assets valued at amortised cost	60,105,275	3,999,535	17,581,060	40,219,422	55,295,675	2,575,885	18,220,821	39,000,571
2. Tangible assets held for investment purposes	59,644	—	—	145,673	62,854	—	—	140,195
3. Non-current assets and groups of assets being sold	191	—	—	—	4,178	—	—	-
Total	60,165,110	3,999,535	17,581,060	40,365,095	56,666,657	2,575,885	18,220,821	39,140,766
1. Financial liabilities valued at amortised cost	66,715,625	859,014	65,729,829	59,252	58,475,015	759,204	57,857,542	145,560
2. Liabilities held in respect of assets being sold	—	—	—	—	381	—	—	—
Total	66,715,625	859,014	65,729,829	59,252	58,475,396	759,204	57,857,542	145,560

A.5 - Disclosure on "day-one profit/loss"

IFRS 9 specifies that all financial instruments should be initially recognized at fair value. Normally, the fair value of a financial instrument at the initial recognition date is the "transaction price": in other words, it equals the cost or amount disbursed for a financial asset or the amount collected for a financial liability.

Pursuant to IFRS 7, paragraph 28, the "Day-one Profit/Loss" is the difference between the fair value of an instrument at the initial recognition date (transaction price) and the amount determined at that date using a valuation technique.

The positive difference between the fair value of an instrument and its price settled at the transaction date (known as "day-one profit") can be included among the income items through profit or loss only if it is based on market prices and on valuation methods not relying on unobservable inputs. Rather, the fair value must be adjusted by this positive difference, which is released through profit or loss only when the input(s) become(s) certain[32]. If the difference is negative (day-one loss), this is directly recognized through profit or loss for prudential purposes. Therefore, any subsequent changes in fair value will follow the trends of the various risk factors to which the instrument is exposed (interest rate/ exchange rate risks, etc.) and recognized directly through profit or loss.

[32] IFRS 9, paragraphs B5.1.2A and B5.2.2A.
The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received, see also IFRS 13). If an entity determines that the fair value at initial recognition differs from the transaction price as mentioned in paragraph 5.1.1 A, the entity shall account for that instrument at that date, as follows:

a. the measurement required by paragraph 5.1.1 if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. An entity shall recognise the difference between the fair value at initial recognition and the transaction price as a gain or loss;
b. in all other cases, at the measurement required by paragraph 5.1.1, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the entity shall recognise that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

The Group applies the Day-One Profit rule to financial instruments classified as Level 3 only. In case of new structured transactions, the Group conducts its analysis on a case-by-case basis determining, when the transaction is approved, the fair value hierarchy and whether or not the transaction falls within the scope of day-one profit rules. At this stage, a financial instrument is categorized within Level 3 of the fair value hierarchy if the impact of one or more unobservable inputs on fair value is considered to be significant as defined in IFRS 13, paragraph 73[33].

During the year under review, more stringent rules were introduced for the management of the day-one profit of certificates concerning those with an underlying basket of auto-callable equity securities. The instruments in question showed a fair value of approximately €230m and the day-one profit suspension concerned €3.8m.

The suspension approach is also applied to the profit deriving from trades in derivatives linked to hedges of M&A deals: as the derivative becomes effective only if the deal is executed, the profit is suspended until the uncertainty regarding the deal's execution has ceased. At 30/6/2022, up-front profits of approximately €1.6m relating to a single transaction were suspended.

[33] In some cases, data used to measure the fair value of an asset or liability could be categorized in different fair value hierarchy levels. In such cases, the valuation is classified entirely in the same level as the input with the lowest hierarchy level. Assessment of the significance of a specific input for the valuation process takes into account the asset's or liability's characteristics. Adjustments generated by fair value-based measurement, such as costs to sell when the fair value is measured after costs to sell, must not be considered in determining the fair value hierarchy level in which a valuation is classified.

Parte B - Notes to the Consolidated Balance Sheet*

SECTION 1

Heading 10: Cash and cash equivalents

*1.1 Cash and cash equivalents: composition***

	30/6/22	**30/6/21**
a) Cash	116,919	124,268
b) Demand deposits with Central Banks	6,926,748	1,845,220
c) Current accounts and demand deposits	1,535,177	1,303,950
Total	8,578,844	3,273,438

** The numbers at 30 June 2021 were re-processed to comply with the provisions of Circular No. 262/2005, seventh update.

* Figures in €'000.

SECTION 2

Heading 20: Financial assets measured at fair value* through profit or loss

2.1 Financial assets held for trading: composition

Items/values	Total 30/6/22			Total 30/6/21		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	3,334,975	499,618	239,124	4,210,242	519,960	10,860
1.1 Structured securities	9,570	8,134	46,138	10,370	70,897	—
1.2 Others	3,325,405	491,484	192,986	4,199,872	449,063	10,860
2. Equity securities[1]	1,851,609	—	274,971	2,339,261	—	65,433
3. UCITs	802	—	5,534	119,204	—	514
4. Loans	3,698	—	—	3,981	—	—
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Others	3,698	—	—	3,981	—	—
Total (A)	5,191,084	499,618	519,629	6,672,688	519,960	76,807
B. Derivative instruments						
1. Financial derivative products	645,850	1,997,471	433,912	705,603	1,933,186	1,045,578
1.1 trading	645,850	1,997,383	433,826[2]	705,603	1,931,169	1,045,432[2]
1.2 related to the fair value option	—	—	—	—	—	—
1.3 others	—	88	86[3]	—	2,017	146[3]
2. Credit derivatives	—	235,250	8,121	—	319,915	—
2.1 trading	—	235,250	8,121	—	319,915	—
2.2 related to the fair value option	—	—	—	—	—	—
2.3 others	—	—	—	—	—	—
Total (B)	645,850	2,232,721	442,033	705,603	2,253,101	1,045,578
Total (A+B)	5,836,934	2,732,339	961,662	7,378,291	2,773,061	1,122,385

[1] Equities include shares committed in securities lending transactions totalling €918,557 at 30 June 2022 and €648,410 at 30/6/21.

[2] Respectively €409,692 and €992,861, relating to options traded, whose contra-item was recorded among financial liabilities held for trading.

[3] Includes the market value of options (€86,000 as at 30/6/22 and €146,000 as at 30/06/21) covering others attached to bonds issued, matching the amount booked as financial assets held for trading.

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

2.2 Financial assets held for trading: by borrower/issuer

Items/values	30/6/22	30/6/21
A. Cash assets		
1. Debt securities	4,073,717	4,741,062
a) Central Banks	—	—
b) Public administrations	2,072,555	2,903,041
c) Banks	1,229,430	1,115,882
d) Other financial companies	432,986	380,043
of which: insurance companies	*69*	*4,132*
e) Non-financial companies	338,746	342,096
2. Equity instruments	2,126,580	2,404,694
a) Banks	154,928	271,042
b) Other financial companies	384,051	287,410
of which: insurance companies	*27,584*	*115,123*
c) Non-financial companies	1,587,601	1,846,242
d) Other issuers	—	—
3. UCITs	6,336	119,718
4. Loans	3,698	3,981
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non-financial companies	3,698	3,981
f) Households	—	—
Total (A)	6,210,331	7,269,455
B. Derivative instruments		
a) Central Counterparties	1,029,987	202,620
b) Others	2,290,617	3,801,662
Total (B)	3,320,604	4,004,282
Total (A+B)	9,530,935	11,273,737

2.3 Financial assets designated at fair value*: composition

Items/values	Total 30/6/22			Total 30/6/21		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	—	—	—	—	50,720	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	—	—	—	—	50,720	—
2. Loans	—	516,483	—	—	629,819	—
2.1 Structured	—	—	—	—	—	—
2.2 Others[1]	—	516,483	—	—	629,819	—
Total	—	516,483	—	—	680,539	—

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

[1] This item refers to a loan matched on the liability side by the issue of a certificate.

2.4 Financial assets designated at fair value: by borrower/issuer*

Items/values	30/6/22	30/6/21
1. Debt securities	—	50,720
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	50,720
of which: insurance companies	—	—
e) Non-financial companies	—	—
2. Loans	516,483	629,819
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	516,483	629,819
of which: insurance companies	*516,483*	*629,819*
e) Non-financial companies	—	—
f) Households	—	—
Total	516,483	680,539

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

2.5 Other financial assets mandatorily measured at fair value: composition*

Items/values	30/6/22			30/6/21		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	74	—	459	288	27,409	1,321
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	74	—	459	288	27,409	1,321
2. Equity instruments	—	—	9,503	—	—	5,850
3. UCITs	275,816	—	342,418	271,877	—	377,827
4. Loans	—	690	4,641	—	—	10,748
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Others	—	690	4,641	—	—	10,748[1]
Total	275,890	690	357,021	272,165	27,409	395,746

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

[1] At 30 June 2021, this included €7.5m in respect of the equity partner who exited Messier et Associés, covered by pledged MB shares.

2.6 Other financial assets mandatorily measured at fair value: by borrower/issuer*

Items/Values	30/6/22	30/6/21
1. Equity instruments	9,503	5,850
of which: banks	—	—
of which: other financial companies	*9,503*	*5,850*
of which: other non-financial companies	—	—
2. Debts securities	533	29,018
a) Central Banks	—	—
b) General Government	74	288
c) Banks	—	—
d) Other financial companies	459	28,730
of which: insurance companies	—	—
e) Non financial companies	—	—
3. UCITs	618,234	649,704
4. Loans	5,331	14,954
a) Central Banks	—	—
b) General Government	—	—
c) Banks	—	—
d) Other financial companies	690	4,206
of which: insurance companies	*690*	—
e) Non financial companies	4,641	10,748
f) Households	—	—
Total	633,601	699,526

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

SECTION 3

Heading 30: Financial assets measured at fair value* through other comprehensive income

3.1 Financial assets measured at fair value through other comprehensive income: composition

Items/values	30/6/22			30/6/21		
	Level 1	Level 2	Level 3[1]	Level 1	Level 2	Level 3[1]
1. Debt securities	3,579,684	17,793	275,590	4,290,967	55,892	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Others	3,579,684	17,793	275,590	4,290,967	55,892	—
2. Equity instruments	116,812	—	143,806	132,496	—	88,016
3. Loans	—	—	—	—	—	—
Total	3,696,496	17,793	419,396	4,423,463	55,892	88,016

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

[1] These include equity investments in unlisted companies and the Burgo equity-like instrument, which was valued at €110m, measured by using internal models.

3.2 Financial assets measured at fair value through other comprehensive income: by borrowers/ issuers

Items/values	30/6/22	30/6/21
1. Debt securities	3,873,067	4,346,859
a) Central Banks	—	—
b) Public administrations	2,896,867	3,595,826
c) Banks	383,030	381,346
d) Other financial companies	394,816	159,577
of which: insurance companies	*38,273*	*50,717*
e) Non-financial companies	198,354	210,110
2. Equity instruments	260,618	220,512
a) Banks	125	109
b) Other issuers:	260,493	220,403
- other financial companies	34,014	33,303
of which: insurance companies	—	—
- Non financial companies	226,479	187,100
- others	—	—
3. Loans	—	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non-financial companies	—	—
f) Households	—	—
Total	4,133,685	4,567,371

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total accumulated impairments

	Gross value				Write-down			Partial write off
	Stage 1	*of which: low credit risk**	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	3,805,027	—	78,174	—	6,787	3,347	—	—
Loans	—	—	—	—	—	—	—	—
Total 30/06/22	3,805,027	—	78,174	—	6,787	3,347	—	—
Total 30/06/21	4,357,062	—	—	—	10,203	—	—	—
of which: impaired financial assets acquired or originated	*X*	*X*	—	—	*X*	—	—	—

* As required by Bank of Italy circular no. 262, seventh amendment, the column headed "Of which: instruments with low credit risk" must show the gross value of the low credit risk instruments as defined by IFRS 9, para. 5.5.10. For the Mediobanca Group, the concept of "low credit risk" is equivalent to that of rating, hence low credit risk applies to the case of counterparties rated as investment grade.

3.3a Financial assets measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and total accumulated impairments

At 30 June 2022 the item was not present within the Group.

SECTION 4

Heading 40: Financial assets measured at amortized cost*

4.1 Financial assets measured at amortized cost: composition of due from banks

Type of transaction / Values	Total 30/6/22					
	Book value			Fair value**		
	Stage 1&2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
A. Due from Central Banks	314,714	—	—	—	314,714	—
1. Term deposits	—	—	—	X	X	X
2. Compulsory reserves	314,714	—	—	X	X	X
3. Reverse repos	—	—	—	X	X	X
4. Others	—	—	—	X	X	X
B. Due from banks	3,036,627	—	—	343,890	2,567,753	161,527
1. Loans	2,693,007	—	—	—	2,567,753	161,527
1.1 Current accounts	—	—	—	X	X	X
1.2. Term deposits	99,188	—	—	X	X	X
1.3. Other loans:	2,593,819	—	—	X	X	X
- Reverse repos	1,411,168	—	—	X	X	X
- Finance leases	1,254	—	—	X	X	X
- Others	1,181,397	—	—	X	X	X
2. Debt securities	343,620	—	—	343,890	—	—
2.1 Structured securities	—	—	—	—	—	—
2.2 Others	343,620	—	—	343,890	—	—
Total	3,351,341	—	—	343,890	2,882,467	161,527

* The numbers at 30 June 2021 were re-processed to comply with the provisions of Circular No. 262/2005, seventh update.

** For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

Type of transaction / Values	Total 30/6/21					
	Book value			Fair value**		
	Stage 1&2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
A. Due from Central Banks	277,860	—	—	—	277,860	—
1. Term deposits	—	—	—	X	X	X
2. Compulsory reserves	277,860	—	—	X	X	X
3. Reverse repos	—	—	—	X	X	X
4. Others	—	—	—	X	X	X
B. Due from banks	3,742,583	—	—	386,860	3,459,792	246,603
1. Loans	3,370,002	—	—	—	3,459,792	246,603
1.1 Current accounts	—	—	—	X	X	X
1.2. Term deposits	111,795	—	—	X	X	X
1.3. Other loans:	3,258,207	—	—	X	X	X
- Reverse repos	1,932,575	—	—	X	X	X
- Finance leases	1,615	—	—	X	X	X
- Others	1,324,017	—	—	X	X	X
2. Debt securities	372,581	—	—	386,860	—	—
2.1 Structured securities	—	—	—	—	—	—
2.2 Others	372,581	—	—	386,860	—	—
Total	4,020,443	—	—	386,860	3,737,652	246,603

* The numbers at 30 June 2021 were re-processed to comply with the provisions of Circular No. 262/2005, seventh update.

** For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

*4.2 Financial assets measured at amortized cost: composition of due from customers**

Type of transaction / Values	Total 30/6/22					
	Valore di bilancio			Fair value**		
	Stage 1&2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
1. Loans	51,663,437	379,796	350,583	—	14,688,673	39,311,239
1.1. Current accounts	2,239,242	—	65,048	X	X	X
1.2. Reverse Repos	1,216,869	—	—	X	X	X
1.3. Mortgages	28,631,387	118,266	30,277	X	X	X
1.4. Credit cards, personal loans and salary-backed finance	9,155,989	161,433	236,278	X	X	X
1.5 Finance lease	1,486,323	63,713	18,980	X	X	X
1.6. Factoring	2,615,935	3,862	—	X	X	X
1.7. Other loans	6,317,692	32,522	—	X	X	X
2. Debt securities	4,360,118	—	—	3,655,645	9,920	746,656
2.1. Structured	—	—	—	—	—	—
2.2. Other debt securities	4,360,118	—	—	3,655,645	9,920	746,656
Total	56,023,555	379,796	350,583	3,655,645	14,698,593	40,057,895

* The numbers at 30 June 2021 were re-processed to comply with the provisions of Circular No. 262/2005, seventh update.

** For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

Type of transaction / Values	Total 30/6/21					
	Book value			Fair value **		
	Stage 1&2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
1. Loans	47,980,123	560,178	383,738	—	13,482,795	38,523,438
1.1. Current accounts	1,732,143	2	63,576	X	X	X
1.2. Reverse Repos	1,484,079	—	—	X	X	X
1.3. Mortgages	26,633,912	212,920	17,707	X	X	X
1.4. Credit cards, personal loans and salary-backed finance	8,858,741	210,438	279,879	X	X	X
1.5 Finance lease	1,636,255	103,746	22,576	X	X	X
1.6. Factoring	2,205,074	6,521	—	X	X	X
1.7. Other loans	5,429,919	26,551	—	X	X	X
2. Debt securities	2,351,193	—	—	2,189,025	8,368	230,530
2.1. Structured	—	—	—	—	—	—
2.2. Other debt securities	2,351,193	—	—	2,189,025	8,368	230,530
Total	50,331,316	560,178	383,738	2,189,025	13,491,163	38,753,968

* The numbers at 30 June 2021 were re-processed to comply with the provisions of Circular No. 262/2005, seventh update.

** For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A - "Accounting Policies".

The column headed "Purchased or originated credit impaired assets" contains the non-performing loans (NPLs) acquired by Group company MBCredit Solutions.

4.3 Financial assets measured at amortized cost: breakdown by borrowers/issuers of due from customers

Type of transaction / Values	Total 30/6/22			Total 30/6/21		
	Stage 1 & 2	Stage 3	Purchased or originated credit impaired assets	Stage 1 & 2	Stage 3	Purchased or originated credit impaired assets
1. Debt securities	4,360,118	—	—	2,351,193	—	—
a) Public administrations	3,288,430	—	—	1,779,308	—	—
b) Other financial companies	955,577	—	—	438,534	—	—
of which: insurance companies	*186,079*	—	—	*208,345*	—	—
c) Non-financial companies	116,111	—	—	133,351	—	—
2. Loans to:	51,663,437	379,796	*350,583*	47,980,123	560,178	383,738
a) Public administrations	651,066	1,403	—	403,906	1,868	—
b) Other financial companies	5,409,857	4,260	*336*	5,897,967	2,554	416
of which: insurance companies	*433,307*	—	—	*580,682*	—	—
c) Non-financial companies	18,785,619	81,367	*65,121*	16,181,179	203,137	52,924
d) Households	26,816,895	292,766	*285,126*	25,497,071	352,619	330,398
Total	56,023,555	379,796	*350,583*	50,331,316	560,178	383,738

4.4 Financial assets measured at amortized cost: gross value and total accumulated impairments

	Gross value					Cumulative write-downs				Write off partial
	Stage 1	of which: low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired assets	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets	
Debt securities	4,697,152	—	12,079	809	—	4,273	1,220	809	—	—
Loans	51,943,734	*968,977*	3,415,145	1,316,057	360,269	305,231	382,490	936,261	9,686	4,312
Total 30/06/2022	56,640,886	*968,977*	3,427,224	1,316,866	360,269	309,504	383,710	937,070	9,686	4,312
Total 30/06/2021	51,236,584	*784,031*	3,777,448	1,590,508	384,102	295,589	366,684	1,030,330	364	5,681

4.4a Loans measured at amortized cost subject to Covid support measures: gross value and total accumulated impairments

	Gross value					Cumulative write-downs				Write off partial*
	Stage 1	**of which: low credit risk**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired assets**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired assets**	
1. Loans that have received concessions in conformity with EBA Guidelines	—	—	—	—	—	—	—	—	—	—
2. Loans in place subject to moratoria no longer compliant with GL and not eligible for forbearance purposes	—	—	—	—	—	—	—	—	—	—
3. Loans subject to other forbearance measures	—	—	36,244	1,882	—	—	939	636	—	—
4. New loans	122,112	—	—	134	—	188	—	111	—	—
Total 30/06/2022	122,112	—	36,244	2,016	—	188	939	747	—	—
Total 30/06/2021	253,590	*662*	443,796	44,607	—	1,150	15,723	12,224	—	—

* The row headed "Loans that have received concessions in conformity with EBA Guidelines" shows information on financial assets for which moratoria have been granted under the scope of application of the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" published by the EBA (EBA/GL/2020/02), as amended and supplemented.

SECTION 5

Heading 50: Hedging derivatives

5.1 Hedging derivatives: by hedge type and level

	Fair Value 30/6/22			Notional value	Fair Value 30/6/21			Notional value
	Level 1	Level 2	Level 3	30/6/22	Level 1	Level 2	Level 3	30/6/21
A. Financial derivatives								
1. Fair value	—	591,900	—	18,686,508	—	308,370	—	13,789,425
2. Cash flows	—	280,531	—	10,551,074	—	—	—	—
3. Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives								
1. Fair value	—	—	—	—	—	—	—	—
2. Cash flows	—	—	—	—	—	—	—	—
Total	—	872,431	—	29,237,582	—	308,370	—	13,789,425

5.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction/ Type of hedge	Fair value							Cash flow		Foreign investments
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	Equities and stock indexes	currencies and gold	credit	commodities	others				
1. Financial assets measured at fair value through other comprehensive income	72,191	—	—	—	X	X	X	—	X	X
2. financial assets valued at amortised cost	510,112	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other operations	—	—	—	—	—	—	X	—	X	—
Total assets	582,303	—	—	—	—	—	—	—	—	—
1. Financial liabilities	9,597	X	—	—	—	—	X	279,792	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	9,597	—	—	—	—	—	—	279,792	—	
1. Highly probable transactions (CFH)	X	X	X	X	X	X	X	739	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	—	X	—	—

SECTION 7

Heading 70: Equity investments

7.1 Equity investments: disclosure on relationships

Company name	Legal office	Operating office	Control type	Ownership		Ownership
				Controlling entity	% shareholding	
A. Entities under significant influence						
1. Assicurazioni Generali S.p.A.	Trieste	Trieste	2	Mediobanca S,p,A,	12.78	12.83
2. Istituto Europeo di Oncologia S.r.l.	Milan	Milan	2	Mediobanca S,p,A,	25.37	25.37
3. CLI Holdings II Ltd	London	London	2	Mediobanca S,p,A,	42.68	42.68
4. Finanziaria Gruppo Bisazza S.r.l.	Montecchio Maggiore (VI)	Montecchio Maggiore (VI)	2	Mediobanca S,p,A,	22.67	22.67

Legend: "Control type"

[1] Joint control.

[2] Subject to significant influence.

[3] Exclusively controlled and not consolidated.

Table 7.1 provides the following information for each associated entity: name; registered office; shareholding; shareholding calculated as a percentage of the share capital issued by the associated entity; and availability of votes calculated as a percentage of the shares actually voting (i.e. excluding the associated entity's treasury shares from the denominator)[1]. The latter is the percentage used for the purposes of consolidation by the equity method.

It should be noted that any temporary transactions (such as securities lending transactions, repurchase agreements, etc.) involving shares in the associate are not considered for purposes of determining the consolidation percentage.

The criteria and methods for establishing the area of consolidation are illustrated in "Section 3 - Part A - Accounting Policies", to which reference is made.

All the equity investments have been measured using the net equity method, as required by the reference accounting standard (IAS 28), which includes treasury shares owned in the calculation, plus the value of any shares in Mediobanca owned by the investee company. Dividends collected are not taken through the profit and loss account, but are deducted from the investee company's book value.

[1] For CLI Holdings II Ltd, in which Mediobanca has an interest as a result of subscribing to notes issued by the company, the percentage of the shares and available voting rights held have been calculated as a percentage of the nominal value of the notes issued.

7.2 Significant investments: book values, fair values and dividends received

Company Name	Book Value	Fair Value*	Dividend Received**
A. Entities under significant influence			
1. Assicurazioni Generali S.p.A.	3,069,391	3,087,327	310,152
2. Istituto Europeo di Oncologia S.r.l.	39,121	n.a.	n.a.
3. CLI Holdings II Ltd	41,848	n.a.	2,774
4. Finanziaria Gruppo Bisazza S.r.l.	7,393	n.a.	*n.a.*
Total[1]	3,157,753		

[1] The amount stated here differs from that represented in the balance sheet under the heading Other investments, which are minor in terms of both percentage share owned and amount (€113,000).

* Available only for listed companies.

** Dividends collected in the course of the financial year have been deducted from the book value of the investment (as described in Part A - Accounting Policies of the Notes to the Accounts.

As at 30 June 2022, the book value carried under the "Equity investments" heading totalled €3,157.9m. In addition to the investments in Assicurazioni Generali (12.8% of the company's share capital, carried at €3,069.4m) and Istituto Europeo di Oncologia (25.4% of the entity's share capital, carried at 39.1m), two new investments were added to this category in 4Q FY 2021-22:

– Finanziaria Gruppo Bisazza Srl (22.67%), which owns 100% of Bisazza S.p.A. a company specializing in the production and sale of glass mosaic, carried pro rata to the holding in its net equity, at a book value of €7.4m. Previously Mediobanca itself held a direct share of 6% in the company, which was recognized under "Financial assets measured at fair value through OCI". Following the liquidation of GB Holding Srl, as stipulated in the Articles of Association, Mediobanca was assigned the entire stake in Finanziaria Gruppo Bisazza Srl held by GB Holding Srl, equal to 16.67%. This, added to the existing investment, took Mediobanca's interest in the company to 22.67%, above the 20% limit which represents significant influence as provided by IAS 28, leading it to be reclassified under investments in associates;

– CLI Holdings II Limited – an SPV incorporated under UK law that raises funds by issuing notes which it invests in the capital of Cairn Loan Investments II LLP ("CLI II"), a Cairn-branded independent CLO manager – is carried at a book value of €41.8m (NAV as at 31 March 2022). The investment was previously classified as "Fair Value Mandatory Through Profit and Loss" and recognized at fair value as at the reporting date. The increase in the commitment to CLI Holdings II Limited in January 2022 meant that the contractual limit set for Qualifying Noteholder status was exceeded, enabling Mediobanca to appoint a member of the Partnership

Board of CLI II (the decision-making body with responsibility for launching and investing in the CLOs). The stake was reclassified under investments in associates based on fair value as at that date.

Equity investment impairment testing

The value of the equity investments has been tested for impairment as required by the accounting standards used (IAS 28, IAS 36, IFRS 10 and IFRS 11), in order to ascertain whether there is objective evidence to suggest that the initial recognition value of the investment might not be recovered in full.

The process involves ascertaining whether or not there are any indicators of impairment and then deciding the amount of the adjustment necessary in order to reflect the loss of value. Impairment indicators may be split into two main types of category:

– Quantitative indicators: the investee company's stock market value falling below its net asset value for stocks quoted on active markets;
– Qualitative indicators: manifest financial difficulties, reporting negative earnings results or results which are significantly behind budget objectives or targets set in long-term business plans disclosed to the market, announcement and/or launch of composition procedures or restructuring plans, deterioration in ratings (especially if below investment grade).

IAS 28 paragraph 41A stipulates that:

– Impairment losses are incurred for an asset if the book value is higher than the recoverable amount, defined under IAS 36 as the higher of the asset's fair value (less costs of disposal) and its value in use;
– To measure fair value (governed by IFRS 13), reference must be made to:
    – Stock market prices, if the investee company is quoted on an active market;
    – Valuation models generally recognized by the market, including market multiples for transactions held to be significant in particular;

- To measure value in use (as governed by IAS 28 paragraph 42), the methodologies are either:
  - The discounted value of the cash flows generated by the investee company, both the cash flows generated from the company's assets and income deriving from the disposal of the same assets; or
  - The discounted value of the cash flows that may be assumed to derive from dividends receivable and the eventual sale of the investment.

For the parameters used in order to calculate the value in use, reference is made to the considerations on impairment testing for goodwill contained in the relevant section of the Notes to the Consolidated Accounts.

* * *

Accounting data for the investee companies is shown below, taken from the respective most recent financial statements as at 31 December 2021.

7.3 Significant investments: accounting data (€m)

Company name	**Entities under significant influence**	
	Assicurazioni Generali S.p.A.	**Istituto Europeo di Oncologia S.r.l.**
Cash and cash-convertible assets	X	X
Financial assets	527,904	92
Non-financial assets	49,844	137
Financial liabilities	47,713	102
Non-financial liabilities	506,635	63
Total revenues	99,088	373
Profit/(Loss) on ordinary activities before tax	4,580	4
Profit/(Loss) on ordinary activities after tax	3,195	2
Profit/(Loss) on held-for-sale assets after tax	—	—
Profir/(Loss) for the period (1)	3,195	2
Other profit/(loss) components after tax (2)	(1,167)	—
Total profit/(loss) for the period (3) = (1) + (2)	2,028	2

7.4 Non significant investments: accounting data (€m)

Business name	Entities under significant influence	
	CLI Holding II Ltd	**Finanziaria Gruppo Bisazza S.r.l.**
Book value of investments	42	7
Total assets	84	7
Total liabilities	84	1
Total revenues	X	X
Profit (loss) on ordinary operations after tax	—	4
Profit (loss) on operations after tax	—	—
Profit (loss) for the year (1)	—	4
Other income items after tax (2)	—	—
Comprehensive income (3)=(1) + (2)	—	4

The table below shows a reconciliation between the book value of the investments and the data used for valuation purposes.

(€m)

Entities under significant influence	**Aggregate net equity**[1]	***Pro rata*** **net equity**	**Differences arising upon consolidation**[2]	**Consolidated book value**
Assicurazioni Generali S.p.A.	23,947.2[1]	3,072.4	(3.0)[2]	3,069.4
Istituto Europeo di Oncologia S.r.l.	154.2[3]	39.1	—	39.1
CLI Holdings II Ltd	98.1[4]	41.8	—	41.8
Finanziaria Gruppo Bisazza S.r.l.	32.6	7.4	—	7.4

[1] Total net equity includes the dividends paid in May 2022 (€1,692m).

[2] The differences upon consolidation refer to the Mediobanca shares held by Assicurazioni Generali as part of its securities portfolio (€23.1m, pro rata €3m).

[3] Net equity as at 31 March 2022 of €132m (pro rata: €33.5m) has been adjusted to reflect the property asset revaluations net of depreciation and amortization charges accruing: €5.4m).

[4] Total net equity includes the dividends paid in April 2022 (€2.8m).

For the nature of the relationships, please refer to section 7.1 above.

As at 30 June 2022, the market value of the Assicurazioni Generali investment was €3,087.3m (€15.23 per share), virtually aligned with its book value (€3,069.4m). In line with previous financial years, the value in use of the investment has been calculated in any case, and was comfortably higher that its value in use.

To determine the value in use, the Dividend Discount Model was used, in particular the Excess Capital version. The valuation was made in continuity with the method used in previous financial years, and based exclusively on information in the public domain, in particular as follows:

- In order to identify the cash flows to be discounted, reference has been made to the most recent analysts' estimates available;
- The cost of capital (9.5%) has been determined based on the Capital Asset Pricing Model method, at a growth rate consistent with the rate of inflation estimated by the International Monetary Fund for the Eurozone in 2027, i.e. 1.90%;
- Sensitivity analysis has been carried out on the results obtained to assess their sensitivity to changes in the valuation parameters.

The impairment test confirmed that the recoverable value is higher than the book value (€15.1 per share), and so, under IAS 28 paragraph 41, the impairment test has been passed. This valuation is also in line with the average target prices of the analysts covering the stock.

The following points should also be noted:

- Mediobanca owns a stake of 12.8% in Assicurazioni Generali, has historically been the insurer's largest shareholder, and a member of the Bank's senior management was recently reappointed as Director of the company;
- The investment's book value is aligned with the Assicurazioni Generali group's Net Asset Value pro rata, and therefore reflects no goodwill.

Regarding Istituto Europeo di Oncologia, this investment has a book value in line with the entity's Net Asset Value adjusted to reflect the property values being realigned to their market values at acquisition.

Regarding the new equity investments (the book value of which reflects the pro rata share in their net equity owned), no impairment indicators have been recorded that would make impairment testing necessary.

Accordingly, no writedowns have been charged to the investments' book value.

7.5 Equity investments: changes during the period

	30/6/22	30/6/21
A. Opening balance	3,702,990	3,204,702
B. Increases	408,590	704,878
B.1 Purchases	—	65
B.2 Writebacks	—	—
B.3 Revaluations	—	—
B.4 Other changes[1]	408,590	704,813
C. Decreases	953,714	206,590
C.1 Sales	—	—
C.2 Adjustments	—	—
C.3 Writeoffs	—	—
C.4 Other changes[2]	953,714	206,590
D. Closing balance	3,157,866	3,702,990
E. Total revaluations	—	—
F. Total adjustments	733,478	733,478

[1] Includes transfers of CLI Holdings II previously classified as Fair Value Mandatory to Profit and Loss and Finanziaria Gruppo Bisazza previously recognized at FVOCI.

[2] This includes the dividends received.

SECTION 9

Heading 90: Property, plant and equipment

9.1 Core tangible assets stated at cost

Assets/Values	Total 30/6/22	Total 30/6/21
1. Property assets	220,369	216,700
a) lands	100,239	84,895
b) buildings	72,866	91,757
c) furniture	19,265	16,024
d) electronic system	6,649	8,005
e) other	21,350	16,019
2. Leased assets	226,262	222,696
a) lands	—	—
b) buildings	216,945	212,381
c) furniture	—	—
d) electronic system	—	—
e) other	9,317	10,315
Total	446,631	439,396
of which: obtained by the enforcement of collateral	*71*	*73*

9.2 Properties held for investment purposes stated at cost

Assets/Values	**Total 30/6/22**				**Total 30/6/21**			
	Book value	**Fair value**			**Book value**	**Fair value**		
		Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
1. Property assets	59,644	—	—	145,673	62,854	—	—	140,195
a) lands	28,494	—	—	90,980	29,144	—	—	85,813
b) buildings	31,150	—	—	54,693	33,710	—	—	54,382
2. Leased assets	—	—	—	—	—	—	—	—
a) lands	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
Total	59,644	—	—	145,673	62,854	—	—	140,195
of which: obtained by the enforcement of collateral	*35,825*		—	*43,460*	*38,659*		—	*45,728*

9.3 Core tangible assets: composition of revalued activities

At 30 June 2022 the item was not present within the Group.

9.4 Tangible assets held for investment purposes: composition of activities measured at fair value

At 30 June 2022 the item was not present within the Group.

9.5 Inventories pursuant to IAS 2: composition

Items/Values	**Total 30/6/22**	**Total 30/6/21**
1. Inventories of tangible assets arising from the recovery of guarantees received	5,553	7,959
a) lands	483	1,027
b) buildings	5,070	6,932
c) furniture	—	—
d) electronic system	—	—
e) other	—	—
2. Other tangible assets	—	—
Total	5,553	7,959
of which: measured at fair value less costs to sell	—	—

The above includes assets received under leasing contracts, which were originally recorded as Investment Property (under IAS 40), and have now been restated as Inventories in accordance with IAS 2 in cases where only minor amounts are involved, and where leasing the properties out is not economically feasible and sale is expected to take place in the next three years.

9.6 Core assets: changes for the year

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	84,895	437,445	71,341	46,206	83,002	722,889
A.1 Reductions of total net value	—	(133,307)	(55,317)	(38,201)	(56,668)	(283,493)
A.2 Net opening balance	84,895	304,138	16,024	8,005	26,334	439,396
B. Increases:	19,003	70,912	11,989	1,532	16,590	120,026
B.1 Purchasing	19,003	17,360	9,742	1,066	11,016	58,187
- of which business combinations	—	—	—	—	—	—
B.2 Capitalised improvement costs	—	7,591	—	—	—	7,591
B.3 Write-backs	—	—	—	—	—	—
B.4 Positive changes in fair value allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
B.5 Positive foreign exchange differences	—	71	5	8	17	101
B.6 Transfer from investment properties	—	—	—	—	—	—
B.7 Other variations	—	45,890	2,242	458	5,557	54,147
C. Decreases:	3,659	85,239	8,748	2,888	12,256	112,790
C.1 Sales	3,659	32,474	5,523	760	437	42,853
- of which business combinations	—	—	—	—	—	—
C.2 Depreciation	—	39,389	3,225	2,128	10,470	55,212
C.3 Impairment losses allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
C.4 Negative changes in fair value allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
C.5 Negative foreign exchange	—	—	—	—	—	—
C.6 Transfer to:	—	—	—	—	—	—
a) Tangible assets held for investment purposes	—	—	—	—	—	—
b) non-current assets and group of assets held for sale;	—	—	—	—	—	—
C.7 Other adjustment	—	13,376	—	—	1,350	14,726
D. Net closing balance	100,239	289,811	19,265	6,649	30,667	446,631
D.1 Total net write-down	—	185,819	52,990	39,058	58,652	336,519
D.2 Gross closing balance	100,239	475,630	72,255	45,707	89,319	783,150
E. Carried at cost	—	—	—	—	—	—

Changes in tangible assets for core purposes also include the right of use acquired from finance leasing operations under IFRS 16. New leases executed during the year amount to €45.3m (shown in row B.7 "Other changes"), while depreciation and amortization for rights in use amount to €40.2m (stated in row C.2 "Depreciation/amortization").

9.7 Assets held for investment purposes: changes for the year

	Land	Buildings
A. Opening balance	29,144	33,710
B. Increases	—	48
B.1 Purchasing	—	—
- of which business combinations	—	—
B.2 Capitalised improvement costs	—	48
B.3 Positive variations of fair value	—	—
B.4 Write-backs	—	—
B.5 Positive exchange differences	—	—
B.6 Transfer from investment properties	—	—
B.7 Other variations	—	—
C. Decreases	650	2,608
C.1 Sales	650	763
- of which business combinations	—	—
C.2 Depreciation	—	1,845
C.3 Negative variations of fair value	—	—
C.4 Impairment losses	—	—
C.5 Negative exchange differences	—	—
C.6 Transfer to:	—	—
a) property used in operations	—	—
b) non-current assets and group of assets held for sale;	—	—
C.7 Other adjustment	—	—
D. Closing balance	28,494	31,150
E. Measured at fair value	90,980	54,693

These consist of the following properties:

Properties	**SQU. €m.**	**Book value (€'000)**	**Book value per SQU.m. (€'000)**
Rome	8,228	23,819	0.3
Lecce	21,024	15,528	1.4
Verona*	30,502	9,282	3.3
Bologna*	6,913	5,254	1.3
Vicenza	6,200	4,663	1.3
Pavia	2,250	1,097	2.1
Total	**75,117**	**59,644**	

* These include warehouses and office facilities.

9.8 Inventory of assets pursuant to IAS 2: changes for the year

	Inventories of property and equipment resulting from the enforcement of guarantees					Other tangible assets	Total
	Lands	Buildings	Furniture	Electronic equipment	Others		
A. Opening balance	1,027	6,932	—	—	—	—	7,959
B. Increases	—	95	—	—	—	—	95
B.1 Purchasing	—	—	—	—	—	—	—
B.2 Writebacks	—	—	—	—	—	—	—
B.3 Positive exchange differences	—	—	—	—	—	—	—
B.4 Other changes	—	95	—	—	—	—	95
C. Decreases	544	1,957	—	—	—	—	2,501
C.1 Sales	327	1,458	—	—	—	—	1,785
C.2 Impairment losses	—	—	—	—	—	—	—
C.3 Negative exchange differences	—	—	—	—	—	—	—
C.4 Other reductions	217	499	—	—	—	—	716
D. Closing balance	483	5,070	—	—	—	—	5,553

SECTION 10

Heading 100: Intangible assets

Intangible assets with indefinite duration consist of goodwill, brands and contracts acquired as part of business combinations, whereas those with definite duration are the client lists similarly acquired and software. For details on the methods by which intangible assets are valued, reference is made to Part A - Accounting Policies.

10.1 Intangible assets: composition

Assets/Values	Total 30/6/22		Total 30/6/21	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	616,791	X	602,363
A.1.1 attributable to the group	X	616,791	X	602,363
A.1.2 attributable to minorities	X	—	X	—
A.2 Other intangible assets	68,198	153,422	60,896	80,878
of which software	48,103	—	44,726	—
A.2.1 Assets measured at cost:	68,200	153,422	60,896	80,878
a) intangible assets generated internally	—	—	—	—
b) other assets	68,200	153,422	60,896	80,878
A.2.2 Assets measured at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	68,200	770,213	60,896	683,241

10.2 Intangible assets: changes for the year

	Goodwill	Other intangible assets generated internally		Other intangible assets: others		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening balance	602,363	—	—	304,326	80,878	987,567
A.1 Reductions of total net value	—	—	—	(243,430)	—	(243,430)
A.2 Net opening balance	602,363	—	—	60,896	80,878	744,137
B. Increases	18,344	—	—	44,086	73,461	135,891
B.1 Purchasing	13,837	—	—	42,144	69,553	125,534
- of which business combinations	*13,837*	—	—	*9,984*	*69,553*	*93,374*
B.2 Increases of internal intangible assets	X	—	—	—	—	—
B.3 Write-backs	X	—	—	—	—	—
B.4 Positive variations of fair value	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- to P&L	X	—	—	—	—	—
B.5 Positive exchange differences	4,507	—	—	66	3,908	8,481
B.6 Other variations	—	—	—	1,876	—	1,876
C. Decreases	3,916	—	—	36,784	917	41,617
C.1 Sales	—	—	—	6,255	—	6,255
- of which business combinations	—	—	—	—	—	—
C.2 Write-offs:	3,733	—	—	29,528	—	33,261
- Amortisations	X	—	—	29,528	—	29,528
- Depreciations	3,733	—	—	—	—	3,733
+ *net equity*	X	—	—	—	—	—
+ to P&L	3,733	—	—	—	—	3,733
C.3 Negative variations of fair value	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- to P&L	X	—	—	—	—	—
C.4 Transfer to non-current assets held for sale	—	—	—	191	—	191
C.5 Negative exchange differences	183	—	—	122	917	1,222
C.6 Other variations	—	—	—	686	—	686
D. Net closing balance	616,791	—	—	68,200	153,422	838,413
D.1 Adjustment of net total values	—	—	—	(270,315)	—	(270,315)
E. Gross closing balance	616,791	—	—	338,515	153,422	1,108,728
F. Measurement at cost	—	—	—	—	—	—

Information on intangible assets and goodwill

During the year under review, the Group Legal Entity Cairn Capital acquired the Bybrook Group and its distressed fund management activities. Following the purchase price allocation, assets[2] of £79.1m emerged, of which £58.9 in intangible assets with an indefinite life, £8.5m with a 10-year duration and £11.7m in goodwill.

A table summarizing the effects of the PPA process for all the acquisitions carried out by the Group over years is shown below:

Table 1: Summary of PPA effects: ITALIAN acquisitions

	Linea	IFID	Spafid Connect	Barclays	Esperia
Acquisition date	*27/6/2008*	*1/8/2014*	*18/6/2015*	*26/8/2016*	*6/4/2017*
Price paid	406,938	3,600	5,124	(240,000)	233,920
of which: ancillary charges	*2,000*	*200*	—		—
Liabilities	—	—	—	80,000	—
Intangible assets, defined life	(44,200)	(700)	(3,250)	(26,000)	(4,508)
no. of years amortization	*8*	*7*	*10*	*5*	*5*
Brands	(6,300)	—	—	—	(15,489)
Fair value adjustments	—	—	—	84,200	11,232
Balance of other assets (liabilities)	(2,659)	420	(466)	98,300	(176,585)
Tax effects	12,155	220	934	3,500	6,613
Goodwill	**365,934**	**3,540**	**2,342**	**—***	**55,183**

* The deal generated badwill.

2 The equivalent value in Euro was calculated at the exchange rate of 0.8582 at the end of June.

Table 1: Summary of PPA effects: non-Italian acquisitions

	Cairn	RAM[1]	MMA	Bybrook (Cairn)[2]
Acquisition date	*31/12/2015*	*28/2/2018*	*11/4/2019*	*31/8/21*
Currency	GBP	CHF	EURO	GBP
Price paid	24,662	164,732	107,856	66,900
of which: ancillary charges	—	—	—	—
Liabilities	20,813	46,850	54,540	—
Intangible assets, undefined life	—	—	—	(58,903)
Intangible assets, defined life	—	(2,398)	(11,330)	(8,455)
no. of years amortization	—	*5*	*8*	*10*
Brands	—	(37,395)	(10,230)	—
Fair value adjustments	—	—	—	—
Balance of other assets (liabilities)	(8,345)	(6,853)	(13,353)	(3,759)
Tax effects	—	7,163	6,684	15,934
Goodwill	**37,130**	**172,099**	**134,167**	**11,718**

[1] All amounts are calculated pro rata (89.25%) acquired at the acquisition date.

[2] Bybrook's business and shares were acquired by Cairn Capital, in which Mediobanca S.p.A. holds an 89.07% stake.

The situation for the Group's other main acquisitions is as follows:

– The Linea acquisition (€407m) generated goodwill of €365.9m, which is now the only amount still recorded in the books following the write-off of the brands with the useful life of the intangible assets having ended;

– The IFID acquisition (€3.6m) generated goodwill of €3.5m and intangible assets with time-limited life for a total of €0.7m. The deal has been allocated to the "Fiduciary Services" CGU; at 30 June 2022, goodwill had been fully written down;

– The Spafid Connect acquisition (€5.1m) generated goodwill of €2.3m and intangible assets with time-limited life of €3.3m. The deal has been allocated to the "Corporate Services" CGU. In the previous financial year, goodwill had been reclassified among assets held for sale pursuant to IFRS 5 and sold during financial year 2021/22;

– The deal to acquire the Barclays' Italian business unit required the seller to pay negative goodwill of €240m, which in the purchase price allocation process was treated as a contingent liability in an amount of €59m (linked to the restructuring process) and loan loss provisions for mortgages totalling €21m, roughly half of which for non-performing exposures. Taking account intangible assets with time-limited life of €26m related to a list of clients with AUM and AUA with a useful life of five years, the bargain purchase generated a gain of €98.3m, most of which was absorbed by the one-off costs related to integrating the Barclays' geographical and IT networks into CheBanca! (approx. €80m);

– The Cairn Capital acquisition (£24.7m for a 51% stake, along with put-and- call options over the other 49% valued at £20.8m) generated goodwill of £37.1m (calculated based on 100%). This goodwill was confirmed at the end of the purchase price allocation process; Cairn Capital Group has been treated as a single CGU. Following exercise of various tranches, the interest held in the company is now equal to 85.16%, while the outstanding liability, valued at the presumed realizable value, is equal to €12.5m. The Put and Call agreements, including the Bybrook share, were valued £29.5m at 30 June 2022;

– Acquisition of 50% of Banca Esperia held by Banca Mediolanum in return for a consideration of €141m (the deal closed in April 2017); in December 2017 Banca Esperia was merged into Mediobanca, and the purchase price allocation process was completed the same month, which led to a brand being recognized worth €15.5m, a customer list of €4.5m to be amortized over five years, and a goodwill of €52.1m split between the Private Banking and Mid-Cap CGUs (for €29.4m and €22.7m respectively). At the same time, the companies Esperia Servizi Fiduciari and Esperia Trust Company (wholly owned by Esperia) were sold to Spafid, becoming part of the Trust Services CGU with the contribution of a pre-existing goodwill of €3.1m; the latter was fully written down during the year under review;

– In February 2018 a 69.4% stake was acquired in RAM AI under the terms of a put-and-call arrangement which allows the investment to be increased to 89.25%. The purchase price allocation process led to recognition of a brand worth CHF 41.9m with indefinite life and a client list (related to the AUM management contracts held by REYL) worth CHF 2.7m, to be amortized over five years[3]. Goodwill post-PPA was calculated at CHF 172.1m, which includes the liability in respect of the put-and-call option (over the other 20.25% not acquired) valued at CHF 46.9m. During prior years, the goodwill of RAM AI was subject to impairment. At 30 June 2022, it was equal to CHF 48.9m;

– a stake of 66.4% of the share capital of Messier Maris & Associés - MMA (April 2019), was acquired at a price of €107.9m, settled with 11,600,000 Mediobanca shares in portfolio (1.3% of the share capital). A put-and call agreement was also executed, exercisable as from the fifth year following

[3] Maturity: 28 February 2023.

the acquisition, that would allow the interest acquired to rise to 100%. In conjunction with the deal closing, the Messier Maris brand was transferred at a value of €17m, which was increased by €27.2m following the PPA process, along with a client list worth €11.3m to be amortized over eight years, which reduced the goodwill to €134.2m. In the previous year, the company was affected by the exit of one of the two founding partners, a circumstance that, according to the original agreements, led to activating a clawback clause on escrow and Put & Call shares. Overall extraordinary income of €41m was thus generated. It was decided to fully offset the same by adjusting goodwill in the same amount, whose carrying amount was €93.2m as a result.

The acquisition of Bybrook Capital LLP, a manager specializing in distressed assets, was completed during the year under review. The closing of the strategic partnership agreement with Cairn Capital took place on 31 August 2021 for a consideration of £43.3m, of which £18.1m in cash (Cash Consideration) and £25.2 million in new Cairn shares (D Shares) representing 21.86% of the company, on half of which a Put & Call agreement was concluded with Mediobanca. The sale/purchase price for Bybrook shares and its other Group Legal Entities was set at £1.

Together with the takeover of the Revenue Sharing Agreement ("RSA") that Bybrook had signed with an institutional investor to pay back 25% of the annual commissions generated, this transaction was part of a single acquisition that merged into the Cairn CGU, whose goodwill increased from £37.1m to £48.8m, plus other intangible assets for £67.4m relating to asset management contracts (of which £58.9m with an indefinite life and £8.5m with a finite life to be amortized over 10 years). Deferred tax liabilities amounted to £15.9m.

The sale of the Issuers Services Branch of the Group Legal Entity Spafid Connect to Euronext, relating to shareholders' register keeping activities, managing meetings and designated representative was completed. This transaction generated a capital gain of approximately €5m, the impact of which on the profit and loss account was largely absorbed by the write-down of goodwill on fiduciary assets.

* * *

The tables below show a list of the intangible assets acquired as part of M&A transactions and summarizing the goodwill recognized in the accounts as broken down both by deal and cash-generating unit (CGU).

Table 2: Other intangible assets acquired as a result of M&A transactions

Tipology	***Deal***	**30/6/22**	**30/6/21**
Customer relationship		88,731	15,476
	Spafid	57	177
	Barclays/Chebanca!	—	866
	MB Private Banking	—	907
	CMB	3,914	4,564
	Bybrook/Cairn	77,666	—
	RAM Active Investments	366	818
	Messier et Associes	6,728	8,144
Brand		67,786	63,878
	MB Private Banking	15,489	15,489
	RAM Active Investments[1]	42,067	38,159
	Messier et Associes[2]	10,230	10,230
Total		**156,517**	**79.354**

[1] Increase entirely attributable to the currency exchange effect.

[2] Added to the brand transferred in connection with the acquisition and equal to €17m (figure taken from financial statements for year ended 30 June 2019).

Table 3: Goodwill

Deal	**30/6/22**	**30/6/21**
Consumer	365,934	365,934
Spafid-Fiduciary services	—	3,733
Cairn Capital	56,923	43,272
MB (former Banca Esperia)	52,103	52,103
RAM Active Investments[1]	48,678	44,168
Messier et Associés	93,153	93,153
Total goodwill	**616,791**	**602,363**

[1] Increase entirely attributable to the currency exchange effect.

Table 4: Summary of Cash Generating Units

CGU	30/6/22	30/6/21
Consumer	365,934	365,934
Fiduciary services	—	3,733
Cairn Capital	56,923	43,272
Mid corporate	22,650	22,650
MB Private Banking	29,453	29,453
RAM Active Investments	48,678	44,168
Messier et Associés	93,153	93,153
Total goodwill	**616,791**	**602,363**

Information on impairment testing

As stated in the Accounting Policies section, IAS 36 requires any loss of value, or impairment, of individual tangible and intangible assets to be tested at least once a year, in preparing the annual financial statements, or more frequently if events or circumstances occur which suggest that there may have been a reduction in value.

If it is not realistically possible to establish the recoverable value of the individual asset directly, the standard allows the calculation to be made based on the recoverable value of the cash-generating unit, or CGU, to which the asset belongs. The CGU is defined as the smallest identifiable group of assets able to generate cash flows that do not present synergies with the other parts of the company, and may be considered separately and sold individually.

In order to establish the recoverable value relative to the book value at which the asset is recognized in the accounts, reference is made to the higher of the fair value of such asset (net of any sales costs) and its value. In particular, value in use was obtained by discounting the expected future cash flows from an asset or from a cash generating unit; cash flow projections must reflect reasonable assumptions and must therefore be based on recent budgets / forecasts approved by the Company's governing bodies; furthermore, assets must be discounted at a rate that includes the current cost of money and the specific risks associated with the business activity.

The Group adopted a policy, the latest update of which was submitted to the approval of the Board of Directors in June 2021, which regulates the impairment test process and incorporates the guidelines issued by *Organismo Italiano di Valutazione* (OIV, Italian Valuation Body), the suggestions of the ESMA[4] and the Recommendations of national regulators[5].

The recoverable value for goodwill has been estimated using the dividend discount model methodology, with the excess capital version applied which is commonly employed by financial institutions for this purpose for capital-intensive CGUs.

The cash flows have been projected over a time horizon of three to five years, based on the Group's strategic plans and the annual budgets formulated by the management of the individual CGUs[6] concerned.

To estimate the cost of equity, which is determined via the Capital Asset Model (CAPM) in accordance with IAS 36, certain parameters common to all CGUs have been used, namely:

– The risk-free rate, i.e., the return on investments which are risk-free or entail minimum risk over the near term and not exceeding one year, identified as the return on sovereign debt of the countries in which the asset being valued is headquartered;

[4] European Security and Markets Authority (ESMA): "European common enforcement priorities for 2013 financial statements", emphasizing the specific aspects of the impairment testing for goodwill and intangibles asset; and Public Statement of 28 October 2020, "European common enforcement priorities for 2020 annual financial reports", in which all issuers are invited to pay particular attention to the effects of the Covid-19 pandemic.

[5] Joint Bank of Italy, Consob and ISVAP (now IVASS) document no. 3, of 3 March 2010, which requires, among other things, that the financial statements of listed companies (annual and interim reports) should contain more detailed disclosure on how goodwill, other intangibles with indefinite useful life, and equity investments are valued, providing a description of the methodologies and indicators used which must be submitted to formal and deliberate approval by the Board of Directors; Joint Bank of Italy, Consob and ISVAP (now IVASS) document no. 8, containing guidance on the valuation of fund stock units to be applied in measuring holdings in funds at fair value; Consob communication no. DIE/17131 of 3 March 2014, containing guidance on the timescales for carrying out impairment testing, and the duties and responsibilities of the management body in this process; Consob communication no. 3907 of 19 January 2015, laying down guidelines with which listed companies must comply to ensure high quality disclosure on the issue of impairment; Consob "Warning" no. 8/20 of 16 July 2020, no. 6/20 of 9 April 2020, and no. 1/21 of 16 February 2021: "Covid-19 - Warning on financial reporting", in which management and supervisory bodies and heads of company financial reporting are reminded of the need to comply with the principles governing the financial reporting production process, in view of the impact which the effects of the pandemic may have on, among other things, the valuation of non-financial assets (i.e. the need for impairment testing); OIV Discussion Paper 1/2022 of 29 June 2022, which proposes a procedure to examine whether or not the conditions for repeating the impairment test in the interim report (in reference to companies ending the financial year at 31 December 2021) were satisfied and, if so, what elements to consider in order to deal with the uncertainties caused by the conflict in Ukraine.

[6] Processed by taking into account all Recommendations and documents mentioned in the footnote above, including the recent OIV Discussion Paper and therefore any impacts arising from the ongoing Russia / Ukraine conflict.

– The market risk premium, i.e., the reward which investors require in order to increase the risk on their investments. During the year under review, senior management reviewed the previously used methodology, i.e. determination based on multiple sources including company searches and academic scholars, with the use of an unseparated equity risk premium equal to the premium for the US stock market risk estimated according to a historical data series by the New York University - Stern School of Business, based on the difference between the return of the American stock market compared to return of the bond market since 1928 (geometric mean);
– The growth rate (g), to calculate the terminal value, using the so-called "perpetuity" methodology, established taking into account the inflation rate expected over the long term in the country where the specific CGU is based; in some cases, however, other factors are also considered, such as the real growth scenario in the sector where the CGU operates;
– the *Beta* parameter is different for different types of business. This was estimated according to trends in the data series of returns for sample groups of listed companies comparable to those being valued and the respective data series of returns of market indices of the countries in which the companies are listed.

It should also be emphasized that in calculating the cost of equity (Ke), account must also be taken of risk specific to the CGU, if any, through an additional risk (alpha coefficient/factor) to incorporate the risk perceived by the market but not fully reflected by the CAPM indicators. Senior management opted to increase the estimates of the opportunity cost of capital for all CGUs, except for the Consumer Banking CGU, by at least 1.50%. With regard to RAM and Cairn, senior management opted to apply a higher additional risk premium of 3.20%, in consideration of the risk inherent in the plan (with longer time horizons than the horizon assumed for all the other CGUs, i.e., 3 years).

Table 5: Cost of equity parameters per CGU

CGU	30/6/22					
	Risk-free rate	Equity risk premium	Beta 2y	Factor	*Cost of equity*	Expected growth rate
	Rf	***Erp***	***β***	***α***	***Ke***	***g***
Consumer	3.53	5.13	1.10	0.0	9.19	2.0
Private banking	3.53	5.13	1.04	1.50	10.35	2.0
Mid corporate	3.53	5.13	0.83	1.50	9.27	2.0
Cairn Capital/UK	2.37	5.13	0.98	3.20	10.58	2.0
RAM AI/Suisse	1.18	5.13	0.98	3.20	9.40	1.9
MA/France	2.03	5.13	0.83	1.50	7.77	1.6

CGU	30/6/21					
	Risk-free rate	Equity risk premium	Beta 2y	Factor	*Cost of equity*	Expected growth rate
	Rf	***Erp***	***β***	***α***	***Ke***	***g***
Consumer	0.75%	6.41	1.10	1.50	9.29	1.3
Servizi fiduciari	0.75%	6.41	0.99	1.50	8.56	1.3
Private banking	0.75%	6.41	0.99	1.50	8.56	1.3
Mid corporate	0.75%	6.41	0.99	1.50	8.56	1.3
Servizi emittenti	0.75%	6.41	0.99	1.50	8.56	1.3
Cairn Capital/UK	0.46%	5.49	1.11	1.50	8.07	1.7
RAM AI/Suisse	-0.40%	5.40	1.11	2.52	8.14	1.5
MA/France	-0.20%	5.73	1.15	1.50	7.87	1.5

Compared to last year, the individual components that contributed to the computation of the Cost of Equity were higher. The risk-free rate of Italy (calculated as the annual average of the ten-year BTP in the previous financial year and as the monthly average in the year under review) went from 0.75% to 3.53%. With regard to the Equity Risk Premium, the US ERP was used as it represents the premium associated with investments in the stock market. It is believed that any deviations, induced by exchange rates, from the ERP of individual countries were not significant. Therefore, the ERP was the same for all CGUs, i.e., 5.13%. Nearly all Betas decreased except for the Consumer Banking CGU (stable at 1.10) and Mediobanca's Private Banking, up from 0.99% to 1.04%. Finally, with regard to the growth rate (g), equal to the expected long-term inflation rate in the countries of residence of the CGUs, it was set at 2% for Italy and the UK, at 1.90% for Switzerland, and 1.60% for France.

With regard to Terminal Value, it should be noted that it was obtained by capitalizing the average of distributable profits over the last three years of the Plan, which, on a prudential basis, was considered the value that best reflected a normalized cash flow that took into account the income prospects of individual CGUs according to an across-the-cycle approach. For the Cairn and RAM CGUs, the flow thus calculated best reflects their income prospects beyond the explicit forecast period, also taking into account the changes in organization (for RAM) and scope (for Cairn) during the year, the economic effects of which will fully emerge within the Plan horizon. It was preferred to keep the last year of the Plan only for the MA CGU.

All of the Group's CGUs passed the impairment test as their value in use exceeded the carrying amount and no write-downs were made.

This situation is borne out by the sensitivity analysis exercise, which contemplates changes in the scenarios, such as a 0.25% increase or decrease in the cost of equity, stressed rates of increase/decrease in the cost/income ratio (0.50%), and, for companies with credit risk, the cost of risk.

Lastly, a further impairment test was carried out by verifying whether the value in use of the various operating segments (Consumer Banking, Wealth Management and Corporate and Investment Banking), taking into account the allocation of all the corporate costs of the Holding Functions, was higher than the respective carrying amount, computed as the sum of absorbed assets integrated with goodwill and other allocated intangibles.

The impairment test was passed by all three operating segments.

Moreover, an analysis of the fairness of the Group's value - obtained as the sum of parts - and the stock market prices and target prices stated by financial analysts was conducted. With regard to the trend in stock market prices and the price-to-book value indicator, it should be noted that at the end of the financial year (30 June 2022) the stock was listed at €8.3. However, it should be emphasized that in an economic situation such as the current one, the valuation incorporated in stock market prices places maximum emphasis on market multiples and short-term variables, which are not necessarily reflected in the Group's fundamentals. Stock market prices may therefore be lower than value in use due to the different value configuration. Finally, the most recent reports drawn up by financial analysts were taken into consideration. The average target price was €11.2 per share.

* * *

Before the goodwill impairment test, the brands with indefinite useful life were allocated to the various CGUs. In particular these are the brands referring to Mediobanca Private Banking, RAM and Messier et Associés. The brands' recoverable values were estimated using criteria based on royalty relief, whereby the brand's value is obtained from the discounted value of the income deriving from it, which in turn is estimated as the product of the royalty rate implied in the valuations of the respective brands made during the PPA process (Business Combinations under IFRS 3) and the value of the operating income. All the brand values were confirmed and no evidence of impairment was noted.

SECTION 11

Assets heading 110 and liabilities heading 60: Tax assets and liabilities

11.1 Advance tax assets: composition

	Total 30/6/22	Total 30/6/21
- Against Profit and Loss	559,819	556,808
- Against Net Equity	37,148	27,395
Total	596,967	584,203

Advance taxes qualifying as "eligible", i.e., convertible into tax credits, amounted to €400.3m. Of the residual amount (€196.7m), only €1.5m concerned prior year losses, while the most significant portion concerned temporary differences.

All advance taxes qualifying as "ineligible" were subjected to a "probability test", i.e. an annual assessment as to the probability of recovering them, broken down by IRES (corporate income tax) and IRAP (regional tax on production activities), and whether or not they fall within the scope of the National Tax Consolidation of the companies to which they refer.

In this regard, it should be noted that:

- the estimate of the forecast taxable income for the periods beyond the time horizon of individual business plans was made on a prudential basis, assuming the opening result to be substantially consistent with that of the previous financial year;
- temporary decreases were examined by using the above period for decreases whose release period is governed by regulatory provisions, while a time horizon of 5 years was used for decreases whose release period is not governed by regulatory provisions.

Taking into account the Group's and the individual entities' forward-looking plans, the above analyses confirmed the "probability of recovery" of such decreases while applying some prudential corrections and taking into account the large income-earning capacity demonstrated by the Group in its long history.

	Total 30/6/22
A - Gross advance tax assets	
Loan loss provisions	379,158
Provisions for risks and other charges	34,767
Goodwill and other intangible assets*	116,774
Financial instruments recognized at FVOCI	32,378
Tax losses	1,526
Other	32,364
B - Offset by deferred tax liabilities	—
C - Net advance tax assets	596,967

* This figure mainly includes the goodwill redemptions on the Compass / Linea merger (€109.6m), of which €21.1m pursuant to Article 176 of Presidential Decree No. 917/1986 and €88.5m implementing the provision of Article 110 of Law-Decree No. 104/2020, which will have an amortization period of 18 years and on the Mediobanca / Banca Esperia merger (€4.1 million) pursuant to Article 110 of Law-Decree No. 104/2020 but with an amortization period of 50 years (Law No. 310/2021).

11.2 Deferred tax liabilities: composition

	Total 30/6/22	**Total 30/6/21**
- Against Profit and Loss	302,098	301,938
- Against Net Equity	100,421	36,847
Total	402,519	338,785

11.3 Changes in advance tax during the period (against profit and loss)

	Total 30/6/22	Total 30/6/21
1. Opening balance	556,808	616,737
2. Increases	106,864	24,462
2.1 Deferred tax liabilities of the year	103,871	23,896
a) relating to previous years	—	34
b) due to changes in accountable parameters	—	—
c) writebacks	—	—
d) others	103,871	23,862
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	2,993	566
3. Decreases	103,853	84,391
3.1 Deferred tax liabilities derecognised in the year	96,861	80,261
a) reversals of temporary differences	96,062	78,422
b) write-downs of non-temporary items	—	—
c) changes in accounting policies	—	—
d) others	799	1,839
3.2 Reductions in tax rates	—	—
3.3 Other decreases:	6,992	4,130
a) conversion into tax receivables pursuant to Italian Law 214/2011	—	—
b) others	6,992	4,130
4. Closing balance	559,819	556,808

*11.4 Changes in advance tax (pursuant to Italian Law 214/11)**

	Total 30/6/22	Total 30/6/21
1. Opening balance	475,523	548,385
2. Increases	—	—
3. Decreases	75,784	72,862
3.1 Reversals of temporary differences	71,065	69,366
3.2 Conversion into tax receivables deriving from:	946	—
a) year losses	946	—
b) tax losses	—	—
3.3 Other decreases	3,773	3,496
4. Closing balance	399,739	475,523

* Italian Law-Decree n. 59of 29 April 2016 on deferred tax receivable pursuant to Italian Law 214/11, as amended by Italian Law-Decree n. 237 of 23 December 2016, as amended by Law 15/2017, provides that in order to be able to retain the right to take advantage of the possibility of converting DTAs into tax credits, an irrevocable option must be specifically exercised, which involves payment of an annual instalment equal to 1.5% of the difference between the increase in advance tax assets at the reporting date since 30 June 2008 and the tax paid during the same period each year until 2029. Mediobanca has exercised this option in order to retain the possibility of converting DTAs for all companies adhering to the tax consolidation. No payment shall be due in this respect, however, given that the payments made to the tax consolidation exceed the increase in DTAs recorded since 30 June 2008.

11.5 Changes in deferred tax during the period (against profit and loss)

	30/6/22	30/6/21
1. Opening balance	301,940	302,963
2. Increases	2,692	7,265
2.1 Deferred tax liabilities of the year	1,563	231
a) relating to previous years	—	—
b) due to changes in accountable parameters	—	—
c) others	1,563	231
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	1,129	7,034
3. Decreases	2,532	8,288
3.1 Deferred tax liabilities derecognised in the year	231	6,335
a) reversals of temporary differences	228	4,314
b) due to changes in accountable parameters	—	—
c) others	3	2,021
3.2 Reductions in tax rates	—	—
3.3 Other decreases	2,301	1,953
4. Closing balance	302,100	301,940

11.6 Changes in advance tax during the period (against net equity)*

	30/6/22	30/6/21
1. Opening balance	27,395	40,773
2. Increases	47,242	18,989
2.1 Deferred tax liabilities of the year	47,218	18,973
a) relating to previous years	7	—
b) due to changes in accountable parameters	—	—
c) others	47,211	18,973
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	24	16
3. Decreases	37,489	32,367
3.1 Deferred tax liabilities derecognised in the year	37,089	28,605
a) reversals of temporary differences	32,286	27,228
b) write-downs of non-temporary items	—	—
c) due to changes in accounting policies	—	—
d) others	4,803	1,377
3.2 Reductions in tax rates	—	—
3.3 Other decreases	400	3,762
4. Closing balance	37,148	27,395

* Tax deriving from cash flow hedges and valuations of financial instruments recognized at fair value through Other Comprehensive Income.

11.7 Changes in deferred tax during the period (against net equity)

	Total 30/6/22	Total 30/6/21
1. Opening balance	36,847	22,485
2. Increases	202,018	118,050
2.1 Deferred tax liabilities of the year:	200,110	118,029
a) relating to previous years	—	—
b) due to changes in accountable parameters	—	—
c) others	200,110	118,029
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	1,908	21
3. Decreases	138,444	103,688
3.1 Deferred tax liabilities derecognized in the year	127,278	103,688
a) reversals of temporary differences	127,278	103,688
b) due to changes in accountable parameters	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases	11,166	—
4. Closing balance	100,421	36,847

SECTION 12

Assets heading 120 and Liability heading 70: Non-current assets and disposal groups classified as held for sale

12.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

	30/6/22	30/6/21
A. Assets held for sale		
A.1 Financial assets	—	
A.2 Equity investments	—	—
A.3 Tangible assets	—	—
of which: obtained by the enforcement of collateral	—	—
A.4 Intangible assets	191	4,178
A.5 Other non current assets	—	—
Total (A)	191	4,178
of which carried at cost	*191*	*4,178*
of which designated at fair value - level 1	—	—
of which designated at fair value - level 2	—	—
of which designated at fair value - level 3	—	—
C. Liabilities associated with assets held for sale		
C.1 Debts	—	
C.2 Securities	—	—
C.3 Other liabilities	—	381
Total (C)	—	381
of which carried at cost	—	*381*
of which designated at fair value - level 1	—	—
of which designated at fair value - level 2	—	—
of which designated at fair value - level 3	—	—

At 30 June 2022, assets held for disposal (under IFRS 5) were stated in relation to the last portion of the sale of the business unit of the Group Legal Entity Spafid. The assets sold essentially refer to intangible assets relating to a part of the Issuer Services business still provided by Spafid Connect.

SECTION 13

Heading 130: Other assets

13.1 Other assets: composition

	30/6/22	30/6/21
1. Gold, silver and precious metals	695	695
2. Accrued income other than capitalized income from financial assets	63,283	53,946
3. Trade receivables or invoices to be issued	304,665	311,685
4. Amounts due from tax revenue authorities (not recorded under Heading 110)	239,720	151,171
5. Other items	272,248	233,037
- bills for collection	66,818	52,565
- amounts due in respect of premiums, grants, indemnities, and other items in respect of lending transactions	22,023	22,586
- advance payments on deposit commissions	2,687	2,750
- other items in transit	89,084	81,920
- sundry other items[1]	91,636	73,216
Total other assets	880,611	750,534

[1] Includes accrued income.

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Liabilities

SECTION 1

Heading 10: Financial liabilities measured at amortized cost

1.1 Financial liabilities measured at amortized cost: composition of due to banks

Type of transaction / Values	Total 30/6/22				Total 30/6/21			
	book value	Fair Value			book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	8,442,206	X	X	X	7,486,142	X	X	X
2. Due to banks	7,309,620	X	X	X	5,344,777	X	X	X
2.1 Current accounts and demand deposits	461,414	X	X	X	405,561	X	X	X
2.2 Term deposits	29,131	X	X	X	—	X	X	X
2.3 Loans	6,704,893	X	X	X	4,907,028	X	X	X
2.3.1 Repos	3,160,595	X	X	X	1,827,468	X	X	X
2.3.2 Other	3,544,298	X	X	X	3,079,560	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
2.5 Lease liabilities[1]	82	X	X	X	3,443	X	X	X
2.6 other products	114,100	X	X	X	28,745	X	X	X
Total	15,751,826	—	15,751,826	—	12,830,919	—	12,830,919	—

[1] This item includes obligations in respect of payment of future leasing instalments as required by IFRS 16 and Bank of Italy circular no. 262 – VI Update.

1.2 Financial liabilities measured at amortized cost: composition of due to customers

Type of transaction / Values	Total 30/6/22				Total 30/6/21			
	book value	Fair Value			book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and on demand deposits	24,528,643	X	X	X	21,420,365	X	X	X
2. Term deposits	5,924,530	X	X	X	4,955,465	X	X	X
3. Loans	1,893,112	X	X	X	336,432	X	X	X
3.1 Repos	1,782,550	X	X	X	170,907	X	X	X
3.2 Others	110,562	X	X	X	165,525	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Lease liabilities[1]	208,765	X	X	X	223,640	X	X	X
6. Other liabilities	168,525	X	X	X	128,887	X	X	X
Total	32,723,575	—	32,723,575	—	27,064,789	—	27,064,789	—

[1] This item includes obligations in respect of payment of future leasing instalments as required by IFRS 16 and Bank of Italy circular no. 262 – VI Update.

1.3 Financial liabilities measured at amortized cost: composition of debt securities in issue

Type of exposure/ Amounts	Total 30/6/22				Total 30/6/21			
	book value	Fair value*			book value	Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1 Bonds	17,398,373	859,014	16,471,829	—	17,778,581	759,204	17,206,553	100,115
1.1 Structured	2,493,001	—	2,535,107	—	2,723,465	—	2,839,281	—
1.2 Others	14,905,372	859,014	13,936,722	—	15,055,116	759,204	14,367,272	100,115
2. other securities	841,851	—	782,599	59,252	800,726	—	755,281	45,445
2.1 Structured	—	—	—	—	—	—	—	—
2.2 Others	841,851	—	782,599	59,252	800,726	—	755,281	45,445
Total	18,240,224	859,014	17,254,428	59,252	18,579,307	759,204	17,961,834	145,560

* Fair value amounts are shown after deducting issuer risk, which at 30 June 2022 suggested a capital gain of €250.6m (up €110.6m).

Bonds fell from €17,8bn to €17.4bn after new issues for €3bn perfectly covered by redemptions and repurchases (realizing gains of €0.5m). The changes therefore concerned the other adjustments (exchange rate adjustment, amortized cost and effect of hedges), with a decrease of €328.5m.

Outstanding bonds issued include €1.7bn [7] (of which €1.6bn issued by the Group Legal Entity Mediobanca International and guaranteed by the parent company) in issues related to index or derivative strategies in leveraged arbitrage (skew), on bases mainly linked to credit and commodity derivatives and, to a lesser extent, rate arbitrage, equity risk inflation (underlying transaction). All these issues involve payment of interest in the form of a coupon (including a premium - extra yield) and full repayment of capital at maturity. In case of the subscriber opting for early repayment, the issuer has the faculty, at its discretion, to choose a repayment price that takes into account the current fair value including that of the underlying transactions. As required by par. 4.3.3 of IFRS 9, the embedded derivative, identified by the right to include the arbitrage value within the repayment price, has been separated by the obligation valued at amortized cost and booked at the fair value of underlying transactions.

1.4 Breakdown of subordinated debt securities

"Outstanding securities" include the following five subordinated Tier 2 issues, for a total of €1,598,146:

Issue	**30/6/22**		
	ISIN code	**Nominal value**	**Book value***
MB SUBORDINATO 5,75% 2023	IT0004917842	499,686	511,339
MB SUBORDINATO TV con min 3% 2025	IT0005127508	499,153	503,988
MB SUBORDINATO 3.75% 2026	IT0005188351	300,407	284,975
MB SUBORDINATO 1,957% 2029	XS1579416741	50,000	50,267
MB SUBORDINATO 2,3% 2030	XS2262077675	248,900	233,861
Total subordinated securities		1,598,146	1,584,430

* The computed value differs from the book value due to the fair value and amortized cost components, as well as due to the repurchase commitments.

1.6 Lease liabilities

Amounts due under leases are calculated by applying the criteria set forth in IFRS 16.

[7] 1.8bn last year.

SECTION 2

Heading 20: Trading financial liabilities

2.1 Trading financial liabilities: composition

Type of transaction / Values	30/6/22					30/6/21				
	Nominal or notional value	Fair value			Fair value	Nominal or notional value	Fair value			Fair value
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	9,642	8,981	—	—	8,981	1,476,207	1,540,833	—	—	1,540,833
2. due to customers	3,732,348	3,720,646	—	—	3,720,646	2,362,361	2,521,458	—	—	2,521,458
3. Debt securities	—	—	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other bonds	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total (A)	3,741,990	3,729,627	—	—	3,729,627	3,838,568	4,062,291	—	—	4,062,291
B. Derivative instruments										
1. Financial derivative products	—	875,249	3,367,400	703,975[1]	—	—	904,555	3,321,765	1,182,213[1]	—
1.1 trading	X	875,249	3,366,543	703,490	X	X	904,555	3,317,662	1,181,119	X
1.2 related to the fair value option	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	857	485[2]	X	X	—	4,103	1,094[2]	X
2. Credit derivatives	—	—	530,454	—	—	—	—	592,805	—	—
2.1 trading	X	—	530,454	—	X	X	—	592,805	—	X
2.2 related to the fair value option	X	—	—	—	X	X	—	—	—	X
2.3 Others	X	—	—	—	X	X	—	—	—	X
Total (B)	X	875,249	3,897,854	703,975	X	X	904,555	3,914,570	1,182,213	X
Total (A+B)	X	4,604,876	3,897,854	703,975	X	X	4,966,846	3,914,570	1,182,213	X

[1] Respectively €409,692 and €992,861 for options traded, matching the amount recorded among assets held for trading.

[2] Includes the market value of options (€86,000 as at 30/6/22 and 146,000 as at 30/6/21) covering others attached to bonds issued, matching the amount booked as financial assets held for trading.

Heading 30: Financial liabilities designated at fair value

3.1 Financial liabilities designated at fair value: composition

Type of transaction / Values	Total 30/6/22					Total 30/6/21				
	Nominal value	Fair Value			Fair Value	Nominal value	Fair Value			Fair Value
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	—	—	—	—	—	—	—	—	—	—
1.1 Structured	—	—	—	—	X	—	—	—	—	X
1.2 Others	—	—	—	—	X	—	—	—	—	X
of which:										
Loan commitments	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
Financial guarantees given	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
2. due to customers	—	—	—	—	—	—	—	—	—	—
2.1 Structured	—	—	—	—	X	—	—	—	—	X
2.2 Others	—	—	—	—	X	—	—	—	—	X
of which:					—					—
Loan commitments	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
Financial guarantees given	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
3. Debt securities	751,428	—	638,151	3,513	641,664	800,087	—	833,048	—	833,048
3.1 Structured	751,428	—	638,151	3,513	X	800,087	—	833,048	—	X
3.2 Others	—	—	—	—	X	—	—	—	—	X
Total	751,428	—	638,151	3,513	641,664	800,087	—	833,048	—	833,048

This item mainly contains certificates (€747.8m), one of which is significant (€613.6m) and covered by specific financial assets (Financial assets measured at fair value - Item 20).

SECTION 4

Heading 40: Hedging derivatives

4.1 Hedging derivatives: by hedge type and level

	30/6/22				30/6/21			
	Fair value			Nominal value	Fair value			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	1,361,863	—	38,300,798	—	375,413	—	38,032,581
1) Fair value	—	1,358,504	—	38,164,524	—	361,882	—	29,174,781
2) Cash flow hedges	—	3,359	—	136,274	—	13,531	—	8,857,800
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
Total	—	1,361,863	—	38,300,798	—	375,413	—	38,032,581

4.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction/ Type of hedge	*Fair value*							Cash flows		
	Specific						Generic	Specific	Generic	Foreign investments
	debt securities and interest rates	Equities and stock indexes	currencies and gold	credit	commodities	others				
1. Financial assets measured at fair value with impact through other comprehensive income	—	—	—	—	X	X	X	—	X	X
2. Financial assets measured at amortised cost	100,333	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other operations	—	—	—	—	—	—	X	—	X	—
Total assets	100,333	—	—	—	—	—	—	—	—	—
1. Financial liabilities	1,258,171	X	—	—	—	—	X	3,311	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	1,258,171	—	—	—	—	—	—	3,311	—	—
1. Highly probable transactions	X	X	X	X	X	X	X	48	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	—	X	—	—

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SECTION 6

Heading 60: Tax liabilities

Please see asset section 11.

SECTION 7

Heading 70: Liabilities associated to disposal group of assets

Please see asset section 12.

SECTION 8

Heading 80: Other liabilities

8.1 Other liabilities: composition

	30/6/22	30/6/21
1. Working capital payables and invoices pending receipt	368,606	315,001
2. Amounts due to revenue authorities	58,740	70,604
3. Amounts due to staff	254,751	247,104
4. Other items:	273,099	265,326
- bills for collection	25,698	25,684
- coupons and dividends pending collection	2,638	2,454
- available sums payable to third parties	74,134	92,213
- premiums, grants, and other items in respect of lending transactions	20,400	21,192
- sundry other items[1]	150,229	123,783
Total	955,196	898,035

[1] Includes the liability in respect of the put-and-call agreements entered for Cairn Capital, RAM AI and MA.

SECTION 9

Heading 90: Staff severance indemnity provision

9.1 Staff severance indemnity provision: changes during the period

	Total 30/6/22	Total 30/6/21
A. Opening balance	26,886	27,862
B. Increases	9,878	8,624
B.1 Provision of the year	7,630	7,013
B.2 Other additions	2,248	1,611
- of which business combinations	—	—
C. Decreases	14,795	9,600
C.1 Severance payments	3,132	2,008
C.2 Other changes[1]	11,663	7,592
- of which business combinations	—	—
D. Closing balance	21,969	26,886
Total	21,969	26,886

[1] Includes €4,750 in transfers to external, defined contribution pension schemes (30/6/21: €4,382).

The staff severance indemnity provision concerns Group companies resident in Italy; for a detailed explanation of the accounting standards adopted, please refer to Part A Accounting policies.

9.2 Other information

The staff severance indemnity provision is configured as a defined benefit plan; the actuarial model used is based on various demographic and economic assumptions. For some of the assumptions used, reference has been made directly to the Group's own experience (e.g. estimates of disability incidence, frequency of early retirement, annual increase in rate of remuneration, frequency with which advance withdrawals from the provision are requested, etc.), while for the others, account has been taken of the relevant best practice (e.g. the mortality rate has been determined using the IPS55 life tables, whereas the retirement age has been determined taking into account the most recent legislation in this area); for the discount rate, the iBoxx Eurozone Corporate AA index as at 30 June 2022 has been used for similar companies to those being valued (equal to 2.74%, compared with 0.26% at end-June 2021), while the inflation rate is 2.40%.

SECTION 10

Heading 100: Provisions for risks and charges

10.1 Provisions for risks and charges: composition

Items/Components	30/6/22	30/6/21
1. Provisions for credit risk related to commitments and financial guarantees given	23,727	26,858
2. Provision to retirement payments and similar	537	297
3. Retirement plans[1]	—	1,410
4. Other risk and obligation funds	113,504	115,644
4.1 legal and fiscal controversies	—	—
4.2 obligations for employees	2,458	2,658
4.3 others	111,046	112,986
Total	137,768	144,209

[1] These regard the Swiss company RAM AI, in line with Swiss regulations.

IAS 37 requires provisions to be set aside in cases where there is an obligation, whether actual, legal or implicit, the amount of which may be reliably determined and the resolution of which is likely to entail a cash outflow for the company. The amount of the provision is determined from the management's best estimate, based on experience of similar operations or the opinion of independent experts. The provisions are revised on a regular basis in order to reflect the best current estimate.

At 30 June, the item "Provisions for risks and charges" showed a decrease of 4.7%, from €144.2m to €137.8m due to lower commitments and guarantees issued (down 13.2%, from €26.9m to €23.7m), the cancellation of the company pension fund (referring to the Swiss Group Legal Entity RAM AI) of €1.4m, as well as the changes in provisions for risks and charges down slightly from €115.6m to €113.5m. The stock at the end of the year was mainly divided as follows: Mediobanca €67.8m (€68.8m), Compass €18.5m (€17.5m), CheBanca! €17.2m (€15.3m), SelmaBPM €5.2m (€9.2m) and CMB Monaco €2.1m (€1.2m).

Among the main legal proceedings pending to date, the lawsuit involving Mediobanca S.p.A. in relation to a claim for damages by Lucchini S.p.A. in A.S. ("Lucchini") against twelve banks (including Mediobanca) on the assumption that they had contributed to the economic and financial failure of the company due to having drawn up and executed an industrial and financial plan for the company based on allegedly unrealistic forecast data and a restructuring agreement pursuant to Article 182-bis of the Italian bankruptcy law that presented excessively favourable guarantees to the banks, thereby entailing a delay in submitting Lucchini to the extraordinary administration procedure. In a ruling issued on 21 July 2020, the Court of Milan rejected Lucchini's claim, ordering the company to pay legal expenses. By appeal notified on 28 September 2020, Lucchini challenged the ruling. The Court of Appeal heard the case for a decision and we are waiting for the ruling to be issued.

It should also be noted that:

- regarding the legal action brought by Fondazione Monte dei Paschi di Siena ("FMPS", Monte dei Paschi di Siena Foundation) against former directors of FMPS and Mediobanca, jointly and severally with thirteen other banks for a total of €286m for non-contractual liabilities by way of association for damage allegedly caused in the conclusion of a Term Facility Agreement on 4 June 2011 and the resulting violation of the Articles of association (threshold of 20% in debt-to-equity ratio) of FMPS, last December 20, FMPS and the bank syndicate signed a settlement agreement according to which the relevant share for an amount significantly lower than the claim was paid out in the month of January;
- with regard to the effects of the "Lexitor" ruling, Law No. 106/2021 of July 2021 reformulated the wording of Article 125-*sexies* of the Consolidated Law on Banking, providing that the effects of the Lexitor ruling should be applied only to contracts concluded after such decision; this approach was subsequently confirmed by a notification from the Bank of Italy in December 2021. However, on 2 November 2021, the Court of Turin raised a question of constitutional legitimacy regarding the amendment to Article 125-*sexies* of the Consolidated Law on Banking, placing the regulatory framework in a situation of uncertainty. Therefore, pending the ruling of the Constitutional Court, it was considered appropriate to keep the provisions of €11.7m currently set aside in Compass.

With regard to disputes pending with the Italian Tax Authorities, the following significant changes should be noted:

- with reference to the alleged failure to apply transparency tax rules as required by the legislation on Controlled Foreign Companies (CFC) on income earned by CMB Monaco and Compagnie Monégasque de Gestion in financial years 2013, 2014 and 2015 (for a total of €124.4m of income and €53.7m in disputed taxes, plus penalties and interest), three disputes were pending against the tax authorities, at different levels of judgment.

In detail, in the dispute relating to financial year 2013/2014 (2013 profits, taxes of €21.3m, plus interest and penalties), on 14 February the Lombardy Regional Tax Commission, confirming the judgment in the first instance, dismissed the appeal lodged by the Italian Revenue Agency; the terms for the judgment in the Court of Cassation are pending. In the joint disputes relating to financial years 2014/2015 and 2015/2016 (respectively, 2014 and 2015 profits, taxes of €16.1m and €16.4m, plus interest and penalties), the Bank won the case in the first instance; the Italian Revenue Agency lodged an appeal with the Lombardy Regional Tax Commission against this ruling on 15 June last;

- with reference to Mediobanca's alleged failure to withhold taxes from interest expense paid as part of a secured financing transaction in the years 2014 and 2015 (taxes, respectively, of €2.3m and €1.9m, plus interest and penalties), the Milan Provincial Tax Commission dismissed both appeals lodged by the Bank; the two rulings will be challenged before the Lombardy Regional Tax Commission;
- on the other hand, the dispute for €6.8m regarding non-repayment of interest accrued on VAT credits claimed by SelmaBipiemme for the year 2005 can be considered settled on a final basis; the Financial Administration waived the right to proceed before the Court of Cassation and paid out the full reimbursement of the sums claimed. The relevant provision of €3m was therefore released.

In addition to the foregoing, the pending disputes at 30 June were as follows:

- two disputes relating to non-repayment of interest accrued on VAT credits claimed by SelmaBipiemme for the year 2008 (total amount of €2.5m);
- one relating to the former Banca Esperia's failure to report a money transfer outside of Italy as part of the tax monitoring communications, for which fines of €5.9m were handed down. The company was found guilty at both the first- and second-degree hearings, and has paid the disputed amount. The Court of Cassation set the date for the hearing on September 20 next;
- a total of seven disputes involving direct and indirect tax of minor amounts and at different stages of the ruling process, involving a total certified amount of €1.0m in tax.

Lastly, there is nothing to report on the disputes in which Mediobanca SGR was sued as manager of a real estate fund, in relation to the alleged failure to pay the substitute tax on three transactions for a higher assessed tax of €746,000 (to be borne by the fund). The Company, which won the case in the first instance but lost the appeal, lodged an appeal with the Court of Cassation and is still awaiting the hearing to be set.

With regard to Transfer Pricing, the profit allocation policies adopted for transactions with branches were audited during on-site inspections conducted by the local tax authorities, whose last audit during the year under review was concluded without the imposition of penalties.

The provisions for risks and charges set aside in the financial statements adequately cover the amount mentioned above.

10.2 Provisions for risks and charges: changes during the period

	Provision to retirement payments and similar	Retirement plans	Other risk and obligation funds: obligations for employees	Other risk and obligation funds: Others	Total
A. Opening balance	297	1,410	2,658	112,986	117,351
B. Increases	240	822	607	22,493	23,406
B.1 Provision of the year	240	757	607	20,066	20,914
B.2 Changes due to the passage of time	—	—	—	—	—
B.3 Variations due to changes in discount rate	—	—	—	—	—
B.4 Other changes	—	65	—	2,427	2,492
C. Decreases	—	2,232	807	24,433	26,716
C.1 Use in the exercise	—	—	657	24,360	25,018
C.2 Variations due to changes to discount rate	—	2,178[1]	—	—	1,475
C.3 Other variations	—	54	150	73	223
D. Closing balance	537	—	2,458	111,046	114,041

[1] Due entirely to the recalculation of the discount rate on the defined benefit plan subscribed by the Group Legal Entity RAM AI for its employees (i.e. 2.25% against 0.20% in June 2021).

10.3 Provisions for credit risk related to commitments and financial guarantees given

	Provisions for credit risk related to commitments and financial guarantees given				
	First stage	Second stage	Third stage	Purchased or originated credit impaired assets	Total
Commitment to disburse funds	18,270	3,191	160	—	21,621
Financial guarantees given	1,284	822	—	—	2,106
Total	19,554	4,013	160	—	23,727

10.5 Defined benefit company retirement pension schemes

This refers to the defined benefit company retirement pension scheme operated by Caisse Bâloise on behalf of RAM AI staff as required by Swiss law. The provision is subject to actuarial quantification by an independent actuary using the Projected Unit Credit Method[8]. The present value of the obligation was also reduced by the fair value of any assets serving the Plan. The significant market changes in the second half of the year, and in particular in late June, resulted in a substantial reduction in the value of the Fund liability against a value of Assets lower than the figure stated in June 2021 and in line with the figure stated in December 2021, also taking into account the "insurance" nature of the same, but not with the same intensity as the liabilities. Therefore, a "technical" surplus came about, resulting in an adjustment for the same amount pursuant to IFRIC 14[9] and in the cancellation of the net liability.

Financial assumptions (discount rate of 2.25% against 0.20% in June 2021 and 0.15% in December 2021, salary increase of 1%) and demographic assumptions were used to determine the value of the liability.

The following table shows the breakdown of the net defined benefit obligation as at the most recent reporting date (30 June 2022):

IAS19 Net obligation	**CHF/1000**		**EUR/1000**	
	30/6/22	**30/6/21**	**30/6/22**	**30/6/21**
Present value of defined benefit obligation	(6,440)	(10,800)	(6,466)	(9,836)
Present value of assets servicing the fund	7,221	9,252	7,250	8,426
Surplus/(deficit)	781	(1,548)	784	(1,410)
IFRIC14 adjustment	(781)	—	(784)	—
Net accounting (liability)/asset	—	(1,548)	—	(1,410)

A sensitivity analysis is performed on the DBO to measure its sensitivity to changes in the main assumptions adopted.

[8] This method involves future outflows being projected on the basis of historical statistical analysis and the demographic curve, and then being discounted based on market interest rates.

[9] Paragraph 64 of IAS 19 limits the measurement of an asset serving a defined benefit plan to the lower of the surplus in the defined benefit plan and the asset ceiling. Paragraph 8 of IAS 19 defines the asset ceiling as 'the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'. Questions arose in regard of the time in which the refunds or reductions in future contributions should be considered available. Under IFRIC 14, the IASB provided the required clarifications by establishing that an entity must determine the availability of a refund or a reduction in future contributions in compliance with the terms and conditions of the plan and the statutory provisions applicable in the jurisdiction in which the plan is in operation. In the case at issue, the independent expert did not find that a right to a refund had arisen for the employees as the amount consisted in a surplus that did not derive from "operational" changes to the fund generating a better economic condition but from changes in valuation rates that had an impact on "Actuarial Gains and Losses" resulting in the reduction and cancellation of the liability without recognizing an asset.

SECTION 11

Heading 110: Technical reserves

11.1 Technical reserves: composition

	Direct business	Indirect business	30/6/22	30/6/21
A. Non-life insurance	—	119,001	119,001	131,350
A1. Premium reserves	—	108,097	108,097	120,397
A2. Accident reserves	—	10,904	10,904	10,953
A3. Other reserves	—	—	—	—
B. Life business	—	—	—	—
B1. Mathematical reserves	—	—	—	—
B2. Reserves for sums to pay	—	—	—	—
B3. Other reserves	—	—	—	—
C. Technical reserves when investment risk is supported by insured parties	—	—	—	—
C1. Reserves related to contracts whose performances are connected to investment funds and market indexes	—	—	—	—
C2. Reserves originated by retirement funds management	—	—	—	—
D. Total technical reserves	—	119,001	119,001	131,350

11.2 Technical reserves: changes during the period

	30/6/22	30/6/21
A. Non-life business		
Opening balance	131,350	157,244
Combinations involving group companies	—	—
Changes to reserves (+/-)	(12,349)	(25,894)
Other adjustment	—	—
Balance at end of period	119,001	131,350
B. Life business and other reserves		
Opening balance	—	—
Combinations involving group companies	—	—
Changes due to premiums	—	—
Changes due to sums to be paid out	—	—
Changes due to payments	—	—
Changes due to incomes and other bonuses recognized to insurer (+/-)	—	—
Changes to other technical reserves (+/-)	—	—
Other adjustment	—	—
Balance at end of period	—	—
C. Total technical reserves	119,001	131,350

SECTION 13

Heading 120, 130, 140, 150, 160, 170 and 180: Net equity

13.1 "Capital" and "treasury shares": composition

For the composition of the Group's capital, please see part F of the notes to the accounts.

13.2 Share capital: changes in no. of parent company shares in issue during the period

Items/Type	Ordinary
A. Shares in issue at the start of the period	887,280,013
- entirely unrestricted	887,280,013
- with restrictions	—
A.1 Treasury shares (-)	(24,910,107)
A.2 Shares outstanding: opening baance	862,369,906
B. Additions	2,386,798
B.1 New shares isssuance as a result of:	—
- against payment:	—
- merger of business	—
- bonds conversions	—
- exercise of warrants	—
- others	—
- free:	—
- to employees	—
- to directors	—
- altre	—
B.2 Treasury shares' disposal	2,386,798
B.3 Other additions	—
C. Reductions	(25,871,097)
C.1 Cancellations	—
C.2 Treasury shares' buybacks	(25,871,097)
C.3 Disposal of business	—
C.4 Other reductions	—
D. Shares outstanding: closing balance	838,885,607
D.1 Treasury shares (+)	(25,812,945)
D.2 Shares in issue at the end of the period	864,698,552
- entirely unrestricted	864,698,552
- with restrictions	—

It should be noted that, during the year, 22,581,461 treasury shares were cancelled and a new buyback plan of up to 3% was launched. It ended last June with a total repurchase of 25,871,097 shares for a value of €241.4m. At 30 June, treasury shares thus amounted to 25,812,945. On 2 September last, an additional 16,500,000 treasury shares were cancelled, keeping in the Group's portfolio the number needed to cover its performance share plans and other commitments.

The changes in the Reserve for treasury shares during the year were as follows:

Items/Type	Number of shares	Value (€'000)
Reserve for treasury: share in issue at the start of the period	24,910,107	216,736
Additions	25,871,097	241,431
- New shares isssuance	—	—
- Treasury shares' buybacks	25,871,097	241,431
- Others	—	—
Reductions	24,968,259	217,360
- Cancellations	22,581,461	196,476
- Treasury shares' disposal	2,386,798	20,884
- Others	—	—
Reserve for treasury: share in issue at the end of the period	25,812,945	240,807

13.4 Profit reserves: other information

Items/values	30/6/2022	30/6/2021
Legal reserve	88,728	88,724
Statutory reserve	836,680	1,068,913
Treasury shares	240,807	216,736
Others	5,742,048	5,477,128
Total	6,908,263	6,851,502

13.5 Equity instruments: breakdowns and annual changes

There is no other information to be disclosed other than that already reported on this section.

SECTION 14

Heading 190: Minority interests

14.1 Heading 190: Minority interests: composition

Company Name	30/6/22	30/6/21
1. SelmaBipiemme S.p.A.	90,232	87,339
2. RAM Active Investments	995	957
3. Cairn Capital	10,331	—
4. Other minors	13	16
Total	101,571	88,312

Other Information

1. Commitments and financial guarantees given

	Nominal value on commitments and financial guarantees given				Total 30/6/2022	Total 30/6/2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
1. Commitment to disburse funds	14,863,480	213,650	2,759	—	15,079,889	14,238,796
a) Central Banks	—	—	—	—	—	—
b) Public administrations	2,724,900	—	—	—	2,724,900	3,191,105
c) Banks	46,867	—	—	—	46,867	9,783
d) Other financial companies	1,854,539	81,185	—	—	1,935,724	1,700,090
e) Non-financial companies	7,595,423	105,404	889	—	7,701,716	6,999,647
f) Households	2,641,751	27,061	1,870	—	2,670,682	2,338,171
2. Financial guarantees given	561,553	10,998	—	—	572,551	576,794
a) Central Banks	—	—	—	—	—	—
b) Public administrations	—	—	—	—	—	—
c) Banks	11,563	—	—	—	11,563	35,323
d) Other financial companies	19,961	—	—	—	19,961	59,843
e) Non-financial companies	498,383	10,998	—	—	509,381	457,660
f) Households	31,646	—	—	—	31,646	23,968

2. Other commitments and guarantees given

	Nominal value	
	30/6/2022	30/6/2021
1. Other guarantees issued	177,447	151,463
of which: non-performing exposures[1]	*300*	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	478	5
d) Other financial companies	61,198	72,736
e) Non-financial companies	35,125	10,071
f) Households	80,646	68,651
2. Other commitments	111,333	121,742
of which: non-performing exposures	—	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	101,645	101,203
d) Other financial companies	—	—
e) Non-financial companies	9,688	20,539
f) Households	—	—

[1] These concern other guarantees issued by the Parent Company to non-performing counterparties.

3. Assets established as collateral to secure own liabilities and commitments

Portfolios	Value 30/6/2022	Value 30/6/2021
1. Financial assets measured at fair value through profit or loss	4,194,222	3,650,026
2. Financial assets measured at fair value through other comprehensive income	2,370,377	1,374,325
3. Financial assets measured at amortised cost	23,634,127	19,755,217
4. Tangible assets	—	—
of which: tangible assets that constitute surplus	—	—
5. Equity investments	210,435	167,348

5. Assets managed on behalf of third parties

Type of service	Value 30/6/2022	Value 30/6/2021
1. Orders execution on behalf of customers		
a) Purchases	39,869,719	31,696,192
1. settled	38,948,514	31,429,708
2. unsettled	921,205	266,484
b) Sales	30,693,114	27,727,426
1. settled	29,771,909	27,460,942
2. unsettled	921,205	266,484
2. Portfolio management		
a) Individual	7,044,324	14,013,055
b) Collective	18,922,300	14,623,673
3. Custody and administration of securities		
a) Third-party securities on deposits: relating to depositary banks activities (excluding portfolio management)	8,894,618	10,920,424
1. securities issued by companies included in the area of consolidation	613	146,146
2. other securities	8,894,005	10,774,278
b) Third-party securities held in deposits (excluding portfolio management): other	17,986,082	17,393,103
1. securities issued by companies included in the area of consolidation	30,000	30,000
2. other securities	17,956,082	17,363,103
c) Third-party securities deposited to third parties	16,448,308	25,225,505
d) Own securities deposited to third parties	7,875,485	9,633,112
4. Other operations	13,015,912	2,627,472

6. *Financial assets subject to netting arrangements or master netting or similar agreements*

Instrument type	Gross amount of financial assets (a)	Amount of financial liabilities offset in the balance sheet (b)[1]	Net amount of financial assets stated in the balance sheet (c=a-b)	Related amounts not offset in the balance sheet		Net amount (f=c-d-e)	Net amount
				Financial instruments (d)	Cash deposits received as collateral (e)	30/6/2022	30/6/2021
1. Derivatives	3,254,768	1,245,133	2,009,635	1,608,470	109,638	291,527	287,068
2. Reverse repos	2,628,037	—	2,628,037	2,628,037	—	—	—
3. Stocks loan	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—
Total 30/6/2022	5,882,805	1,245,133	4,637,672	4,236,507	109,638	291,527	X
Total 30/6/2021	6,791,527	359,810	6,431,717	5,848,724	295,925	X	287,068

[1] Relating to derivative financial instruments under relationships with a central counterparty with which there is a master netting agreement in place with daily computations.

7. *Financial liabilities subject to netting arrangements or master netting or similar agreements*

Instrument type	Gross amount of financial liabilities (a)	Amount of financial assets offset in the balance sheet (b)	Net amount of financial liabilities stated in the balance sheet (c=a-b)	Ammontari correlati non oggetto di compensazione in bilancio		Net amount (f=c-d-e)	Net amount (f=c-d-e)
				Financial instruments (d)	Cash deposits established as collateral (e)	30/6/2022	30/6/2021
1. Derivatives	2,332,456	—	2,332,456	1,608,470	404,687	319,299	106,239
2. Repos	4,943,390	—	4,943,390	4,943,390	—	—	—
3. Stocks loan	—	—	—	—	—	—	—
4. Other operations	—	—	—	—	—	—	—
Total 30/6/2022	7,275,846	—	7,275,846	6,551,860	404,687	319,299	X
Total 30/6/2021	4,958,963	—	4,958,963	4,430,445	422,279	X	106,239

8. Securities lending operations

The tables below illustrate the Group's operations in securities lending (and borrowing), broken down by type of instrument (sovereign debt, bank bonds and others), market counterparty (banks, financial intermediaries and clients) and form (loan secured by cash, other instruments, or unsecured).

Securities lending transactions for which collateral is put up in the form of cash fully available to the borrower are represented in the balance sheet as amounts due to or from banks or customers under the heading "repos". Securities lending transactions for which collateral is put up in the form of other instruments, or which are unsecured, are represented as "off-balance sheet exposures".

Of the unsecured transactions entered into by Mediobanca and outstanding at 30 June 2022, 72% featured four major banking groups as the counterparty.

Type of operation	**Type of security**		
	Government bonds	**Securities issued by banks**	**Other securities**
1. Securities borrowed collateralized by cash - Due from:	49,987	46,407	192,889
a) Banks	—	31,758	178,408
b) Financial institutions	49,987	14,649	14,481
c) Customers	—	—	—
2. Securities lended collateralized by cash - Due to:	—	(270,328)	(583,305)
a) Banks	—	(270,328)	(583,305)
b) Financial institutions	—	—	—
c) Customers	—	—	—
Total securities lending (book value)	49,987	(223,921)	(390,416)

Type of operation	**Type of security**		
	Government bonds	**Securities issued by banks**	**Other securities**
1. Securities borrowed collateralized by securities or unsecured	1,848,510	588,000	124,303
a) Banks	84,350	588,000	124,157
b) Financial institutions	1,764,161	—	—
c) Customers	—	—	146
2. Securities lended collateralized by securities or unsecured	(1,725,208)	(595,819)	(321,765)
a) Banks	(1,024,144)	(99,986)	(116,158)
b) Financial institutions	(701,065)	(495,834)	(205,606)
c) Customers	—	—	—
Total securities lending (fair value)	123,302	(7,819)	(197,461)

Part C – Notes to the consolidated income statement

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other operations	FY 2021/22	FY 2020/21
1. Financial assets measured at fair value through to profit or loss	40,485	21,706	—	62,191	53,171
1.1 Financial assets held for trading	39,720	1,156	—	40,876	30,875
1.2 Financial assets designated at fair value	616	20,492	—	21,108	21,838
1.3 Other financial assets mandatorily measured at fair value	149	58	—	207	458
2. Financial assets measured at fair value through other comprehensive income	58,295	—	X	58,295	33,677
3. Financial assets measured at amortized cost:	50,764	1,579,521	—	1,630,285	1,619,822
3.1 Due from banks	10,731	2,132	X	12,863	21,582
3.2 Due from customers	40,033	1,577,389	X	1,617,422	1,598,240
4. Hedging derivatives[1]	X	X	60,936	60,936	54,690
5. Other assets	X	X	821	821	103
6. Financial liabilities[2]	X	X	X	35,459	58,431
Total	149,544	1,601,227	61,757	1,847,987	1,819,894
of which: interest income on impaired assets	*753*	*70,390*	—	*71,143*	*93,731*
of which: interest income from finance lease	*X*	*40,173*	*X*	*40,173*	*42,543*

[1] Mostly hedges of funding.
[2] Item 6 "Financial liabilities" includes interest expense accrued as an effect of negative rates, of which €33.8m relating to the T-LTRO.

1.2 Interest and similar income: other information

As at 30 June 2022, the balance of the account includes €116.3m in connection with financial assets in foreign currencies.

1.3 Interest expenses and similar charges: breakdown

Items/Technical forms	Debts	Securities	Other operations	FY 2021/22	FY 2020/21
1. Financial liabilities valued at amortised cost	(49,267)	(268,500)	—	(317,767)	(369,650)
1.1 Due to central banks	(112)	X	X	(112)	(37)
1.2 Due to banks	(8,618)	X	X	(8,618)	(11,827)
1.3 Due to customers	(40,537)	X	X	(40,537)	(60,560)
1.4 Securities in issue	X	(268,500)	X	(268,500)	(297,226)
2. Trading liabilities	—	—	—	—	—
3. Financial liabilities designated at fair value	—	(20,420)	—	(20,420)	(22,356)
4. Other liabilities and funds	X	X	(255)	(255)	(522)
5. Hedging derivatives	X	X	—	—	—
6. Financial assets[1]	X	X	X	(15,239)	(9,799)
Total	(49,267)	(288,920)	(255)	(353,681)	*(402,327)*
of which: interest expenses related to lease liabilities	*(2,092)*	*X*	*X*	*(2,092)*	*(2,452)*

[1] Item 6 “Financial liabilities” includes interest expenses as the result of the negative interest rates.

1.4 Interest expense and similar charges: composition

As at 30 June 2022, the balance of the account includes €75.9m in connection with financial liabilities in foreign currencies.

1.5 Margins on hedging transactions

Items	FY 2021/22	FY 2020/21
A. Positive margins on hedging transactions	362,643	267,276
B. Negative margins on hedging transactions	(301,707)	(212,586)
C. Net balance (A-B)	60,936	54,690

SECTION 2

Heading 40 and 50: Net fee and commission income

*2.1 Fee and commission income: breakdown**

Type of expense/Values	FY 2021/22	FY 2020/21
a) Financial instruments	255,613	237,921
1. Placement of securities	104,313	83,209
1.1 With underwriting commitment and/or on the basis of an irrevocable commitment	—	—
1.2 Without irrevocable commitment	164,313	83,209
2. Receipt and transmission of orders and execution of orders on behalf of clients	22,512	24,492
2.1 Receipt and transmission of orders for one or more financial instruments	22,512	24,492
2.2 Execution of orders on behalf of clients	—	—
3. Others commissions connected with activities relating to financial instruments	68,788	130,220
of which: trading on own account	17,795	18,029
of which: individual portfolio management	50,993	44,828
b) Corporate Finance	161,718	126,468
1. Advice on mergers and acquisitions	161,718	126,468
2. Treasury services	—	—
3. Other commissions connected with corporate finance services	—	—
c) Investment advisory activities	5,411	5,378
d) Offsetting and settlement	—	—
e) Collective portfolio management	106,170	72,929
f) Custody and administration	29,529	26,737
1. Custodian bank	7,458	7,458
2. Others commissions related to custody and administration activities	22,071	19,279
g) Central administrative services for collective portfolio management	—	—
h) Fiduciary activities	5,587	8,310
i) Payment services	34,770	29,556
1. Current Accounts	10,172	9,251
2. Credit cards	14,637	12,268
3. Debit cards and other payment cards	7,021	5,128
4. Wire transfers and others payment orders	461	374
5. Other commissions related to payment services	2,479	2,535
j) Distribution of third parties services	100,021	92,707
1. Collective portfolio management	4,023	1,883
2. Insurance products	80,872	77,182
3. Others products	15,126	13,642
of which: individual portfolio management	15,107	11,949
k) Structured finance	—	—
l) Securitization servicing	393	394
m) Loan commitments	75,894	62,939
n) Financial guarantees given	6,228	5,132
of which: credit derivatives	—	—
o) Lending transactions	16,089	12,174
of which: factoring services	13,642	9,476
p) Currency negotiation	91	60
q) Commodities	—	—
r) Other commission income	37,209	39,031
of which: management of multilateral trading facilities	—	—
of which: management activities concerning organized trading systems	—	—
Total	834,723	719,736

* The numbers at 30 June 2021 have been restated to take into account the changes brought by Circular No. 262/2005, seventh update.

In financial year 2021/2022, Cairn's revenues included fees and commissions of €20.7m from Bybrook.

*2.2 Fee and commission expenses: breakdown**

Services/Amounts	FY 2021/22	FY 2020/21
a) Financial instruments	(10,044)	(10,580)
of which: securities trading	*(8,426)*	*(10,502)*
of which: financial instruments placement	*(1,541)*	*(77)*
of which: individual portfolio management	*(77)*	*(1)*
- Own instruments	(77)	(1)
- Delegated to third parties	—	—
b) Offsetting and settlement	—	—
c) Collective portfolio management	(8,304)	(8,135)
1. Own instruments	—	—
2. Delegated to third parties	(2,842)	(3,630)
d) Custody and administration	(4,092)	(3,754)
e) collection and payment services	(15,206)	(13,636)
of which: credit cards, debit cards and other payment cards	*(7,124)*	*(6,889)*
f) Securitization servicing	—	—
g) Commitments to receive funds	—	(12)
h) Financial guarantees received	(141)	(98)
of which: credit derivatives	—	—
i) Off-site distribution of financial instruments, products, and services	(24,677)	(22,218)
j) Currency negotiation	—	—
k) Other commission expense[1]	(104,255)	(76,025)
Total	(166,719)	(134,458)

* The numbers at 30 June 2021 have been restated to take into account the changes brought by Circular No. 262/2005, seventh update.

[1] The item includes commissions paid to financial advisors in the context of Wealth Management.

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: composition

Items/Income	FY 2021/22		FY 2020/21	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	84,439	3	67,841	244
B. Other financial assets mandatorily measured at fair value	—	26,265	—	19,726
C. Financial assets measured at fair value through other comprehensive income	7,057	—	16,880	—
D. Equity investments[1]	—	—	2,213	—
Total	91,496	26,268	86,934	19,970

[1] This figure refers entirely to the one-off gain in connection with repayment of the convertible loan, as provided for contractually in the 2015 restructuring agreement.

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: breakdown

Transactions/Income	Capital gain (A)	Trading income (B)	Capital loss (C)	Trading loss (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	244,191	521,274	(617,966)	(466,267)	(318,768)
1.1 Debt securities	120,623	135,729	(334,421)	(94,337)	(172,406)
1.2 Equity securities	123,568	382,986	(283,078)	(370,430)	(146,954)
1.3 UCITs	—	2,559	(156)	(1,500)	903
1.4 Loans	—	—	(311)	—	(311)
1.5 Others	—	—	—	—	—
2. Trading liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Other	—	—	—	—	—
3. Financial assets and liabilities: exchange rates differences[1]	—	—	—	—	(28,608)
4. Derivatives instruments	3,664,175	2,042,213	(3,305,575)	(2,121,743)	262,554
4.1 Financial derivatives	2,949,643	1,528,324	(2,626,100)	(1,622,874)	212,477
- on debt securities and interest rates[2]	1,041,461	590,007	(966,385)	(635,531)	29,552
- on equity securities and shares indexes	1,876,383	938,317	(1,637,334)	(986,773)	190,593
- on currencies and gold	—	—	—	—	(16,516)
- others	31,799	—	(22,381)	(570)	8,848
4.2 Credit derivatives	714,532	513,889	(679,475)	(498,869)	50,077
of which: natural hedges related to the fair value option	—	—	—	—	—
Total	3,908,366	2,563,487	(3,923,541)	(2,588,010)	(84,822)

[1] Of which €12,178 in negative margins on interest rate derivatives (30/6/21: plus €3,978).

[2] This item contains negative valuations of banking book positions at current exchange rates amounting to a loss of €74,158 (gains of €25,887 at 30 June 2021).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): breakdown

Income elements/Amounts	FY 2021/22	FY 2020/21
A.1 Fair value hedging instruments	1,134,281	211,548
A.2 Hedged asset items (fair value)	108,420	71,724
A.3 Hedged liability items (fair value)	1,565,842	198,342
A.4 Cash-flows hedging derivatives	6	8
A.5 Assets and liabilities denominated in currency	—	—
Total gains on hedging activities (A)	2,808,549	481,622
B. Losses on:		
B.1 Fair value hedging instruments	(1,832,714)	(270,912)
B.2 Hedged asset items (fair value)	(927,461)	(181,523)
B.3 Hedged liability items (fair value)	(50,489)	(31,265)
B.4 Cash-flows hedging derivatives	—	—
B.5 Assets and liabilities denominated in currency	—	—
Total losses on hedging activities (B)	(2,810,664)	(483,700)
C. Net profit from hedging activities (A-B)	(2,115)	(2,078)
of which: result of hedges on net exposures	—	—

SECTION 6

Heading 100: Gain (loss) on disposals/repurchases

6.1 Gain (loss) on disposal/repurchase: breakdown

Items/Income	FY 2021/22			FY 2020/21		
	Profits	Losses	Net profit	Profits	Losses	Net profit
A. Financial assets						
1. Financial assets measured at amortised cost	43,011	(11,880)	31,131	12,060	(22,078)	(10,018)
1.1 Due from banks	9,673	(198)	9,475	—	(5,178)	(5,178)
1.2 Due from customers	33,338	(11,682)	21,656	12,060	(16,900)	(4,840)
2. Financial assets measured at fair value through other comprehensive income	69,198	(198)	69,000	44,438	(20,387)	24,051
2.1 Debt securities	69,198	(198)	69,000	44,438	(20,387)	24,051
2.2 Loans	—	—	—	—	—	—
Total Assets (A)	112,209	(12,078)	100,131	56,498	(42,465)	14,033
B. Financial liabilities measured at amortised cost						
1. Due to banks	—	—	—	139	—	139
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	849	(1,869)	(1,020)	1,116	(2,873)	(1,757)
Total liabilities (B)	849	(1,869)	(1,020)	1,255	(2,873)	(1,618)

Gains from financial assets measured at fair value through other comprehensive income and assets measured at amortized cost include the valuation for €49.2m and €24.9m at current exchange rate (losses of €20.1m and €5.8m, respectively, in the previous year).

SECTION 7

Heading 110: Net result of other financial assets and liabilities measured at fair value through profit or loss

7.1 Net variation in the value of other financial assets and liabilities measured at fair value through profit or loss: composition of financial assets and liabilities designated at fair value

Transactions/Income	Capital gain (A)	Proceeds from disposal (B)	Capital loss (C)	Minus from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	—	—	(113,337)	(688)	(114,025)
1.1 Debt securities	—	—	—	(688)	(688)
1.2 Loans	—	—	(113,337)	—	(113,337)
2. Financial liabilities	125,601	2,952	(459)	(781)	127,313
2.1 Debt securities in issue	125,601	2,952	(459)	(781)	127,313
2.2 Due to banks	—	—	—	—	—
2.3 Due to customers	—	—	—	—	—
3. Foreign-currency denominated financial assets and liabilities: exchange rate differences	X	X	X	X	—
Total	125,601	2,952	(113,796)	(1,469)	13,288

7.2 Net variation in the value of other financial assets and liabilities measured at fair value through profit or loss: composition of other financial assets mandatorily measured at fair value

Transactions/Income	Capital gain (A)	Proceeds from disposal (B)	Capital loss (C)	Minus from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	11,382	50	(47,619)	(31)	(36,218)
1.1 Debt securities	—	—	(1,077)	—	(1,077)
1.2 Equity securities	—	—	(26)	—	(26)
1.3 UCITs	11,341	50	(46,423)	(31)	(35,063)
1.4 Loans	41	—	(93)	—	(52)
2. Financial assets: exchange rate differences	X	X	X	X	2,160
Total	11,382	50	(47,619)	(31)	(34,058)

SECTION 8

Heading 130: Net write offs (writebacks) for credit risk

8.1 Net write-offs for credit risk related to financial assets measured at amortized cost: breakdown

Transactions/Income	Write-downs (1)						Writebacks (2)				Total FY 2021/22 (1) + (2)	Total FY 2020/21
	First stage	Second stage	Third stage		*Purchased or originated credit impaired assets*		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		
			Write-off	Others	Write-off	Others						
A. Due from banks	(209)	—	—	—	—	—	1,639	—	—	—	1,430	679
- Loans	(137)	—	—	—	—	—	1,310	—	—	—	1,173	669
- Debt receivables	(72)	—	—	—	—	—	329	—	—	—	257	10
B. Due from customers	(169,004)	(186,960)	(4,800)	(294,898)	(89,584)	(9,326)	186,275	127,859	151,088	84,043	(205,307)	(265,001)
- Loans	(166,118)	(186,204)	(4,800)	(294,773)	(89,584)	(9,326)	183,685	127,859	150,863	84,043	(204,355)	(264,500)
- Debt receivables	(2,886)	(756)	—	(125)	—	—	2,590	—	225	—	(952)	(501)
Total	(169,213)	(186,960)	(4,800)	(294,898)	(89,584)	(9,326)	187,914	127,859	151,088	84,043	(203,877)	(264,322)

8.1a Net write-offs for credit risk related to financial assets measured at amortized cost for which Covid-19 related concessions have been granted: breakdown

Transactions/Income	Net loss provisions						Total 30/6/2022	Total 30/6/2022
	Stage1	Stage2	Stage3		Purchased or originated credit impaired assets			
			Write-off	Others	Write-off	Others		
1. Loans that have received concessions in conformity with EBA Guidelines*	—	—	—	—	—	—	—	(1,590)
2. Loans in place subject to moratoria no longer compliant with GL and not eligible for forbearance purposes**	—	—	—	—	—	—	—	(3,299)
3. Other loans and advances subject to forbearance measures	2	241	—	(166)	—	—	77	(10,581)
4. New loans	441	—	—	(100)	—	—	341	(1,011)
Total 30/6/22	443	241	—	(266)	—	—	418	X
Total 30/6/21	(941)	(8,355)	—	(7,185)	—	—	X	—

* The row headed "Loans that have received concessions in conformity with EBA Guidelines" shows information on financial assets for which moratoria have been granted under the scope of application of the *"Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis"* published by the EBA (EBA/GL/2020/02), as amended.

** The row headed "Loans in place subject to moratoria no longer compliant with GL and not eligible for forbearance purposes" shows information relating to financial assets subject to moratoria, in place at the reporting date, assessed as compliant with EBA/GL/2020/02 at the date on which the concession was granted and no longer compliant at the reporting date, which were not classified by the bank as "exposures subject to forbearance" following the assessment made upon the occurrence of the event that generated non-compliance with EBA/GL/2020/02.

8.2 Net write-offs for credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income	Write-downs (1)			Writebacks (2)			Total			Total		
	Stage1	Stage2	Stage3	First stage	Purchased or originated credit impaired assets	Others	Stage1	Stage2	Stage3	Purchased or originated credit impaired assets	FY 2021/22 (1) + (2)	FY 2020/21
			Write-off	Others	Write-off	Others						
A. Debt securities	—	(3,347)	—	—	—	—	1,042	—	—	—	(2,305)	(6,147)
B. Loans	—	—	—	—	—	—	—	—	—	—	—	—
- to customers	—	—	—	—	—	—	—	—	—	—	—	—
- to banks	—	—	—	—	—	—	—	—	—	—	—	—
Total		(3,347)	—	—			1,042	—			(2,305)	(6,147)

SECTION 9

Heading 140: Gains (losses) from contractual modifications without derecognition

9.1 Gains (losses) from contractual modifications: breakdown

This heading, which reflects a loss of €55,000, includes the impact of modifications to contracts for financial assets which, as they do not constitute substantial modifications, under IFRS 9 and the Group's own accounting policies, do not entail derecognition of the assets but require the modifications to the cash flows provided for contractually to be taken through the profit and loss account.

SECTION 10

Heading 160: Net premium income

10.1 Net premiums: breakdown

Premium for insurance	Direct business	Indirect business	FY 2021/22	FY 2020/21
A. Life business				
A.1 Gross premiums accounted (+)	—	—	—	—
A.2 Outward reinsurance premiums (-)	—	X	—	—
A.3 Total	—	—	—	—
B. Non-life business				
B.1 Gross premiums accounted (+)	—	32,074	32,074	23,425
B.2 Outward reinsurance premiums (-)	—	X	—	—
B.3 Change in gross value of premium reserve (+/-)	—	12,300	12,300	26,795
B.4 Change in premium reserve for premiums ceded to reinsures (+/-)	—	—	—	—
B.5 Total	—	44,374	44,374	50,220
C. Total net premiums	—	44,374	44,374	50,220

SECTION 11

Heading 170: Other incomes (net) from insurance activities

11.1 Other incomes (net) from insurance activities: breakdown

Items	FY 2021/22	FY 2020/21
1. Net change in technical reserves	—	—
2. Claims paid out during the year	(8,877)	(9,557)
3. Other income and expense from insurance	(4,039)	(4,574)
Total	(12,916)	(14,131)

11.3 Breakdown of sub-heading "Claims paid out during the year"

Changes for claims	FY 2021/22	FY 2020/21
Life-business: expense related to claims, net of reinsurance ceded		
A. Amounts paid out	—	—
A.1 Gross annual amount	—	—
A.2 (-) Amounts reinsured with third parties	—	—
B. Change in reserve for amount payable	—	—
B.1 Gross annual amount	—	—
B.2 (-) Amounts reinsured with third parties	—	—
Total life-business claims	—	—
Non-life business: expense related to claims, net of recoveries and reinsurance ceded		
C. Amounts paid out	(8,927)	(8,656)
C.1 Gross annual amount	(8,927)	(8,656)
C.2 (-) Amounts reinsured with third parties	—	—
D. Change in recoveries net of amount ceded to reinsures	—	—
E. Change in claims reserves	50	(901)
E.1 Gross annual amount	50	(901)
E.2 (-) Amounts reinsured with third parties	—	—
Total non-life business claims	(8,877)	(9,557)

SECTION 12

Heading 190: Administrative expenses

12.1 Personnel cost: breakdown

Type of expense/Sectors	FY 2021/22	FY 2020/21
1) Employees	(650,012)	(620,973)
a) wages and salaries	(479,587)	(457,155)
b) social security contributions	(99,771)	(96,240)
c) severance pay (only for Italian legal entities)	(3,718)	(3,524)
d) social security costs	—	—
e) allocation to employees severance pay provision	(13,245)	(13,064)
f) provision for retirement and similar provisions:	(219)	485
- defined contribution	—	—
- defined benefits	(219)	485[1]
g) payments to external pension funds:	(16,289)	(15,628)
- defined contribution	(16,289)	(15,628)
- defined benefits	—	—
h) expenses resulting from share based payments	(13,266)	(14,389)
i) other employees' benefits	(23,917)	(21,458)
2) Other staff	(6,332)	(6,413)
3) Directors and Statutory Auditors	(12,751)	(7,482)
4) Early retirement costs	(2,379)	(1,840)
Total	(671,474)	(636,708)

[1] This figure refers to the benefit deriving from the "curtailment cost" and the "Plan amendments" decided by Caisse Baloise.

12.2 Average number of staff by category

	12 mths ended 30/6/22	12 mths ended 30/6/21
Employees:		
a) Senior executives	447	433
b) Executives	2,073	2,026
c) Other employees	2,324	2,377
Other staff	269	255
Total	5,112	5,091

12.5 Other administrative expenses: composition

Type of service/Values	FY 2021/22	FY 2020/21
OTHER ADMINISTRATIVE EXPENSES		
- legal, tax and professional services	(55,832)	(53,717)
- loan recovery activity	(73,745)	(74,949)
- marketing and communications	(42,073)	(39,627)
- property	(22,514)	(20,821)
- EDP	(151,738)	(142,635)
- info-provider	(48,925)	(44,421)
- bank charges, collection and payment fees	(31,272)	(24,361)
- operating expenses	(60,488)	(64,158)
- other staff expenses	(12,197)	(5,743)
- other costs[1]	(102,108)	(97,266)
- indirect and other taxes	(109,101)	(100,093)
Total other administrative expenses	(709,993)	(667,791)

[1] The item includes contributions to the various resolution funds: €76.6m for the year ended 30/6/22, and €73.5m for the year ended 30/6/21.

SECTION 13

Heading 200: Net transfers to provisions for risks and charges

13.1 Net transfers for credit risk related to loan commitments and financial guarantees issued: breakdown

	FY 2021/22			FY 2020/21
	Provisions	**Reallocation surplus**	**Total**	**Total**
Loan commitments	(8,559)	11,626	3,067	(13,747)
Financial guarantees issued	(694)	760	66	635
Total	(9,253)	12,386	3,133	(13,112)

13.2 Net transfers related to other commitments and guarantees issued

	FY 2021/22			FY 2020/21		
	Provisions	**Reallocation surplus**	**Total**	**Provisions**	**Reallocation surplus**	**Total**
Other commitments	—	—	—	—	—	—
Other guarantees issued	(241)	1	(240)	(13)	—	(13)
Total	(241)	1	(240)	(13)	—	(13)

13.3 Net transfers to other provisions for risks and charges: breakdown

	FY 2021/22			FY 2020/21
	Provisions	**Reallocation surplus**	**Total**	
1. Other funds				
1.1 Legal disputes	—	—	—	—
1.2 Staff costs	(584)	—	(584)	(39)
1.3 Other	(21,060)	11,810	(9,250)	(19,655)
Total	(21,644)	11,810	(9,834)	(19,694)

SECTION 14

Heading 210: Net adjustments to tangible assets

14.1 Net adjustments to tangible assets: breakdown

Asset/Income	Depreciation (a)	Impairment losses (b)	Writebacks (c)	Net profit (a + b - c)
A. Property, equipment and investment property				
1 Core	(55,212)	—	—	(55,212)
- Owned	(14,998)	—	—	(14,998)
- Rights of use acquired through leasing	(40,214)	—	—	(40,214)
2 Held for investment purpose	(1,845)	—	—	(1,845)
- Owned	(1,845)	—	—	(1,845)
- Right of use acquired through lease	—	—	—	—
3 Inventories	X	—	—	—
Total	(57,057)	—	—	(57,057)

SECTION 15

Heading 220: Net adjustments to intangible assets

15.1 Net adjustments to intangible assets: breakdown

Asset/Income	Amortization (a)	Impairment losses (b)	Writebacks (c)	Net profit (a + b - c)
A. Property, equipment and investment property				
of which: software	(22,677)	—	—	(22,677)
A.1 Property assets	(29,528)	—	—	(29,528)
- Generated internally by the company	—	—	—	—
- Others	(29,528)	—	—	(29,528)
A.2 Right of use acquired through lease	—	—	—	—
Total	(29,528)	—	—	(29,528)

SECTION 16

Heading 230: Other operating income (expense)

16.1 Other operating expenses: breakdown

Type of expense/Values	FY 2021/22	FY 2020/21
a) Leasing activity	(8,451)	(8,632)
b) Sundry costs and expenses[1]	(20,975)	(18,052)
Total	(29,426)	(26,684)

[1] This item includes the provision for the portion of ordinary and extraordinary dividends pertaining to minority interests of Messier et Associés, equal to €8.6m. The extraordinary dividend component was calculated on the basis of the company's 2021 net calendar year profits.

16.2 Other operating income: breakdown

Type of income/Values	FY 2021/2022	FY 2020/2021
a) Amounts received from customers	96,143	95,521
b) Leasing activity	8,251	7,401
c) Other income	102,367	140,782
Total	206,768	243,704

SECTION 17

Heading 250: Gain (loss) on equity investments

17.1 Gain (loss) on equity investments: breakdown

Income components/Sectors	FY 2021/22	FY 2020/21
1) Joint venture		
A. Incomes	—	—
1. Revaluation	—	—
2. Gain on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	—	—
1. Write-downs	—	—
2. Impairment losses	—	—
3. Losses on disposal	—	—
4. Other expenses	—	—
Net profit	—	—
2) Companies subject to significant influence		
A. Incomes	359,322	273,398
1. Revaluation	359,322	272,856
2. Gain on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	542
B. Expenses	(68)	(1,666)
1. Write-downs	(68)	(1,666)
2. Impairment losses	—	—
3. Losses on disposal	—	—
4. Other expenses	—	—
Net profit	359,254	271,732
Total	359,254	271,732

SECTION 19

Heading 270: Impairment charges to goodwill

19.1 Impairment charges to goodwill: breakdown

Income /Value	12 mths ended 30/6/22	12 mths ended 30/6/21
Impairment charges to goodwill	(3,733)	(62,473)

Reference is made to Part A – Accounting Policies for a description of the means by which the loss of value for goodwill has been calculated.

Meanwhile, reference is made to Part B – Notes to the Consolidated Balance Sheet for a description of the results of the goodwill impairment testing process and the procedures through which it was carried out.

SECTION 20

Heading 280: Gain (loss) on disposal of investments

20.1 Gain (loss) on disposal of investments: breakdown

Income components/Sectors	FY 2021/22	FY 2020/21
A. Assets	(331)	(29)
- Gains on disposal	121	31
- Losses on disposal	(452)	(60)
B. Other assets	7,418	—
- Gains on disposal	9,259	—
- Losses on disposal	(1,841)	—
Net profit	7,087	(29)

At 30 June 2022, this item included the capital gains reported by Spafid and Spafid Connect following the conclusion of negotiations for the sale of part of the issuing services branch to Euronext.

SECTION 21

Heading 300: Income tax for the year on ordinary activities

21.1 Income tax for the year on ordinary activity: breakdown

Income components/Sectors	FY 2021/22	FY 2020/21
1. Current tax expense (-)	(254,427)	(221,876)
2. Changes in current taxes of previous years (+/-)	(2,058)	4,361
3. Reduction in current taxes of the year (+)	—	196
3.bis Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	1,261	—
4. Changes in advance tax assets (+/-)	2,675	(60,395)
5. Changes in deferred tax liabilities (+/-)	554	5,933
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(251,995)	(271,781)

During financial year 2020/21, the Group decided to apply the optional realignment of some tax values pursuant to Article 110, paragraphs 8 and 8-*bis17*, of Law-Decree No. 140 of 14 August 2020 ("August Decree"), which extended the possibility of adjusting the tax values of properties, goodwill and other intangible assets to the higher values recognized in the financial year in progress at 31 December 2019 (and still posted in the financial year in progress at 31 December 2020), against the payment of a substitute tax.

Among the Group companies that benefited from this regulatory provision, only Compass Banca postponed the recognition of the accounting effects in the financial statements relating to financial year 2021/22, when, following changes in the regulations and administrative clarifications provided by the Italian Revenue Agency, the Company received confirmation that it could apply the above rule. For the company, the realignment resulted in an extraordinary tax benefit of approximately €48.6m, resulting from the recognition of advance taxes of approximately €93.6m and charges of approximately €45m for the substitute tax due.

21.2 Reconciliation between theoretical and effective tax burden

	12 mths ended 30/6/22	
	Amounts %	Absolute value
Total profit or loss before tax from current operations	100.0%	1,161,649
Theoretical tax rate	27.50%	319,453
Dividends (-)	0.41%	4,795
Gains on disposals of equity investments (PEX) (+/-)	-0.04%	(443)
Gains on equity-accounted investments (-)	-8.32%	(96,594)
Other taxes (non-financial and non-Italian companies) (+/-)	-0.08%	(929)
Non-taxable income 10% IRAP and staff cost (-)	-0.10%	(1,210)
Impairment (+/-)	0.01%	152
One-offs	-1.60%	(18,636)
Other differences (+/-)	-0.19%	(2,229)
TOTAL IRES	17.59%	204,359
IRAP	4.10%	47,636
TOTAL HEADING[1]	21.69%	251,995

[1] Compared with a tax rate of 25.14% last year.

SECTION 23

Heading 340: Net profit (loss) attributable to minority interests

23.1 Breakdown of Heading 340, "Net profit (loss) for the year attributable to minority interests"

Company name	12 mths ended 30/06/22	12 mths ended 30/06/21
1. SelmaBipiemme S.p.A.	1,810	1,658
2. RAM Active Investments S.A.	(85)	(29)
3. Other minor interests	952	(6)
Total	2,677	1,623

SECTION 25

Earnings per share

25.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/06/22	12 mths ended 30/06/21
Net profit	906,977	807,576
Avg. no. of shares in issue[1]	838,844,304	862,328,603
Avg. no. of potentially diluted shares	4,131,090	4,916,003
Avg. no. of diluted shares	842,975,394	867,244,606
Earnings per share	1.08	0.94
Earnings per share, diluted	1.08	0.93

[1] The number of shares in issue at 30 June 2022 takes into account the shares repurchased under the buyback plan.

Part D - Consolidated comprehensive income

Breakdown of comprehensive profit and loss constituents

	Items	30/6/22	30/6/21
10.	**Net profit (loss)**	**909,654**	**809,199**
	Other income items not passing through P&L		
20.	**Equity instruments designated at fair value with impact taken to comprehensive income:**	**37,918**	**64,121**
	a) changes in fair value	36,871	64,638
	b) tranfers to other shareholders' equity items	1,047	(517)
30.	**Financial liabilities designated at fair value with impact taken to profit and loss (own creditworthiness changes):**	**4,425**	**(5,730)**
	a) changes in fair value	7,243	(4,689)
	b) tranfers to other shareholders' equity items	(2,818)	(1,041)
40.	**Hedge accounting of equity instruments measured at fair value with impact taken to comprehensive income:**	**—**	**—**
	a) fair value change (hedged instrument)	—	—
	b) fair value change (hedging instrument)	—	—
50.	**Property, plant and equipment**	**—**	**—**
60.	**Intangible assets**	**—**	**—**
70.	**Defined benefits plans**	**4,718**	**2,004**
80.	**Non-current assets classified as held for sale**	**—**	**—**
90.	**Valuation reserves from equity-accounted investments:**	**51,126**	**(13,045)**
100.	**Tax expenses (income) relating to items not reclassified to profit or loss**	**—**	**—**
	Other income items passing through P&L		
110.	**Hedges of non-Italian investments:**	**(10,606)**	**1,390**
	a) changes in fair value	(10,606)	1,390
	b) reclassifications through profit or loss account	—	—
	c) other variations	—	—
120.	**Exchange differences:**	**8,156**	**475**
	a) changes in fair value	—	—
	b) reclassifications through profit or loss account	—	—
	c) other variations	8,156	475
130.	**Cash flow hedges:**	**193,621**	**15,166**
	a) changes in fair value	193,621	15,166
	b) reclassifications through profit or loss account	—	—
	c) other variations	—	—
	of which: net position	—	—
140.	**Hedging instruments (non-designated items):**	**—**	**—**
	a) changes in value:	—	—
	b) reclassifications through profit or loss account	—	—
	c) other variations	—	—
150.	**Financial assets (different from equity instruments) at fair value through other comprehensive income:**	**(89,644)**	**40,083**
	a) changes in fair value	(78,161)	43,668
	b) reclassifications through profit or loss account	(11,483)	(3,585)
	- impairment losses	1,542	2,741
	- gains/losses on disposals	(13,025)	(6,326)
	c) other variations	—	—
160.	**Assets held for sale**	**—**	**—**
	a) changes in fair value	—	—
	b) reclassifications through profit or loss account	—	—
	c) other variations	—	—
170.	**Valuation reserves from equity-accounted investments**	**(698,007)**	**451,762**
	a) fair value changes	—	—
	b) reclassification to profit or loss:	—	—
	- impairment losses	—	—
	- gains/losses on disposals	—	—
	c) other changes	(698,007)	451,762
180.	**Tax expenses (income) relating to items reclassified to profit or loss**	**—**	**—**
190.	**Total other comprehensive income**	**(498,293)**	**556,226**
200.	**Comprehensive income (10+190)**	**411,361**	**1,365,425**
210.	**Consolidated comprehensive income attributable to minorities**	**3,793**	**2,310**
220.	**Consolidated comprehensive income attributable to parent company**	**407,568**	**1,363,115**

Part E - Information on risks and related hedging policies

INTRODUCTION

As part of the Bank's risks governance process, a key role is played by the Risk Management unit, which identifies, measures and monitors all the risks to which the Banking Group[1] (or, the "Group") is exposed, and manages and mitigates them in co-ordination with the various business areas. The unit's main duties and responsibilities are described below, along with its characteristics in terms of independence, plus an indication of the role of the other company units in risk management.

For the qualitative disclosure, please refer to Section 2 - Prudential Consolidation Risks.

SECTION 1

Consolidated accounting risks

The accounting consolidation area includes the line-by-line consolidation of controlled entities Compass RE (a reinsurance company), Compass Rent and MBContact Solutions (other companies), which under the banking group method of consolidation are accounted under the equity method.

[1] The following subsidiaries of the Group's legal entities are excluded from the prudential scope of application: Compass RE (reinsurance), Compass Rent and MBContact Solutions (other companies).

QUALITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing accounts: amounts, adjustments, trends and segmentation by earnings

A.1.1 Financial assets by portfolio and credit quality (book value)

Asset portfolio/quality	Bad loans	Unlikely to pay	Overdue exposures (NPLs)	Overdue performing exposures	Other performing exposures *	Total
1. Financial assets measured at amortised cost	402,779	243,454	84,146	198,303[1]	59,176,593	60,105,275
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	3,873,067	3,873,067
3. Financial assets designated at fair value	—	—	—	—	516,483	516,483
4. Other financial assets mandatorily measured at fair value	—	4,641	—	—	1,223	5,864
5. Financial assets being sold	—	—	—	—	—	—
Total 30/6/2022	402,779	248,095	84,146	198,303	63,567,366	64,500,689
Total 30/6/2021	453,337	399,915	90,668	216,275	59,202,644	60,362,839

[1] Overdue performing loans concern overdue performing loans and mainly refer to mortgage loans (€54.6m, 0.5% of total performing loans of the segment) and factoring (€50.1m, i.e. 1.8%). The item also includes net exposures being renegotiated under the terms of collective agreements amounting to €287m, consisting primarily of mortgage loans totalling €286.9m. Of the overdue performing loans, the instalments actually unpaid stood at 26% (gross value of €63.9m).

* Includes the NPLs acquired by MBCredit Solutions in an amount of €350.6m, €349.3m of which bad loans (net values).

A.1.2 Financial assets by portfolio/credit quality (gross/net values)

Asset portfolio/quality	Non-performing assets				Performing assets			Total (Net exposure)
	Gross exposures	Cumulative write-downs	Net exposure	Partial write off*	Gross exposures	Cumulative write-downs	Net exposure	
1. Financial assets measured at amortised cost	1,677,134	(946,755)	730,379	4,307	60,068,109	(693,213)	59,374,896	60,105,275
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	3,883,201	(10,134)	3,873,067	3,873,067
3. Financial assets designated at fair value	—	—	—	—	X	X	516,483	516,483
4. Other financial assets mandatorily measured at fair value	11,277	(6,636)	4,641	—	X	X	1,223	5,864
5. Financial assets being sold	—	—	—	—	—	—	—	—
Total 30/6/2022	1,688,411	(953,391)	735,020	4,307	63,951,310	(703,347)	63,765,669	64,500,689
Total 30/6/2021	1,981,251	(1,037,331)	943,920	5,681	59,371,084	(672,472)	59,418,917	60,362,837

Asset portfolio/quality	Assets with obviously poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	—	—	8,113,337
2. Hedging derivatives	—	—	157,113
Total 30/6/2022	—	—	8,270,450
Total 30/6/2021	—	—	9,057,678

Net non-performing assets include €350.6m held by MBCredit Solutions (purchases of Non-Performing Loans) corresponding to a nominal value of €7.7bn at 30 June 2022; of these €4.6m, for a nominal value of €468.3m, relate to assets (essentially Consumer Banking) purchased from other Group companies.

Information on sovereign debt exposures

A.1.2a Exposures to sovereign debt securities by state, counterparty and portfolio ***

Portfolio/quality	Non performing loans				Performing			Total net exposure[1]
	Gross exposure	Individual adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	(1,756,487)	(1,756,487)
France	—	—	—	—	X	X	(988,205)	(988,205)
Germany	—	—	—	—	X	X	(746,273)	(746,273)
Italy	—	—	—	—	X	X	(108,438)	(108,438)
Belgium	—	—	—	—	X	X	91,773	91,773
Others	—	—	—	—	X	X	(5,344)	(5,344)
2. Financial assets designated at fair value through other comprehensive income	—	—	—	—	2,896,866	—	2,896,866	2,896,866
Italy	—	—	—	—	1,698,355	—	1,698,355	1,698,355
Germany	—	—	—	—	764,128	—	764,128	764,128
United States	—	—	—	—	384,188	—	384,188	384,188
Spain					—	—	—	—
Others	—	—	—	—	50,195	—	50,195	50,195
3. Financial assets at amortized cost	—	—	—	—	3,288,428	—	3,288,428	3,288,428
Italy	—	—	—	—	2,197,502	—	2,197,502	2,197,502
Germany	—	—	—	—	399,468	—	399,468	399,468
United States	—	—	—	—	354,184	—	354,184	354,184
France	—	—	—	—	305,183	—	305,183	305,183
Others	—	—	—	—	32,091	—	32,091	32,091
Total 30/6/22	—	—	—	—	6,185,294	—	4,428,807	4,428,807

* Does not include financial or credit derivatives.

** Does not include forward notional sales of €348m.

[1] The net exposure includes positions in securities (long and short) measured at fair value (including the outstanding accrual) except for assets held to maturity which are measured at amortized cost, whose implied fair value is €8.4m.

*A.1.2b Exposures to sovereign debt securities by portfolio**

Portfolio/quality	Trading Book[1]			Banking Book[2]			
	Nominal value	Book Value	Duration	Nominal value	Book Value	Fair Value	Duration
Italy	(121,067)	(108,438)	2.13	3,930,042	3,895,857	3,907,086	4.13
United States	—	—		741,311	738,372	725,034	1.10
Germany	(747,180)	(746,273)	3.50	1,165,000	1,163,596	1,160,545	1.16
France	(950,625)	(988,205)	0.91	310,400	305,183	301,936	2.66
Belgium*	112,800	91,773	3.54	—	—	—	—
Others	(18,400)	(5,344)	—	84,316	82,286	82,266	—
Total 30/6/22	(1,724,472)	(1,756,487)		6,231,069	6,185,294	6,176,867	

* The figure does not include forward sales with a notional amount of €348m.

[1] This item does not include sales on the Bund / Bobl / Schatz future (Germany) for €127m (with a negative fair value of €0.8m) and sales on the BTP future (Italy) for €322m (with a negative fair value of 2.8m); moreover, net hedging purchases of €1,845m, nearly all of which allocated to France country risk, were not counted.

[2] This item does not include Greek GDP-linked securities in a notional amount of €127m.

B. Information on structured entities

In accordance with the provisions of IFRS 12, the Group treats the entities it sets up in order to achieve a limited or well-defined objective regulated by contractual agreements that often impose narrow restrictions on the decision-making powers of its governing bodies as structured entities (i.e. special purpose vehicles, SPV, or special purpose entities, SPE). Such entities are structured to ensure that the voting rights (or similar) are not the main factor in establishing who controls them (the relevant activities are often governed by contractual agreements agreed when the entity itself is structured and are therefore difficult to change).

B.1 Consolidated structured entities

As stated in Part A – Section 3 of the Notes to the Accounts, the securitization SPVs instituted pursuant to Italian law 130/99, namely Quarzo S.r.l., Quarzo CQS S.r.l. and MB Funding Lux S.A., a company incorporated under Luxembourg law and 100%-owned by Mediobanca S.p.A., are included in the Group's area of consolidation.

B.2 Structured entities not consolidated in accounting terms

The Group has no other interests in the capital of structured entities to report, apart from the stock units held in UCITs in connection with its activities as sponsor (CheBanca!, CMB Monaco, Cairn Capital and RAM Active Investments) and as investor in funds promoted by Mediobanca S.p.A., which include Seed Capital activities for funds managed by Group companies (Cairn Capital, Mediobanca SGR and RAM Active Investments).

B.2.1 Structured entities consolidated prudentially

As at 30 June 2022 there was no disclosure to be made as no instances of this type of interest apply in the case of Mediobanca.

B.2.2 Other structured entities

QUALITATIVE INFORMATION

The Group's operations are performed through special purpose vehicles (SPVs), as follows:

UCITS

With regard to the funds managed by RAM Active Investments SA, the Parent Company subscribed to funds for a NAV of €226.3m, namely: RAM Global Sustainable Income Equities (€13.6m), RAM Diversified Alpha (€68m), RAM Stable Climate Global Equities (€29.1m), RAM Global Multi-Asset (€39.4m), RAM Asia Bond Total Return (€16.3m), RAM Mediobanca Strata UCITS (€49.6m); all these investments are UCITS under Luxembourg law with a NAV calculated daily to which direct investments of €5m are added; lastly, there was an investment of €10.4m in RAM Systematic I/O, a fund under Cayman Islands law.

With regard to Cairn Capital, the Parent Company subscribed to investments for a NAV of €165.5m, namely: Cairn European Loan Fund (€104.9m), direct investments for €1.6m in addition to €60.7m invested in the CLO special purpose vehicles called CLI Holdings (€18.8m) and CLI Holdings II (€41.8m), the latter recognized by the Parent Company using the equity method (IAS 28) following the increase in the share commitment and related status as Qualifying Noteholder.

With regard to the funds managed by Mediobanca SGR and Mediobanca Management Company, the Group subscribed to funds for a total NAV of €52.7m, of which €14.5m subscribed by the Parent Company in the funds called Mediobanca Fondo per le Imprese II (€3.2m), Mediobanca Euro High Yield (€3.9m) and Mediobanca Social Impact (€7.5m) and €38.1m subscribed by CheBanca! as part of its distribution activities, relating to the funds called Mediobanca MFS Prudent Capital (€9.9m), Mediobanca MFS Prudent Capital Euro Hedged (€8.7m), Mediobanca Global Multimanager 15 and 35 (€9.9m and €5.2m respectively), Palladium Protetto (€1.5m) and Mediobanca Corporate Bond (€3m).

CMB Monaco has placed six segments of CMB Global Lux (a company authorized under Luxembourg law) with its clients; the SICAV is managed by CMB Monaco itself, while the management and custody of the funds is the responsibility respectively of its subsidiary CMG Monaco and CACEIS Luxembourg. As at 30 June 2022, the Parent company did not have investments in place in the segments referred to above.

Mediobanca also invests in the Negentropy RAIF fund, an alternative investment fund incorporated under Luxembourg law managed by Negentropy Capital Partners Limited, with an investment of €70.6m.

The process of delegating and sub-delegating investment activities, along with the broad powers of discretion afforded to delegates and the temporary nature of the investments mean that the ability to impact on returns stipulated by IFRS 10 as a precondition for establishing control of SICAVs does not apply in these cases; hence Mediobanca does not have direct control.

Asset-backed SPEs

The entities in this case have been set up to acquire, build or manage physical or financial assets, for which the prospect of recovering the credit concerned depends largely on the cash flows to be generated by the assets.

As part of its ordinary lending operations, the Group finances asset-backed SPEs but without holding any form of direct equity stake or interest in them, hence this does not qualify as acting as sponsor.

Hold to Collect lending transactions, recorded under asset heading 40, “Financial assets measured at amortized cost – due from customers: composition”, in which the Group is the sole lender, involve an amount of €614.7m, plus €12.4m in notes booked as Hold to Collect and Sell.

QUANTITATIVE INFORMATION

Balance-sheet item/SPE type	Accounted for under asset heading	Total assets (A)	Accounted for under liability heading	Total liabilities (B)	Net asset value (NAV) (C=A-B	Maximum exposure to risk of loss (D)	Difference between exposure to risk of loss and NAV (E=D-Cs)
Mediobanca Global Multimanager 15	Financial assets mandatorily at fair value	9,858		—	9,858	9,858	—
Mediobanca Global Multimanager 35	Financial assets mandatorily at fair value	5,206	—	—	5,206	5,206	—
Mediobanca MFS Prudent Capital	Financial assets mandatorily at fair value	9,860	—	—	9,860	9,860	—
Mediobanca MFS Prudent Capital Euro Hedged	Financial assets mandatorily at fair value	8,740	—	—	8,740	8,740	—
Palladium Protetto	Financial assets mandatorily at fair value	1,512	—	—	1,512	1,512	—
Mediobanca Corporate Bond	Financial assets mandatorily at fair value	3,009	—	—	3,009	3,009	—
CMG Funds	Financial assets mandatorily at fair value	43	—	—	43	43	—
Cairn European Loan Fund	Financial assets mandatorily at fair value	104,856	—	—	104,856	104,856	—
CLI Holding I	Financial assets mandatorily at fair value	19,579	—	—	19,579	19,579	—
CLI Holding II	Investments in Associates accounted at Equity Method under IAS 28	41,848	—	—	41,848	41,848	—
Other Cairn Funds	Financial assets mandatorily at fair value	854	—	—	854	854	—
RAM Mediobanca Strata UCITS Credit Fund	Financial assets mandatorily at fair value	49,561	—	—	49,561	49,561	—
RAM - Systematic I/O	Financial assets mandatorily at fair value	10,369	—	—	10,369	10,369	—
RAM - Asia Bond Total Return	Attività Finanziarie obbligatoriamente valutate al Fair Value	16,310	—	—	16,310	16,310	—
RAM - Global Sustainable Income Equities	Financial assets mandatorily at fair value	13,573	—	—	13,573	13,573	—
RAM - Global Multi-Asset	Financial assets mandatorily at fair value	39,367	—	—	39,367	39,367	—
RAM Diversified Alpha	Financial assets mandatorily at fair value	67,985	—	—	67,985	67,985	—
RAM Stable Global Equity	Financial assets mandatorily at fair value	29,122	—	—	29,122	29,122	—
Mediobanca Funds	Financial assets held for trading	298	—	—	298	298	—
Mediobanca Social Impact	Financial assets mandatorily at fair value	7,489	—	—	7,489	7,489	—
Mediobanca Fondo per le Imprese II	Financial assets mandatorily at fair value	3,187	—	—	3,187	3,187	—

Balance-sheet item/SPE type	Accounted for under asset heading	Total assets (A)	Accounted for under liability heading	Total liabilities (B)	Net asset value (NAV) (C=A-B	Maximum exposure to risk of loss (D)	Difference between exposure to risk of loss and NAV (E=D-Cs)
Mediobanca Euro High Yield	Financial assets mandatorily at fair value	3,856	—	—	3,856	3,856	—
Negentropy RAIF Fund	Financial assets mandatorily at fair value	70,631	—	—	70,631	70,631	—
Asset Backed	Financial assets at amortized cost	614,660	—	—	614,660	614,660	—
Asset Backed	Financial assets at fair value with impact taken to other comprehensive income	12,142	—	—	12,142	12,142	—

B.2 Leveraged finance transactions

The scope of Leveraged Transactions concerned:

- Credit exposures to parties whose total gross debt (on-balance sheet and committed off-balance sheet) to EBITDA ratio was more than 4x at the time of disbursement; according to the definition of the ECB, confirmed in the letter to the industry dated July this year, if leverage exceed 6x (referred to as "Highly Leveraged Transactions"), greater control measures should be applied;
- Credit exposures to Group Legal Entities (with more than 50% of the share capital owned or possessed) by a financial sponsor, referred to as "Pure LBO".

As at 30 June 2022, the Group's aggregate exposure to Leveraged Transactions was equal to €4,485.6m[2] down 7% on the total reported in the previous year (€4,798.3m), accounting for a share of the Corporate loan book that decreased from 29% to 25%.

[2] To which off-balance sheet exposures (commitments and derivatives) for €2,075m (up 54% compared to 30 June last, an increase attributable to a Corporate transaction for a significant amount disbursed on 1 July) should be added.

The portion of “Highly Leveraged Transactions” (HLT) amounted to €2,149m (48% of the portfolio), of which €149m were “Pure LBOs”, whose total amount stood at €539m; this sector includes three transactions for a total of €74m (14% of total “pure LBOs”), which, although leverage was less than 4x, belong to groups held by one or more financial sponsors (i.e., private equity funds) in their majority.

The three UTP transactions of the previous year (€146m) were repaid or reclassified as performing transactions, again within the scope of Leveraged Transactions.

About 46% of the portfolio was concentrated on domestic operations; the main business sector consisted in Holding companies with €970m (22% of the total) followed by Telecom & Media with €660m (15%) and Retail with 491m (11%).

Repayments of €1,562m were recorded during the financial year (19% of the total amount of corporate repayments), of which 65% relating to the conclusion of 24 transactions. New disbursements (€1,238m) represented 13% of the entire large corporate new business and concerned 25 new transactions, in addition to payments called up in relation to past commitments.

SECTION 2

Prudential consolidation risk*

1.1 CREDIT RISK

QUALITATIVE INFORMATION

Although risk management is the responsibility of each individual business unit, the Risk Management unit presides over the functioning of the Group's risk system, defining the appropriate global methodologies for measuring risks, current and future, in conformity with the regulatory requirements and the Group's own operating choices identified in the RAF[3], monitoring risks, and ascertaining that the various limits established for the various business lines are complied with.

Risk Management is organized around local teams based at the various Group companies, in accordance with the principle of proportionality, under the co-ordination of the Risk Management unit at parent company Mediobanca S.p.A. (the "Group Risk Management Unit"), which also performs specific activities for the parent company scope of risk, in the same way that the local teams do for their own companies. The Group Risk Management Unit, which reports directly to the Chief Executive Officer under the Group Chief Risk Officer's leadership, consists of the following sub-units: i) Supervisory Relations & Risk Governance, which manages relations with the Supervisory Authorities; ii) Enterprise Risk Management, which carries out the Group's integrated processes (ICAAP, RAF, Recovery Plan, planning support); iii) Quantitative Risk Methodologies, responsible for the development of quantitative methodologies to measure and manage credit, market and counterparty risks; iv) Credit Risk Management, responsible for credit risk analysis, assigning internal ratings to counterparties and the loss-given default indicator in the event of insolvency; v) Market Risk Management and Transformation, which is in charge of monitoring market and counterparty risk and is responsible for developing, co-ordinating, rationalizing and streamlining and harmonizing IT developments within Risk Management; vi) Asset and Liquidity Risk Management, which is in charge

[3] On 22 June 2022, the Board of Directors of Mediobanca approved a new version of the Group Policy on Risk Appetite Framework (RAF), which sets out the general principles, organizational model and implementation process. In this Framework, based on the Strategic Plan and the maximum tolerable risk, the Group defines the level and type of risks which intends to assume, plus any objectives, tolerance thresholds and operating limits to be complied with under normal operating and stress conditions.

* Includes the equity-accounted consolidation of Compass RE (insurance companies), Compass Rent, MBContact Solutions and Revalea.

of monitoring liquidity and interest rate risks on the banking book; vii) Non-financial Risk Management, responsible for overseeing Operational Risks and risks associated with the distribution of investment products and services to customers; viii) Group Internal Validation, which defines the methodologies, processes, instruments and reporting for use in internal validation activities and is responsible for validating the Group's risk measurement systems.

With reference to the authorization process to use AIRB models in order to calculate the regulatory capital requirements for credit risk, the Group has been authorized by the supervisory authorities to calculate its capital requirements using its own internal rating system (based on the Probability of Default and Loss Given Default indicators) for the Mediobanca and Mediobanca International corporate loan books and for the CheBanca! Italian mortgage loan book. As an integral part of this process, in accordance with the regulatory provisions in force on prudential requirements for credit institutions (Regulation (EU) No. 575/2013 of the European Parliament and of the Council, as amended – the "CRR"), the Group has compiled a roll-out plan for the gradual adoption of the internal models for the various credit exposures (the "Roll-Out Plan"). During the year under review, Compass completed the executive phase of the development project of its internal rating system for consumer exposures by submitting the Application Package to the Supervisory Authority, whose inspections will be completed in the coming months. MBFacta's application with regard to its corporate exposures relating to factoring is also planned; moreover, the Corporate model of Mediobanca and Mediobanca International is being reviewed by the Supervisory Authority.

For the exposures, for which the standardized methodology is used to calculate the regulatory capital requirements, the Group has nonetheless developed internal credit risk models that are used for management purposes.

The Group has also adopted a portfolio model in order to calculate the economic capital for credit risk, which enables geographical and sector concentration and diversification effects to be factored in.

Impacts deriving from the war in Ukraine

The Group's portfolio does not show significant direct credit exposures with respect to Russia and Ukraine: €28m in Corporate, €240m in private loans and €97m in Retail. The impacts were examined and deemed limited also in terms of indirect exposure, as detailed below.

The direct CIB exposure of €28m includes €26m disbursed by Mediobanca International (classified at Stage 2) and €2m relating to MBFacta (classified at Stage 3); both exposures are covered by insurance and the non-performing exposure is in the process of being sold.

Private Banking exposures of €240m concern a certain number of CMB Monaco clients of Russian or Ukrainian nationality, most of whom reside abroad (only €87m relate to entities resident in the Russian Federation). These are loans largely secured by prestigious properties located in the Monaco and Côte d'Azur area and/or by financial instruments deposited with the Bank (overall guarantees recognized for these exposures involve a contained Loan-to-Value ratio, under 40%).

Retail Banking exposures (€97m) concern Compass customers for €72m and CheBanca! for €25m, classified on the basis of Russian and Ukrainian nationality, although residing in Italy in nearly all cases. In particular, all the properties securing the loans granted by CheBanca! are located on the Italian State territory.

Counterparties earning revenues of more than 5% attributable to the countries involved in the conflict or with a significant production plant located there were taken into consideration in the analysis of indirect risk on Large Corporate customers. Receivables relating to this type of clients amounted to €890m (approximately 1% of Group loans). The analyses carried out show a low dependence of these counterparties on the Russian and Ukrainian markets and, for the most part, a good credit quality with regular payments.

Impact of Covid-19 pandemic

Following the Covid-19 pandemic, the Mediobanca Group rapidly developed and planned procedures suitable for supporting and managing customers. The moratoria granted reached a peak of €2.6bn at the end of June 2020 (€1.9bn after loans that have left the payment forbearance phase), reduced to €0.7bn in June 2021 and substantially zeroed in the year under review. The amount at 30 June 2022 was only €22m.

The residual moratoria are all subject to a prudent valuation process, which brought 86% back within Stage 2 and 14% within Stage 3. For details on how the risk measurement and control systems have been adapted, please see sections 2.3, 5 and 6 Part E of the Notes to the Accounts.

Specific public disclosures are also required by the EBA "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis", which the Group has included in its "Pillar III Disclosure to the Public"[4]. This information is also summarized in section 6.2 herein.

2. Credit risk management policies

2.1 Organizational aspects

The Group has adopted a risk governance and control system structured across a variety of organizational units involved in the process, ensuring that all relevant risks to which the Group is or might be exposed are managed effectively, and at the same time guaranteeing that all forms of operations are consistent with their own risk appetite.

The Board of Directors, in view in particular of its role of strategic supervision, is responsible for approving strategic guidelines and directions of the risk appetite framework (RAF), the Internal Rating Systems (IRB) at the parent company level and the Roll-Out Plan for gradually extending the IRB approach across the whole Group, business and financial plans, budgets, risk management and internal control policies, and the Recovery Plan drawn up in accordance with the provisions of the Bank Recovery and Resolution Directive (Directive 2014/59/EU).

[4] The "Pillar III – Disclosure to the Public" document is available on the Bank's website at www.mediobanca.com in the section entitled "Capital Solidity".

The Executive Committee is responsible for the ordinary management of the Bank and for co-ordination and management of the Group companies, without prejudice to the matters for which the Board of Directors has sole jurisdiction. The Risk Committee assists the Board of Directors in performing monitoring and instruction duties in respect of the internal controls, risk management, and accounting and IT systems. The Statutory Audit Committee supervises the risk management and control system as defined by the RAF and the internal controls system generally, assessing the effectiveness of the structures and units involved in the process and co-ordinating them.

As part of the Parent company's risk governance system, the following managerial committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: the Group Risk Management committee, responsible for issuing guidance at the Group level in respect of all risks, responsible for investigating proposals addressed to the Risk Committee and to the Board of Directors, and with powers of approval on market risks; Lending and Underwriting Committee, with decision-making powers over credit, counterparty and issuer risks; New Operations Committee, for the preventive evaluation of new activities and approval of the entry into new sectors, new products and related pricing models.

2.2 Management, measurement and control systems

In the process of defining its Risk Appetite Framework ("RAF"), Mediobanca has determined the level of risk (overall and by individual type) which it intends to assume in order to pursue its own strategic objectives, and has identified the metrics to monitor and the relevant tolerance thresholds and risk limits. The RAF is the framework which links risks to the company's strategy (translating mission and strategy into qualitative and quantitative risk variables) and risk objectives for the company's operations (translating risk objectives into limits and incentives for each area).

As required by the prudential regulations, the formalization of risk objectives, through definition of the RAF, which are consistent with the maximum risk that can be taken, the business model and strategic guidance is a key factor in establishing a risk governance policy and internal controls system with the objective of enhancing the Bank's capability in terms of governing its own company risks, and also ensuring sustainable growth over the medium and long term. In this connection, the Group has developed a Risk Appetite Framework governance model which identifies the roles and responsibilities of the corporate bodies and units involved, with co-ordination mechanisms instituted to ensure the Risk Appetite is suitably incorporated into the management processes.

In the process of defining its Risk Appetite, the Parent company:

– Identifies the risks which it is willing to assume;
– Defines, for each risk, the objectives and limits in normal and stressed conditions;
– Identifies the action necessary to bring the risk back within the set objective.

To define the RAF, based on the strategic positioning and risk profile set by the Group as its objective, the Risk Appetite statement is structured into metrics and risk thresholds, to be identified with reference to the six framework risk pillars, in line with best international practice: capital adequacy; liquidity; profitability; external risk metrics; bank-specific factors; and non-financial risks. The Board of Directors has a proactive role in defining the RAF, guaranteeing that the expected risk profile is consistent with the Strategic plan, budget, ICAAP and Recovery Plan, and structured into adequate and effective metrics and limits. For each pillar analysed, the risk assumed is set against a system of objectives and limits representative of the regulatory restrictions and the Group's general attitude towards risk, as defined in accordance with the strategic planning, the internal capital adequacy assessment process ICAAP and risk management processes.

In addition to identifying and setting the Risk Appetite parameters, the Bank also governs the mechanisms regulating the governance and processes for establishing and implementing the RAF, in terms of updating/reviewing, monitoring, and reporting to the Committees and corporate bodies. Based on its operations and the markets in which it operates, the Group has identified the relevant risks to be submitted to specific assessment in the course of the reporting for the ICAAP (Internal Capital Adequacy Assessment Process), in accordance with the Bank of Italy instructions contained in circular no. 285 issued on 17 December 2013, "Supervisory instructions for banks" as amended, appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario. As required by the provisions of the Capital Requirements Directive IV ("CRD

IV”), the Group prepares an Internal Liquidity Adequacy Assessment Process document (ILAAP), describing the set of policies, processes and instruments put in place to govern liquidity and funding risks. The Group’s objective is to maintain a level of liquidity that enables it to meet ordinary and extraordinary payment obligations, while minimizing costs at the same time. The Group’s liquidity management strategy is based on the desire to maintain an appropriate balance between potential inflows and potential outflows, in the short and the medium/long term, by monitoring both regulatory and management metrics, in accordance with the risk profile defined as part of the RAF.

2.3 Methods for measuring expected losses

Under IFRS 9 “Financial Instruments”, assets not measured at fair value on a regular basis (i.e., financial assets and liabilities measured at amortized cost and off-balance sheet exposures) must be tested for impairment based on expected losses.

The internal rating models are the baseline instrument for determining the risk parameters to be used in calculating expected losses, subject to the regulatory indicators being adjusted for aspects which are not suitable to be used directly in an accounting environment (e.g., in some cases reconverting the data to reflect a “point-in-time” approach). Under IFRS 9, expected losses are calculated as the product of the PD, LGD and EAD metrics. This calculation is based on the outstanding duration of the instruments that suffered a significant increase in credit risk (referred to as “Stage 2”) or that show objective signs of impairment (“Stage 3”), and on a time horizon of twelve months for instruments not included in the previous two categories (“Stage 1”). For off-balance sheet exposures, credit conversion factors arising from internal models are used to calculate expected losses; if there are no specific models, the factors associated with the standard EAD calculation are used.

The Group adopts qualitative and quantitative criteria to establish whether there has been a significant increase in credit risk, using backstop indicators, such as accounts which are thirty or more days overdue or have been classified as forborne, to assess whether or not they should be treated as Stage 2. Cases of low-risk instruments at the recording date are identified, compatible with classification as Stage 1 (low credit risk exemption), where there is a BBB- rating on the Standard & Poor’s scale, or a corresponding internal PD estimate.

Consistent with the options granted by IFRS 9, a change in forward-looking twelve-month PD is used as the benchmark quantitative metric for measuring the Significant Increase in Credit Risk (SICR) for the purpose of identifying positions to be classified as Stage 2. The Group verifies whether the 12-month PD represents a reasonable approximation of risk increases on a lifetime basis. The change in PD selected to determine reclassification to Stage 2, and the qualitative elements observed, are specific to each Group company.

The provisioning reflects the sum of the expected credit losses (over a time horizon of twelve months, or based on a lifetime approach[5] depending on the relevant Stage), discounted at the effective interest rate. The expected credit loss is the result of a joint assessment of three scenarios, a baseline scenario and two alternative scenarios. The scenarios, determined at Group level, are revised at least once every six months. In particular, the Group defines the forecasts of scenarios by processing the economic variables through customizations obtained through an external macroeconomic model.

In particular, the current macroeconomic environment is characterized by two main aspects that have an impact on the Group's estimated provisioning:

– a normal reduction in the strong growth recovering from the recession caused by the Covid-19 pandemic, exacerbated by the simultaneous increase in inflationary pressures;
– the war events in Ukraine, which, among other things, generated strong tensions on the energy and commodity markets.

In light of the uncertainties related to the evolution of the conflict in Ukraine, the Group has defined alternative scenarios based on different underlying assumptions. In particular, in addition to the baseline scenario defined as "Inflation", two alternative scenarios "Hard-Landing" and "Stagflation" were identified, both of which more conservative and based on different expectations regarding the duration of the conflict in Ukraine and the evolution of the inflationary context.

For more information on macroeconomic scenarios, please refer to Section 6.3.

[5] The lifetime approach considers the contractual expiry of the exposure where possible. For products which do not have a contractual expiry date (e.g. credit cards, bill repayment plans, cancellable credit lines, current accounts or overdrafts on current account), the calculation is made over a 12-month time horizon.

The weights of the scenarios used in calculating ECL were set at 50% for the baseline scenario and 25% for the alternative ones; the values were set on a judgmental basis as they are linked to the likelihood that assumptions external to the macroeconomic system may be realized and therefore they cannot be quantified in detail on the basis of historical analyses.

In consideration of the macroeconomic scenarios described above and of uncertainties linked to the pandemic situation characterized by the appearance of new virus variants, by the resumption of infections and by the macroeconomic scenarios described above, the Mediobanca Group, continuing the work done in the previous financial year, decided to adopt additional provisions ("overlays") with respect to the impairment estimates deriving from using models configured on the basis of specific aspects that cannot be factored in and assessed by modelling means[6].

Therefore, in line with the previous financial year, overlays associated with exposures to sectors particularly liable to risks deriving from the pandemic were set aside in the corporate, leasing and factoring segments. In December 2021, the scope of such sectors was updated, by excluding the Automotive, Gaming and Luxury segments; no further changes were made at the end of the year. Furthermore, the corrections aimed at limiting releases deriving from the improvement in the macroeconomic scenario observed in June 2021 were maintained[7]. In particular, the overall amount of these adjustments decreased compared to the previous financial year following redemptions and rating / staging changes. Finally, in order to increase the overall provisioning level of retail positions (Consumer Banking and property mortgages) against the uncertainties of the macroeconomic scenario, overlays were applied to performing and non-performing positions (the latter limited to Consumer Banking statistical calculations).

With regard to the calculation of ECLs, sensitivity analyses were also carried out with respect to possible alternative macroeconomic scenarios in order to assess how the forward-looking factors could affect expected losses in different scenarios based on consistent forecasts during the evolution of the various macroeconomic factors. The number of possible interrelations between

[6] The approach adopted is consistent with the ECB recommendations made to banks in recent months, such as in the letters of 1 April 2020 ("IFRS 9 in the context of the coronavirus (COVID-19) pandemic") and 4 December 2020 ("Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic").

[7] This type of overlay, applied to corporate, leasing and factoring portfolios, was estimated in such a way as to keep unchanged the coverage level for positions observed before the macroeconomic scenario update of June 2021.

the individual macroeconomic factors is so high that a sensitivity analysis of expected losses based on one factor alone is practically meaningless. In particular, the impact resulting from applying the risk parameters obtained respectively through the adoption of the three alternative scenarios that were used in the weighted ECL calculation was estimated in terms of ECL. The analysis covered the performing exposures in the Group's largest portfolios: the Wholesale loan book of Mediobanca S.p.A. and Mediobanca International, the Mediobanca Private Banking book, the CheBanca! mortgage loans, the Compass consumer credit, the MBFACTA factoring, and the Selma leasing operations, and the CMB Monaco loan book. The impact deriving from the adoption of the Inflation scenario (probability of occurrence 100%) resulted in a decrease of approximately €23.4m in ECLs (4.8% of ECL pre-overlay and 3.2% of ECL post-overlay) and in a reduction of €74.6m in Stage 2 loans (2% of total Stage 2 loans). By contrast, the adoption of the Hard-Landing scenario (probability of occurrence 100%) results in an increase of approximately €10.0m in ECLs (2.0% of ECL pre-overlay and 1.4% of ECL post-overlay) and in an increase of €28.9m in Stage 2 loans (0.8% of total Stage 2 loans). Finally, the adoption of the Stagflation scenario (probability of occurrence 100%) results in an increase of approximately €31.7m in ECLs (6.5% of ECL pre-overlay and 4.4% of ECL post-overlay) and in an increase of €32.5m in Stage 2 loans (0.9% of total Stage 2 loans). In terms of macroeconomic indicators, please refer to Section 6.3 for a detailed representation of the main variables characterizing the three alternative scenarios. Of these impacts, approximately 65% is attributable to consumer credit, while just over 25% to the Wholesale loan book (with slightly different percentages in the three scenarios). The analysis shows that the use of overlays adequately mitigates the effects of volatility that may become significant in the macroeconomic scenario.

2.4 Credit risk mitigation techniques

The Group has put in place a system for managing credit risk mitigation techniques, which covers the entire process of obtaining, assessing, supervising and implementing the mitigation instruments in use. The requirements for eligibility of collateral and guarantees are set out in Regulation (EU) 575/2013 of the European Parliament and of the Council as amended (the "CRR"). The Group has also compiled specific criteria by which collateral not recognized for regulatory purposes may in any case be recognized at the operating level as effective to mitigate credit risk.

The use of financial instruments or of moveable and immoveable assets as collateral and of personal guarantees is widespread in lending activity, in particular as follows:

– Mortgage guarantees: when mortgages are taken out, valuations are required from independent experts; specific procedures are also in place to calculate the fair value of the asset and monitor it at regular intervals, based on market indicators furnished by external information providers; further valuations are also required in cases where significant departures are noted from the most recent valuation available;

– Pledges: pledges are valued according to the market value for listed financial instruments, or on the basis of their expected realizable value; prudential haircuts are then applied to the values thus calculated which differ according to the financial instruments over which the pledge has been made.

The Group also adopts risk mitigation policies by entering into netting and collateral agreements, verifying whether the agreements are legally valid and meet the regulatory criteria to be recognized for prudential purposes.

Credit risk mitigation activities are governed by specific directives adopted by the Group companies concerned. The specific nature of the products originated by the individual businesses and the forms of collateral securing them, as well as the different organizational models necessarily adopted by the various Group companies, means that different CRM processes must coexist within the Group as a whole. In particular, the phases of obtaining the collateral, checking, reporting and assessing its eligibility may be performed by different units. However, the role of Risk Management unit in setting eligibility criteria for regulatory and management purposes remains central, and the Group Risk Management Unit is responsible for supervising overall consistency in this area. Controls of the mitigation instruments are included in the general risk control and management framework.

In Private Banking in particular, the situations most at risk have been identified, and for "Lombard" credit in particular work has begun quickly on restoring the collateral margins typically associated with this form of credit. The overall exposure reflects both portfolio diversification for the collateral and the haircuts required when the lending value is determined.

3. Non-performing credit exposures

The Group is distinguished by its prudent approach to risk, which is reflected in the fact that its overdue exposure levels (Non-performing loan - NPL) are among the lowest seen in the Italian national panorama. The Group's management of non-performing loans also helps to keep their level low on the books, including the use of different options typically available, such as disposals (of both individual assets and portfolios), collateral enforcement, and negotiation of restructuring agreements.

The Group uses a single, like-for-like definition for the concepts of "default" as defined by the regulations on regulatory capital requirements, "non-performing", used for supervisory reporting statistics, and Stage 3 assets, or "credit-impaired" assets, as defined by the accounting standards in force. In this regard, the Group has implemented the EBA Guidelines on the adoption of the definition of default (EBA/GL/2016/07), Delegated Regulation (EU) 2018/171 of the Commission of 19 October 2017, and Regulation (EU) 2018/1845 of the ECB of 21 November 2018. In line with these principles, instances of assets which qualify as "non-performing" include:

- Exposures identified using the 90 days past due principle, based on which the regulations referred to above have standardized the calculation criteria in use at EU level (in particular with reference to the applicable materiality thresholds, and the irrelevance of which instalment in particular is established as being past due for calculation purposes);
- Cases in which the credit obligation has been sold, leading to material losses in relation to the credit risk;
- Debt restructuring which entails a cost, i.e., restructuring the debt of a borrower who is in or is about to encounter difficulties in meeting their own financial obligations, which may imply a significantly reduced financial obligation;
- Cases of insolvency or other systems of protection covering all creditors or all unsecured creditors, the terms and conditions of which have been approved by a judge in a court of law or another competent institution;
- Instances identified through other indicators of a borrower being unlikely to pay, such as the enforcement of guarantees, breach of given financial leverage ratios, negative evidence in information systems such as central credit databases, or the borrower's sources of income suddenly becoming unavailable.

This approach is adopted differently within the individual Group companies, which, depending on the specific monitoring processes they have implemented, may choose to detect non-performing positions before the 90 days past due status by running individual analyses or applying automatic algorithms. Equally, the accounting measurement of non-performing exposures may reflect either the analysis of individual positions, or be based on identifying clusters of similar positions, depending on the specific nature of the Group company's business.

At the monitoring stage, the write off for credit losses on financial assets is also assessed, i.e., when in part or in whole. Those write-offs are possible even before completion of the legal action to recover the asset, and this does not necessarily entail waiving the Group's legal right to recover the amount.

In order to adequately monitor the management of NPL portfolios, in recent years, several measures have been issued by the Regulator for the purpose of directing the financial sector towards minimizing their stocks of non-performing portfolios and speeding up recovery. On 26 April 2019, the European Parliament published an amendment to Regulation (EU) 575/2013 (CRR) in the Official Journal with the inclusion of new rules to be applied for the coverage of NPLs (referred to as Calendar Provisioning) deriving from loans granted starting from the date of issue of the amended Regulation. Calendar Provisioning requires the full write-down of non-performing loans according to maturities for supervisory reporting purposes.

4 Financial assets subject to commercial renegotiations and concessions

Financial assets may be subject to contractual amendments based primarily on two different needs: maintaining a mutually satisfactory commercial relationship with clients, or re-establishing/improving the credit quality position of customers who are facing, or about to face, difficulties in complying with the commitments they have entered into.

The former case, defined as commercial renegotiation, recurs when the client might want to end the relationship, as a result of its credit quality and of favourable market conditions. In a situation such as this, changes can be made at the client's initiative or on a preventative basis in order to maintain the relationship with the client by improving the commercial terms offered, without prejudice to a satisfactory return on the risk and in compliance with the general strategic objectives (e.g., in terms of target customers).

The second case, which corresponds to the notion of forbearance measure, is detected in accordance with the specific regulations when contractual amendments are made, refinancing arrangements entered into, or when clauses provided for in the contract are exercised by the client.

For an exposure to be classified as forborne, the Group assesses whether or not such concessions (typically rescheduling expiry dates, suspending payments, refinancings or waivers to covenants) occur as a result of a situation of financial difficulty which can be traced to the accumulation, actual or potential (if concessions are not granted), of more than thirty days past due. Assessment of the borrower's financial difficulties is based primarily on individual analysis carried out as part of corporate banking and leasing business, whereas certain predefined conditions apply in the case of consumer credit activities (for example, observation of the number of deferrals granted) and real estate loans (e.g., whether the borrower has been made unemployed, cases of serious illness and/or divorce and separation). In line with the recommendations made by the ECB in its letter to significant credit institutions of 4 December 2020, assessment of the borrower's financial difficulties should take into account market conditions, where these have changed in a way that could impact upon the borrower's ability to repay.

Both non-performing exposures and exposures whose difficulties are still compatible with their being treated as performing may be classified as forborne. However, as described in the previous sections, a position being assigned the status of "forborne" is considered to be incompatible with its being treated as Stage 1. For this reason, based on the regulations on supervisory statistical reporting, there is a minimum period of time during which an exposure can be classified as "forborne" and this is reflected in the prudential transitions between Stages 1, 2 and 3. For instance, when concessions have been made in respect of Stage 2 exposures, these exposures cannot return to Stage 1 in less than two years, in line with the minimum duration requirement of two years provided for the "forborne performing exposure" status (during this period, the status can only be downgraded to reflect the exposure's transition to non-performing). Similarly, exposures in Stage 3 cannot return to Stage 1 in less than three years, in line with the one-year duration requirement for "forborne non-performing exposure" status, followed (unless the non-performing status needs to be prolonged) by the two-year minimum duration requirement for the "forborne performing exposure" status.

To return to Stage 1, exposures must give proof of having fully recovered their credit quality and the conditions requiring them to be classified as "forborne" must have ceased to apply. Accordingly, monitoring activities over transitions to Stages 2 or 3 are the same as monitoring activities over exposures which have not moved from Stage 1. However, "forborne" exposures that have returned from Stage 3 to Stage 2 are subject to enhanced monitoring, providing that if there is a delay of more than thirty days in payment or if a new forbearance measure is applied, the exposure will immediately return to Stage 3 for prudential purposes.

5 Details by individual business segment

Corporate activity

The Bank's internal system for managing, evaluating and controlling its credit risk exposure reflects its traditional policy based on prudence and a highly selective approach: risk assumption is based on an analytical approach grounded on an extensive knowledge of the entrepreneurial, asset and management operations of each financed company, as well as of the economic framework in which it operates. During the analysis, all the necessary documentation was acquired in order to carry out an adequate assessment of the borrower's credit quality and define the correct remuneration of the risk assumed; the analysis included assessments of the duration and amount of credit lines, monitoring of suitable collateral and use of contractual commitments (covenants) aimed at preventing the deterioration of the counterparty's credit quality.

With reference to the correct application of credit risk mitigation techniques, specific activities are implemented to define and meet all the requirements to ensure that the real and personal guarantees have the maximum mitigating effects on the exposures.

To determine credit risk, all counterparties are analysed and an internal rating is assigned by the Risk Management unit on the basis of internal models which take into account the specific quantitative and qualitative characteristics of the counterparty. The proposed transactions are also subject to the application of LGD models where appropriate.

Loans originated by the business divisions are appropriately assessed by the Risk Management unit and regulated in accordance with the powers for approval and management of the most significant transactions, through screening at different operating levels.

The Credit Risk Management unit also carries out a review of the ratings assigned to the counterparties at least once a year. Approved loans must also be confirmed by the approving body with the same frequency.

Provisions are calculated individually for non-performing items and based on PD and LGD indicators of the performing portfolio. For individual provisioning, valuations based on discounted cash flows and ratio analysis balance sheet are applied to businesses under the going-concern assumption, while an asset valuation is used in case of liquidation. With regard to performing loans, the PD parameters are obtained starting from the through-the-cycle rating approach used to develop the internal rating model which is then converted to the point-in-time approach. The LGD parameters are determined based on the modelling used for the regulatory calculation, after removing the downturn effect. The forward-looking component of the models is the result of the risk indicators applied to the macroeconomic scenarios defined internally.

In terms of monitoring the performance of individual credit exposures, Mediobanca has adopted an early warning system to identify a list of counterparties (known as the "watchlist") requiring in-depth analysis on account of their potential or obvious weaknesses. The exposures identified are then classified by level of alert (Amber or Red for performing accounts, Black for non-performing items) and are reviewed regularly to identify the most appropriate mitigation actions to be taken. The watchlist is used to provide qualitative information regarding allocation to Stage 2, which includes counterparties classified as "Amber" or "Red". Furthermore, all forborne positions are subject to specific monitoring and revisions can be applied to single-name classifications based on internal decisions supported by individual analyses.

Leases

Individual applications are processed using similar methods to those described above for corporate banking. Applications for smaller amounts are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the counterparty's legal status (type of company).

The activities of analysis, disbursement, monitoring, and credit risk control are significantly supported by the Company's Information System; the asset being leased is also subject to a technical assessment.

With a view to aligning risk management with the current complex financial and market scenario, the approval rights have also been revised and the measurement and control processes enhanced through the institution of regular valuations of performing loans, including from an early warning (i.e., watchlist) perspective. Disputes are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account concerned.

The quantification of provisions for non-performing accounts requires individual analysis to establish the estimated loss, taking into account the protection value of the assets resulting from regularly updated expert valuations, prudentially revised downwards, and any other form of collateral. Scenarios for sales strategies are also factored in. The portfolio of performing accounts is measured on the basis of internal PD and LGD parameters. To define the PD parameters, through-the-cycle transition matrices for the management models based on internal data are used, which are then converted to point-in-time versions. The forward-looking component is factored in by applying the macroeconomic scenarios defined internally to the PD estimates. The LGD estimates for the exposures differ according to type of product (vehicle leasing, core goods, yachts and property), and are subjected to the same macroeconomic scenarios defined internally to obtain forward-looking data.

In terms of criteria for reclassification of leases to Stage 2, in addition to the positions identified using the quantitative criterion of an increase in the PD, the evidence obtained from the Parent company's watchlist for corporate clients is used as qualitative information.

Consumer credit

Consumer credit operations are performed primarily by Compass, where applications for finance are approved on the basis of a credit scoring system tailored to individual products. The scoring grids have been developed from internal historical series, enhanced by data provided by central credit bureaux. Points of sale are linked electronically to the company's headquarters, to ensure that applications and credit scoring results are processed and transmitted swiftly. Under the system of powers for approval assigned by the company's Board of Directors, approval is required by the relevant headquarters units for increasing combinations of amount and expected loss, in accordance with the authorization levels established by the Board of Directors.

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, or legal recovery action. After six unpaid instalments (or four unpaid instalments in particular cases, such as credit cards), the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. As from the six months after such lapse has been established, accounts for which legal action has been ruled out on the grounds of being uneconomic are sold via competitive procedures to factoring companies, for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Provisioning is determined collectively on the basis of PD, LGD and CCF metrics which are estimated using internal models. To estimate PD and LGD parameters for the purpose of calculating lifetime losses, through-the-cycle transition matrices calculated separately by product type were used in line with internal operating processes (credit cards, special purpose loans, low-risk personal loans, high-risk personal loans, small tickets and salary-backed loans to public servants, private individuals or retirees). Once the parameters not conditioned by recent historical evidence have been obtained, the forward-looking component is factored in by conditioning the PDs and LGDs with specific macroeconomic models based on the Group's internal scenarios and on recent trends in internal default rates.

In consumer credit, in addition to the quantitative criterion based on changes in the PD, specific quality indicators are used to classify exposures as Stage 2, such as the existence of suspension measures, the existence of other non-performing accounts for the same borrower, and evidence of irregularities in payment in the recent past.

With respect to the general rule that provides for an automatic reconciliation of forbearance measures in Stage 2, any positions subject to the Covid-19 moratoria or imposed by law (as in the case of floods) constitute exceptions. In this case, automatic reconciliation is replaced by a PD change quantitative method (SICR) applied to all exposures that have undergone a change in rating with respect to origination; since the beginning of the year there were no longer forborne positions in progress due to Covid moratoria. Therefore, any new forbearance led directly to Stage 2[8].

The PD rating model of Compass is very reactive to non-payments (due to unpaid or forbearance in the last twelve months) leading to an increase in PD and therefore to a significant migration towards Stage 2 even for past forborne positions regardless of their nature and without distinction of SICR criteria among the types of forbearance.

Factoring

Factoring, a business in which MBFACTA specializes, includes both traditional factoring (i.e., acquisition of short-term trade receivables, often backed by insurance cover) and instalment factoring (acquiring loans from the selling counterparty, to be repaid via monthly instalments by the borrowers whose accounts have been sold, which in virtually all cases is a retail customer).

For traditional factoring, the internal units appraise the solvency of the sellers and the original borrowers via individual analysis using methodologies similar to those adopted for corporate lending; whereas for instalment factoring the acquisition price is calculated following a due statistical analysis of the accounts being sold, and takes into consideration the projected recoveries, costs and expected margins.

Non-performing exposures to corporate counterparties are quantified analytically, while non-performing exposures to retail counterparties are based on the identification of clusters of exposures with similar characteristics. The portfolio of performing assets is valued on the basis of PD and LGD parameters. PD parameters are defined by using the revised parameters supplied by external providers or internal estimates based on the retail portfolio. For transactions valued by the Parent company as part of its corporate business, the parameters set in the Parent Company's process apply.

[8] Where there are contractual amendments related to a loan loss or loans meeting the conditions for the identification of a distressed restructuring according to EBA-GL-2016-07, the position will be classified more conservatively as Stage 3.

The evidence obtained from the Parent company's watchlist for corporate clients is also used as qualitative information for reclassification to Stage 2, which includes counterparties classified as "Amber" or "Red".

NPL business[9]

This business is performed by MBCredit Solutions, which operates on the NPLs market, acquiring non-performing loans on a non-recourse basis at a price well below the nominal value. Credit risk is managed by consolidated regulations, structures and instruments in line with the Group policies. The company pursues the objective of splitting up the client portfolio according to selective criteria which are consistent with the objectives in terms of capital and risk/return indicated to it by the Parent company.

The purchase price for non-performing loans is determined by following well-established procedures which include appropriate sample-based or statistical analysis of the positions being sold, and take due account of projections of expected amounts recovered, expenses and expected margins. At each annual or interim reporting date, the amounts expected to be collected for each individual position are compared systematically with the amounts actually collected. If losses are anticipated at the operating stages, the collection is adjusted downwards on an individual basis. If there is objective evidence of possible losses of value due to the future cash flows being overestimated, the flows are recalculated and adjustments charged as the difference between the scheduled value at the valuation date (amortized cost) and the discounted value of the expected cash flows, which are calculated by applying the original effective interest rate. The estimated cash flows take account of the expected collection times, the assumed realizable value of any guarantees and the costs which it is considered will have to be incurred in order to recover the credit exposure.

Private Banking

Private banking operations include granting loans as a complementary activity in serving "Affluent", "High Net Worth" and institutional clients, with the aim of providing them with wealth management and asset management services. Credit risk exposure takes various forms, such as cash loans (by

[9] See Part A of the Notes to the Accounts for definition and treatment of POCIs.

granting credit on a bank account or through short-, medium- or long-term loans), authorizing overdrafts on current account, endorsements, mortgages and credit limits on credit cards.

Loans are normally secured by collateral or guarantees (pledges over the client's financial instruments in case of managed or administered assets, mortgages over properties or guarantees issued by other credit institutions).

Lending activity is governed through operating powers which require the proposed loan to be assessed at various levels of the organization and approved by the appointed bodies according to the level of risk resulting from the size of the loan, the guarantees/collateral and the type of finance involved. Such loans are reviewed on a regular basis (at least annually).

Provisioning for all non-performing contracts is made on an individual basis, and takes into account the value of the collateral. Instead, provisioning for the performing contracts, is made based on the estimated PD and LGD values, supplied by an external provider, distinguished by counterparty and whether or not there are guarantees. The evidence obtained from the Parent company's watchlist for corporate clients is also used as qualitative information for reclassification to Stage 2, which includes counterparties classified as "Amber" or "Red".

Mortgage lending

Mortgage lending is provided primarily by CheBanca! and processing and approval exposures in this area are performed centrally at the headquarters. The applications are approved, using an internal rating model, based on individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. A constant monitoring of the portfolio, carried out on a monthly basis, ensures control over the risks assumed.

Properties established as collateral are subject to a statistical revaluation process, which is carried out once a quarter. If the review shows a significant reduction in the value of the property, a new valuation is carried out by an independent expert. A new valuation is generally requested for properties established as collateral for positions which have become non-performing.

Accounts (both performing and non-performing) are monitored through a reporting system which allows operators to monitor the trend in the asset quality and, with the help of the appropriate indicators, to enter positions at risk, also to ensure that the necessary corrective actions to credit policies can be taken.

Non-performing accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. In cases where a borrower becomes insolvent (or in fundamentally similar situations), the property enforcement procedures are initiated through external lawyers. Internal procedures require the following to be recorded as unlikely to pay: all cases with four or more unpaid instalments (not necessarily consecutive), cases with persistent irregularities, concessions generating a reduction of more than 1% in the financial obligation, and cases which the unit responsible assesses as unlikely to pay, based on internal or external information (e.g., central databases, public and/or private). Exposures are classified as bad loans once the ineffectiveness of the recovery actions has been certified.

Exposures for which concessions have been granted are defined as forborne exposures, i.e., exposures subject to tolerance measures, performing or non-performing mortgages for which CheBanca! grants amendments to the original terms and conditions of the contract in the event of the borrower finding itself in a (proven or assumed) state of financial difficulty, by virtue of which it is considered to be unlikely to be able to meet its borrowing obligations fully or regularly.

A structured process has been defined on files subject to moratoria due to Covid-19, which provides for active management of positions through ad-hoc monitoring aimed at promptly identifying potential risk warning signs. Moreover, "enhanced" monitoring is active on files that have benefited from at least one Covid-related aid, have recorded an outstanding amount or require further aid, and have been assessed as "risky" by the Central Monitoring and Credit Recovery division. A more prudential hedge is applied to these files.

Provisioning is determined analytically for bad loans and based on clusters of similar positions for unlikely to pay, other overdue and performing accounts. The analytical provision for bad loans takes account of expert valuations of the assets (prudentially deflated), as well as the timing and costs of the recovery process. The PD parameters are obtained from through-the-cycle matrices used to develop the internal model, which are then converted to point-in-time versions. The forward-looking component is factored in by applying the macroeconomic scenarios defined internally to the PD estimates. The LGD calculation is based on modelling aimed at regulatory calculation, with respect to which the downturn effect is removed; the inclusion of forward-looking elements is based on satellite models applied to macroeconomic scenarios defined internally.

For the purposes of the Stage 2 classification of real estate mortgage loans, a qualitative identification element is used, consisting in assigning the position to the worst internal rating class before default.

6 Covid-19 Impacts

6.1 Government and regulatory action following the Covid-19 pandemic

In order to address the effects of the Covid-19 pandemic on the economy, the Italian government launched a substantial first package of measures contained in the "Cura Italia" Law Decree issued on 17 March 2020, with the aim of safeguarding citizens' health and supporting the country's productive system by keeping firms active and so preserving workers' jobs. This first intervention, from which the legislative moratoria originated, was followed by another initiative, the "Liquidity" Decree of 8 April 2020, which introduced further measures in favour of companies mainly connected to public guarantees.

In response to the health emergency, the European and national regulatory and supervisory authorities (EBA, ESMA, ECB, IASB) and national authorities also intervened, adopting extraordinary measures[10].

In this scenario, the Mediobanca Group rapidly developed and implemented procedures tailored to the specific areas of activity and their respective portfolios, in order to respond to the possibilities offered by the Law Decrees referred to above providing support to households and

[10] Among the most significant decisions, the following should be recalled: – ESMA: Public Statement of 28 October 2020 "European common enforcement priorities for 2020 annual financial reports", – EBA: Guidelines of 2 December 2020 (EBA/GL/2020/15) "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis" – BCE: Letter from the Chair of the Supervisory Board to all Significant Institutions of 4 December 2020 "Identification and measurement of credit risk in the context of the coronavirus (Covid-19) pandemic" and "Recommendation ECB/2021/31" of 23 July 2021 – CONSOB: Warning Notice No. 1/21 of 16 February 2021 on the disclosure to be provided by regulated issuers.

businesses. Steps were taken to implement the provisions of the “Cura Italia” and “Liquidity” Law Decrees; and the initiatives adopted by category associations ABI and Assofin (consumer credit and mortgage lending) were adhered to, in particular as follows:

– CheBanca!: moratoria under the Gasparrini Fund were available immediately, while the bank also implemented its own product catalogue in order to offer the possibility, from as early as 18 May 2020, for customers to apply for loans under Article 13 of the “Liquidity” Law Decree (a service which was not available before the Law Decrees were issued).
– Compass, which operates in the consumer credit segment, has not participated in the SME Guarantee Fund as its business model is not focused on granting loans to businesses and commercial enterprises, meaning it does not qualify for granting the loans provided under the Law Decrees; as for moratoria, though, in addition to implementing the operating procedures required to comply promptly with the Law Decrees’ provisions, Compass adhered to the “Covid-19 moratoria for consumer credit” promoted by Assofin;
– Selma, which operates in leasing, had already adhered to the SME Guarantee Fund on account of the nature of its business, and so participated in the activities permitted by the Law Decrees straight away;
– Mediobanca S.p.A. adhered to the fund made available by SACE, approving deals involving substantial amounts under the “Liquidity” Law Decree starting from July 2020.

It should be noted that the Group has also granted moratoria on a voluntary basis, i.e., private initiatives to provide support to its clients, with the aim of alleviating the difficulties faced by households and helping companies to tackle the situation created by the spread of the epidemic.

6.2 Moratoria granted to clients in connection with Covid-19

At the end of June 2022, loans still subject to forbearance measures amounted to €22.4m, i.e., 0.1% of total loans. This amount also includes loans that reached the end of the moratorium period at 30 June but whose repayment plan provided for the first payments in the following months and the Group’s private initiatives, in addition to legislative actions and initiatives by trade associations (regardless of having met the "EBA compliant" qualification or not). The moratoria still in place concern CheBanca! mortgage loans for €19.6m and SelmaBipiemme lease agreements for €2.7m.

In light of the EBA guidelines, the few remaining moratoria do not fall within the scope of the above legislation and therefore the entire amount of €1.5bn conceded since the beginning of the pandemic was settled without any particular increases in the non-performing portfolio.

Table 1 – Moratoria granted by type of counterparty and timing bracket (excerpt from Template 2 of the EBA Guidelines)

(€m)

30/6/22	Gross carrying amount[1]	of which: Legislative moratoria[2]	of which: Expired[3]	Residual maturity of moratoria[4]			Total of residual moratoria
				Up to 3 months	From 3 to 6 months	From 6 to 18 months	
Loans and advances for which moratorium was offered	**1,465.6**	**853.2**	**1,465.6**	**—**	**—**	**—**	**—**
Households	**1,008.4**	**409.4**	**1,008.4**	**—**	**—**	**—**	**—**
of which: Collateralised by residential immovable property	*525.3*	*375.2*	*525.3*	—	—	—	—
Non-financial corporations	**454.9**	**441.5**	**454.9**	**—**	**—**	**—**	**—**
of which: Small and Medium-sized Enterprises	*320.3*	*314.7*	*320.3*	—	—	—	—
of which: Collateralised by commercial immovable property	*306.5*	*294.2*	*306.5*	—	—	—	—
Financial corporations	**2.3**	**2.3**	**2.3**	**—**	**—**	**—**	**—**

[1] Gross book value of moratoria received and/or granted by the Group as at 30/6/22.

[2] Moratoria granted pursuant to the "Cura Italia" Law Decree (Articles 54 and 56).

[3] I.e. for which the payment relief period has ended.

[4] Expiring date of the suspension period relating to moratoria in place as at 30/6/22.

It should be noted that, at the end of June 2022, new loans backed by public guarantee schemes amounted to €124m, mainly related to Mediobanca S.p.A. (four transactions disbursed with SACE backing pursuant to the "Liquidity" Decree for a value of €86m). Other transactions secured by the guarantee are attributable to CheBanca! for €31m (disbursed to Italian companies and professionals / self-employed workers pursuant to the "Liquidity" Decree), CMB Monaco for €2m (which received government support for eight customers) and SelmaBipiemme for €5m (disbursed to SMEs pursuant to the "Liquidity" Decree).

7 Macroeconomic scenarios and impacts

The current macroeconomic environment has been strongly affected by the conflict in Ukraine. The tensions induced on the energy commodity market, especially for the EU, accelerated the inflationary hike that had already started at the end of 2021 following the recovery of post-pandemic consumption. The rapid rise in prices, which from the energy sector affected all business sectors, had the immediate effect of slowing down the growth in nearly all geographic areas, also due to its nature not affected by macroeconomic dynamics. For example, in Italy at the end of 2021 GDP growth for 2022 was forecast as equal to 4.7%, while in the current internal baseline scenario (called "Inflation") the estimates have been nearly halved, reaching 2.7%. A similar situation occurred in the European Union with GDP estimates for 2022 at 2.8% against 4.4% as previously estimated. The US economy also confirmed the same trend with a growth level of domestic product for the current year estimated at 2.9% against 4.5% as previously estimated for the same period.

In addition to the effects in the short term, with regard to medium / short-term developments uncertainties clearly remain considering the different ways in which the conflict in Ukraine, which is the main cause for the current economic situation, may play out, thus causing significantly different macroeconomic effects.

In fact, the estimates set out above assume a resolution of the conflict in the short term that will allow the same growth path expected before the conflict to resume, starting from 2023. In light of the current situation of uncertainty, the Group has identified possible alternative scenarios.

The first assumption postulates a large-scale adoption of restrictive monetary policy actions in order to contain inflation, which would however cause a further slowdown in economic growth. The second alternative being assumed consists in postulating a continuation of the conflict beyond the time period initially expected: this would determine a constant and continuous growth in price levels, limiting consumption and leading to a recession in 2023.

Under the former alternative assumption (called "Hard Landing" scenario), the levels of GDP growth in Italy would be 1.6% in 2022 and 1.3% for the following year, a situation completely similar to the EU trend (1.6% and 1.4%), while the effects for the US economy would be more significant, posting a growth rate of only 0.7% in 2023.

If, on the other hand, the conflict were to last well beyond expectations, tensions on the energy market would consequently be destined to persist with a generalized increase in prices that would neutralize growth, giving rise to the phenomenon of stagflation ("Stagflation" scenario). These consequences would especially occur in the geographic areas currently most dependent on Russia in terms of energy supplies: in fact, in a similar context, Italy would have a growth level of 0.9% and -0.1%, respectively, for the two-year period 2022/2023, similarly to the German economy, which in the same two-year period would show growth rates of 0.2% and -0.3%, respectively, in gross domestic product, similarly to Italy. This scenario would have a different effect on the US economy thanks to its energy independence, with growth rates of 2.6% in 2022 and 1.6% in 2023.

With regard to the labour market, no particular critical issues should be reported, with fairly stable unemployment rates compared to the figure recorded in 2021, which stood at 9.6% in Italy. Significant growth is expected exclusively for geographic areas more impacted by the stagflation scenario, such as Italy, where an unemployment rate of 11% is estimated for 2023.

Although there is no significant growth in unemployment in most of the scenarios considered, the context is still significantly different from the previous estimates at the end of 2021, which had forecast a significant reduction for all geographic areas: for example, a rate of 8.9% had been forecast for the domestic economy in 2023.

Table 1 - "Inflation" baseline macro-economic scenario at 30/6/2022[11]

GDP Forecast	**2022**	**2023**	**2024**	**2025**
Italy	2.7%	2.1%	1.1%	0.3%
UE	2.8%	2.6%	2.0%	1.5%
US	2.9%	2.0%	2.0%	2.3%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	9.2%	9.3%	9.1%	9.0%
UE	6.6%	6.7%	6.6%	6.6%
US	3.6%	3.5%	3.5%	3.5%
Interest rate on Government bond (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	2.5%	3.3%	3.3%	3.1%
Germany	0.9%	1.4%	1.4%	1.3%
US	2.9%	3.0%	2.6%	2.5%

[11] As described in section 2.3, the Group sets the estimates for the baseline scenario, compiling the economic variables using an external macroeconomic model which factors in the internal expectations for interest rates.

Table 2 - "Hard-Landing" alternative macro-economic scenario at 30/6/2022

GDP Forecast	2022	2023	2024	2025
Italy	1.6%	1.3%	1.9%	1.0%
UE	1.6%	1.4%	2.8%	2.2%
US	1.6%	0.7%	3.4%	2.8%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	9.5%	9.8%	9.4%	9.1%
UE	6.9%	7.5%	7.1%	6.7%
US	3.9%	4.2%	3.8%	3.6%
Interest rate on Government bond (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	3.0%	3.6%	3.3%	3.2%
Germany	1.2%	1.7%	1.4%	1.4%
US	3.5%	3.2%	2.6%	2.5%

Table 3 - "Stagflation" alternative macro-economic scenario at 30/6/2022

GDP Forecast	2022	2023	2024	2025
Italy	0.9%	-0.1%	1.7%	1.7%
UE	1.2%	0.3%	2.8%	2.9%
US	2.6%	1.6%	2.3%	2.6%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	9.6%	11.0%	10.0%	9.3%
UE	7.0%	8.0%	7.6%	6.9%
US	3.7%	3.7%	3.7%	3.6%
Interest rate on Government bond (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	2.6%	3.0%	2.9%	3.2%
Germany	0.9%	1.1%	1.0%	0.9%
US	2.9%	3.2%	2.6%	2.8%

Furthermore, in line with the decisions made at end-June 2021, the Group has chosen to maintain the additional provisioning (referred to as "overlays"), to ensure that the uncertainties inherent in the pandemic's development continue to be factored into the coverage levels.

Overall overlays amounted to €293.9m (€236.3m of which for performing loans), which is basically in line with the total recorded at 30 June 2021 (€296.1m), and split between Consumer Banking (€215.3m, approx. 73%), Corporate & Investment Banking (€57.6m, 20%, €44.4m of which for Wholesale Banking), and other divisions (7%).

The overlays have increased the level of provisioning, which for performing loans now stands at €685.9m (€528.1m of which in Consumer Finance).

Table 4 – Overlay Stock

	Overlay stock	
	30/6/22	**30/6/21**
Corporate and Investment Banking	57.6	87.7
Consumer Banking	215.3	196.9
Wealth Management	14.9	3.3
Leasing (Holding Functions)	6.1	8.1
Total	**293.9**	**296.1**

Consumer Credit continued to increase its provisioning level by allocating overlays in line with the previous financial year. Against the uncertainties of the macroeconomic framework, the potential release of provisions deriving from low default rates and from non-performing loans regaining performing status was neutralized by an increase in the provisioning level, allocating overlays of €215.3m, applied to both non-performing (€57.6m) and performing (€157.6m) loans. In particular, these conservative levels have offset recent default rates that were significantly lower than the typical levels for this market segment and emerged after the pandemic crisis. They may only in part be explained by more stringent disbursement policies in recent months, adopted following the onset of the pandemic. Also, with reference to NPLs, overlays reported markedly positive recovery levels.

With reference to Corporate and Investment Banking, overlays of €57.6m were allocated (€44.4m in the Large Corporate segment). These overlays were applied to positions subject to waivers and to high-risk counterparties[12] starting from December 2020. Starting in June 2021, overlays allowing the Bank to maintain coverage have been applied in order to maintain a prudent coverage level to mitigate the reduction in impairment due to the updated macroeconomic scenario. In June 2022, this type of overlay was allocated across the entire performing portfolio. The reduction of overlays is mainly due to positions that have undergone a total or partial repayment; in the first half of the year, there was also a contribution to the reduction of overlays in connection with rating updates, the expiry of some waivers and the Automotive, Gaming and Luxury sectors no longer being classified as at high risk.

With reference to mortgage loans, the overlay amount is €14.9m (compared to €3.3m in June 2021). The additional provisioning (overlays) was applied to all performing exposures with a higher level of conservativeness on the portion of portfolio identified as risky following monitoring by the Monitoring and Credit Recovery Unit.

[12] Mediobanca classifies the sectors to which its counterparties belong into different categories based on their exposure to risks posed by the pandemic ("Immediate impact", "High impact", "Moderate impact", "Low Impact"). The list of sectors is regularly monitored in order to promptly intervene with possible revisions of single names subject to overlay.

The amount of the lease overlays was reduced (from €8.1m to €6.1m). Overlays were applied to (performing) moratoria subject to reclassifications to Stage 2 over time due to a substantial resumption of their regular amortization, applying lifetime coverage to positions allocated in Stage 1 at the reporting date and a further increase in legislative moratoria extended until June 2021. Furthermore, the coverage level was maintained at the end of the year, thus mitigating the reduction in provisioning following the prudential update of the macroeconomic scenario.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing accounts: amounts, adjustments, trends and segmentation by earnings

A.1.1 Prudential consolidation – Financial assets by past due brackets (book value)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3			Purchased or originated credit-impaired		
	1 to 30 days	31 to 90 days	After 90 days	1 to 30 days	31 to 90 days	After 90 days	1 to 30 days	31 to 90 days	After 90 days	1 to 30 days	31 to 90 days	After 90 days
1. Financial assets measured at amortized cost	36,007	9,650	21,313	50,744	50,486	30,103	99,024	31,864	172,702	—		-350,583
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—
3. Financial assets held for sale	—	—	—	—	—	—	—	—	—	—	—	—
Total at 30/6/22	36,007	9,650	21,313	50,744	50,486	30,103	99,024	31,864	172,702	—		-350,583
Total at 30/6/21	42,868	8,750	1,630	78,906	60,189	23,932	120,627	52,553	232,355	—		-383,738

A.1.2 Prudential consolidation - financial assets, loan commitments and financial guarantees issued: trend in overall value adjustments and overall provisioning

Reasons/risk stages	Overall value adjustments																							Overall provisions for loan commitments and financial guarantees issued				Total
	Stage-1 assets						Stage-2 assets						Stage-3 assets						Purchased or originated credit-impaired financial assets									
	Loans to banks and demand deposits with Central Banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual writedowns	Of which: collective writedowns	Loans to banks and demand deposits with Central Banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual writedowns	Of which: collective writedowns	Loans to banks and demand deposits with Central Banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual writedowns	Of which: collective writedowns	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual writedowns	Of which: collective writedowns	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired loan commitments and financial guarantees issued	
Opening overall adjustments	436	295,470	10,203	—	—	306,105	—	366,684	—	—	—	366,685	—	1,030,330	—	—	248,353	781,978	364	—	—	364	—	21,793	4,881	184	—	1,730,345
Increases in purchased or originated financial assets	1	159,307	2,900	—	—	162,208	—	92,532	505	—	—	93,037	—	50,373	—	—	156	50,217	X	X	X	X	X	9,061	860	130	—	315,669
Derecognition other than write-offs	—	(18,670)	(2,616)	—	—	(21,286)	—	(17,830)	—	—	—	(17,830)	—	(191,115)	—	—	(8,157)	(182,958)	—	—	—	—	—	(2,861)	(517)	(8)	—	(233,617)
Net write-offs (write-backs) for credit risk:	(147)	(120,826)	(3,700)	—	—	(124,673)	—	(54,487)	2,842	—	—	(51,645)	—	102,875	—	—	10,783	92,092	9,322	—	—	371	8,951	(6,627)	(559)	(112)	—	(71,419)
Contractual amendments without derecognition	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in estimation methods	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-offs not recognized directly in profit and loss	—	(1,802)	—	—	—	(1,802)	—	(2,253)	—	—	—	(2,253)	—	(37,681)	—	—	(16,995)	(20,686)	—	—	—	—	—	—	—	—	—	(41,736)
Other changes	—	(4,022)	—	—	—	(4,022)	—	(935)	—	—	—	(935)	—	(17,713)	—	—	(4,040)	(13,674)	—	—	—	—	—	(1,812)	(651)	(34)	—	(25,167)
Closing overall adjustments	290	309,457	6,787	—	—	316,530	—	383,711	3,347	—	—	387,059	—	937,069	—	—	230,100	706,969	9,686	—	—	735	8,951	19,554	4,014	160	—	1,674,075
Collection proceeds on financial assets subject to write-offs	—	—	—	—	—	—	—	—	—	—	—	—	—	682	—	—	514	168	5,170	—	—	5,170	—	—	—	—	—	5,852
Write-offs recognized directly in profit and loss	—	(90)	—	—	—	(90)	—	(128)	—	—	—	(128)	—	(4,138)	—	—	(2,402)	(1,736)	(89,584)	—	—	(89,584)	—	—	—	—	—	(93,940)

A.1.3 Prudential consolidation – financial assets, commitments to disburse funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal values)

Portfolios/risk stages	**Gross values/Nominal value**					
	Transfer from first stage to second stage		**Transfer from second stage to third stage**		**Transfer from first stage to third stage**	
	From first stage to second stage	**From second stage to first stage**	**From second stage to third stage**	**From third stage to second stage**	**From first stage to third stage**	**From third stage to first stage**
1. Financial assets measured at amortised cost	1,534,917	1,004,183	201,829	179,375	169,947	7,249
2. Financial assets measured at fair value through other comprehensive income	71,177	—	—	—	—	—
3. Financial assets being sold	—	—	—	—	—	—
4. Commitments and financial guarantees given	25,656	40,478	—	537	1,315	2,402
30/6/2022	1,631,750	1,044,661	201,829	179,912	171,262	9,651
30/6/2021	2,162,061	633,210	343,645	117,142	355,087	14,971

A.1.3a Loans covered by Covid-19 support measures: transfers between different credit risk stages (gross values)

Portfolios/risk stages	Gross value					
	Transfer from first stage to second stage		Transfer from second stage to third stage		Transfer from first stage to third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
A. Liabilities measured at amortized cost	5,259	—	—	53	600	—
A.1 Loans that have received concessions in conformity with EBA Guidelines	—	—	—	—	—	—
A.2 Subject to moratoria in place that are no longer compliant with GL and not assessed as eligible for concessions.	—	—	—	—	—	—
A.3 Other loans and advances subject to forbearance measures	5,259	—	—	53	496	—
A.4 New issues	—	—	—	—	104	—
B. Financial assets measured at fair value through other comprehensive income	—	—	—	—	—	—
B.1 Loans that have received concessions in conformity with EBA Guidelines*	—	—	—	—	—	—
B.2 Loans subject to moratoria in place no longer compliant with EBA Guidelines and not assessed as eligible for concessions**	—	—	—	—	—	—
B.3 Other loans and advances subject to forbearance measures	—	—	—	—	—	—
B.4 New issues	—	—	—	—	—	—
Total 30/6/2022	5,259	—	—	53	600	—
Total 30/6/2021	247,255	118	6,442	307	2,751	—

* The row headed "Loans that have received concessions in conformity with EBA Guidelines" shows information on financial assets for which moratoria have been granted under the scope of application of the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*" published by the EBA (EBA/GL/2020/02), as amended and supplemented.

** The row headed "Loans subject to moratoria in place no longer compliant with EBA Guidelines and not assessed as eligible for concessions" shows information relating to financial assets subject to moratoria in place at the reporting date, assessed as compliant with EBA/GL/2020/02 at the date of granting the measure and no longer compliant at the reporting date. They were not classified by the bank as "exposures eligible for concession" following the assessment made upon the occurrence of the event that generated non-compliance with EBA/GL/2020/02.

A.1.4 Prudential consolidation - On- and off-balance sheet exposures to banks: gross and net values

Type of exposure/Amounts	Gross exposures					Cumulative write-downs and overall provisioning					Net exposure	Write off partial*
		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		
A. Balance sheet credit exposures												
A.1 At sight	8,440,374	8,440,374	—	—	—	291	291	—	—	—	8,440,083	—
a) Non-performing	—	X	—	—	—	—	X	—	—	—	—	—
b) Performing	8,440,374	8,440,374	—	X	—	291	291	—	X	—	8,440,083	—
A.2 Other	4,738,054	3,508,624	—	—	—	4,614	4,614	—	—	—	4,733,440	—
a) Bad loans	—	X	—	—	—	—	X	—	—	—	—	—
- *of which: forborne exposures*	—	*X*	—	—	—	—	*X*	—	—	—	—	—
b) Unlikely to pay	—	X	—	—	—	—	X	—	—	—	—	—
- *of which: forborne exposures*	—	*X*	—	—	—	—	*X*	—	—	—	—	—
c) Overdue exposures (NPLs)	—	X	—	—	—	—	X	—	—	—	—	—
- *of which: forborne exposures*	—	*X*	—	—	—	—	*X*	—	—	—	—	—
d) overdue performing exposures	—	—	—	X	—	—	—	—	X	—	—	—
- *of which: forborne exposures*	—	—	—	*X*	—	—	—	—	*X*	—	—	—
e) Other performing exposures	4,738,054	3,508,624	—	X	—	4,614	4,614	—	X	—	4,733,440	—
- *of which: forborne exposures*	—	—	—	*X*	—	—	—	—	*X*	—	—	—
Total (A)	13,178,428	11,948,998	—	—	—	4,905	4,905	—	—	—	13,173,523	—
B. Off-balance sheet credit exposures												
a) Non-performing	—	X	—	—	—	—	X	—	—	—	—	—
b) Performing	14,873,821	48,597	—	X	—	—	—	—	X	—	14,873,821	—
Total (B)	14,873,821	48,597	—	—	—	—	—	—	—	—	14,873,821	—
Total (A+B)	28,052,249	11,997,595	—	—	—	4,905	4,905	—	—	—	28,047,344	—

A.1.5 Prudential consolidation - On- and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposures					Cumulative write-downs and overall provisioning					Net exposure	Write off partial*
		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		Primo stadio	Secondo stadio	Terzo stadio	Purchased or originated credit impaired assets		
A. BALANCE SHEET CREDIT EXPOSURES												
a) Bad loans	778,882	X	—	413,243	359,003	376,103	X	—	359,781	9,686	402,779	4,012
- of which: forborne exposures	*99,951*	*X*	—	*93,315*	—	*91,771*	*X*	—	*85,135*	—	*8,180*	—
b) Unlikely to pay	661,399	X	—	655,492	1,266	413,304	X	—	413,304	—	248,095	295
- of which: forborne exposures	394,158	X	—	389,517	—	234,048	X	—	234,048	—	160,110	35
c) Overdue exposures (NPLs)	248,130	X	—	248,130	—	163,984	X	—	163,984	—	84,146	—
- of which: forborne exposures	*53,665*	*X*	—	*53,665*	—	*41,466*	*X*	—	*41,466*	—	*12,199*	—
d) overdue performing exposures	245,489	67,316	178,173	X	—	47,186	345	46,841	X	—	198,303	—
- of which: forborne exposures	*27,985*	—	*27,985*	*X*	—	*3,909*	—	*3,909*	*X*	—	*24,076*	—
e) Other performing exposures	63,288,771	56,596,543	3,327,226	X	—	651,502	311,286	340,216	X	—	62,637,269	5
- of which: forborne exposures	*707,505*	—	*707,505*	*X*	—	*61,967*	—	*61,967*	*X*	—	*645,538*	—
TOTAL (A)	65,222,671	56,663,859	3,505,399	1,316,865	360,269	1,652,079	311,631	387,057	937,069	9,686	63,570,592	4,312
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	3,059	X	—	3,059	—	160	X	—	160	—	2,899	—
b) Performing	28,139,658	15,316,640	224,647	X	—	24,105	19,557	4,197	X	—	28,115,553	—
TOTAL (B)	28,142,717	15,316,640	224,647	3,059	—	24,265	19,557	4,197	160	—	28,118,452	—
TOTAL (A+B)	93,365,388	71,980,499	3,730,046	1,319,924	360,269	1,676,344	331,188	391,254	937,229	9,686	91,689,044	4,312

* Includes NPLs acquired by MBCredit Solutions.

At 30 June 2022, gross non-performing assets decreased from €1,981.3m to €1,688.4m, i.e., 2.6% of on-balance sheet credit exposures to customers (3.2%), the lowest level in the last decade. The increase in the coverage ratio (56.5% against 52.4%) led to a more marked reduction in net non-performing loans (from €943.9m to €735m). The impact of gross non-performing assets without including NPLs purchased by MBCredit Solutions stood at 2.5% (3.2%).

*Gross NPL ratio Finrep**

(€m)

	30/6/22	30/6/21
	Gross value (prudential scope of consolidation)	
Loans	51,654.8	48,124.4
NPLs	1,327.3	1,597.1
Loans and advances to customers	52,982.1	49,721.5
NPLs purchased by MBCredit Solutions	360.3	384.1
Treasury financial assets[1]	12,664.1	7,912.5
Total Loans and Receivables (FINREP)	66,006.5	58,018.1
Gross NPL ratio Finrep %	2.6%	3.4%

* In the EBA Risk Dashboard, the gross NPL ratio is defined as the gross book value of the NPLs (loans and advances) as a percentage of total loans and advances. Source: EBA Risk Dashboard, Risk Indicators in the Statistical Annex (AQT_3.2).

[1] In line with the guidelines of the EBA Risk Dashboard, the calculation excludes cash and includes untied deposits held with central banks.

At 30 June 2022, the Mediobanca Group recorded a Finrep Gross NPL ratio of 2.6%, an improvement on last June (3.4%) and lower than the national average[2]. Excluding the NPLs purchased by MBCredit Solutions, the ratio would be 2% (2.8% at 30 June last).

[2] Source: EBA Risk Dashboard in 1Q2022 (3.0%).

A.1.5a On-balance sheet exposures to customers benefiting from Covid-related support measures: gross and net values

Type of exposure / Amount	Gross exposure					Overall value adjustments and overall provisions					Net exposure	Overall partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. BAD DEBT	97	—	—	97	—	97	—	—	97	—	—	—
a) Subject to forbearance measures, compliant with GLs*	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria, no longer compliant with GLs and not eligible for forbearance measures**	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
d) New loans	97	—	—	97	—	97	—	—	97	—	—	—
B. UNLIKELY-TO-PAY LOANS	1,919	—	—	1,919	—	650	—	—	650	—	1,269	—
a) Subject to forbearance measures, compliant with GLs*	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria, no longer compliant with GLs and not eligible for forbearance measures**	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	1,882	—	—	1,882	—	636	—	—	636	—	1,246	—
d) New loans	37	—	—	37	—	14	—	—	14	—	23	—
C. PAST DUE NON-PERFORMING LOANS	—	—	—	—	—	—	—	—	—	—	—	—
a) Subject to forbearance measures, compliant with GLs*	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria, no longer compliant with GLs and not eligible for forbearance measures**	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
d) New loans	—	—	—	—	—	—	—	—	—	—	—	—
D. OTHER PAST DUE PERFORMING LOANS	740	8	732	—	—	61	—	61	—	—	679	—
a) Subject to forbearance measures, compliant with GLs*	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria, no longer compliant with GLs and not eligible for forbearance measures**	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	732	—	732	—	—	61	—	61	—	—	671	—
d) New loans	8	8	—	—	—	—	—	—	—	—	8	—
E. OTHER PAST DUE PERFORMING LOANS	163,366	123,805	39,561	—	—	1,065	188	877	—	—	162,301	—
a) Subject to forbearance measures, compliant with GLs*	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria, no longer compliant with GLs and not eligible for forbearance measures**	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	39,561	—	39,561	—	—	877	—	877	—	—	38,684	—
d) New loans	123,805	123,805	—	—	—	188	188	—	—	—	123,617	—
TOTAL (A+B+C+D+E)	166,122	123,813	40,293	2,016	—	1,873	188	938	747	—	164,249	—

* The row headed "Loans that have received concessions in conformity with EBA Guidelines" shows information on financial assets for which moratoria have been granted under the scope of application of the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" published by the EBA (EBA/GL/2020/02), as amended and supplemented.

** The row headed "Loans subject to moratoria in place no longer compliant with EBA Guidelines and not assessed as eligible for concessions" shows information relating to financial assets subject to moratoria in place at the reporting date, assessed as compliant with EBA/GL/2020/02 at the date of granting the measure and no longer compliant at the reporting date. They were not classified by the bank as "exposures eligible for concession" following the assessment made upon the occurrence of the event that generated non-compliance with EBA/GL/2020/02.

A.1.7 Prudential consolidation – On-balance sheet exposures to customers: trend in gross NPLs

Description/Category	**Bad loans***	**Unlikely to pay***	**Overdue exposures (NPLs)**
A. Starting gross exposures	891,723	853,700	235,828
- of which: Sold but not derecognized	*40,721*	*78,511*	*38,709*
B. Increases	220,940	305,556	183,939
B.1 inflows from performing exposures	20,099	171,714	131,218
B.2 inflows from purchased or originated credit impaired financial assets	95,660	175	—
B.3 transfers from other categories of non- performing exposures	70,882	60,393	19,837
B.4 contractual changes without cancellations	—	—	—
B.5 other increases	34,299	73,274	32,884
C. Reductions	333,781	497,857	171,637
C.1 outflows to performing exposures	4,180	165,441	24,170
C.2 write-offs	113,633	13,205	3,753
C.3 collection	77,222	139,716	56,923
C.4 gains on disposal	43,991	9,226	2,251
C.5 losses on disposal	—	2,782	1
C.6 transfers to other categories of non-performing exposures	3,630	78,788	68,696
C.7 contractual changes without cancellations	—	—	—
C.8 other decreases	91,125	88,699	15,843
D. Final gross exposures	778,882	661,399	248,130
- of which: Sold but not derecognized	*28,573*	*59,110*	*35,696*

* Includes NPLs acquired by MBCredit Solutions.

The heading “Inflows from purchased or originated credit-impaired financial assets” refers to the NPL portfolios acquired by MBCredit Solutions.

The heading “Other increases” refers primarily to Consumer Credit and the NPLs acquired by MBCredit Solutions.

The heading “write-offs” was mainly contributed by NPL portfolios acquired by MBCredit Solutions.

The heading “Other reductions” refers to the stock of receivables sold to factoring firms in consumer credit operations.

A.1.7bis Prudential consolidation – On-balance sheet exposures to customers: trend in gross forborne exposures, by credit quality

Description/Category	Forborne exposures: non performing	Forborne exposures: performing
A. Opening gross exposures	669,898	803,795
- of which: exposures sold but not cancelled	*48,284*	*35,505*
B. Increases	190,151	261,509
B.1 inflows from not forborne performing exposures	25,059	94,418
B.2 inflows from forborne performing exposures	42,819	X
B.3 inflows from forborne non-performing exposures	X	150,119
B.4 inflows from not forborne non-performing exposures	69,694	302
B.5 other increases	52,579	16,670
C. Reductions	312,275	329,814
C.1 outflows of not forborne performing exposures	X	119,568
C.2 outflows of forborne performing exposures	150,119	X
C.3 outflows of forborne non-performing exposures	X	42,819
C.4 write-offs	8,131	134
C.5 collections	91,000	156,160
C.6 gains on disposal	4,765	124
C.7 losses on disposal	1	—
C.8 other decreases	58,259	11,009
D. Closing gross exposure	547,774	735,490
- of which: Sold but not derecognized	*41,334*	*27,653*

At 30 June 2022, gross forborne[1] non-performing positions fell from €669.9m to €547.8m mainly due to the exit of a position classified as UTP towards performing exposures with a gross value of €77.3m, as well as for income for the period. The coverage ratio increased from 57.1% to 67.1%, and is reflected in the reduction in the net position, from €287.5m to €180.5m.

Forborne performing loans had a gross value of €735.5m, a decrease compared to the previous year (€803.8m) mainly following the conclusion of the probation period, in particular with reference to the mortgage loan sector, as well as the good performance of collections, which offset the above inflows of non-performing positions. On a net basis, forborne performing exposures increased from €740.2m to €669.6m with a coverage ratio of 9% (7.9%).

Net forborne non-performing exposures account for 0.3% (0.6%) of total customer loans, whereas net forborne performing exposures account for 1.3% (1.5%).

[1] By definition, "forbearance" is when a specific concession is offered to a client which is undergoing, or risks encountering, temporary financial difficulties in meeting their payment obligations.

A.1.9 Prudential consolidation – Non-performing on-balance sheet exposures to customers: trend in overall adjustments

Description/Category	Bad loans		Unlikely to pay		Overdue exposures (NPLs)	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance overall amount of writedowns	438,386	108,141	453,784	235,757	145,160	38,455
- Sold but not derecognised	39,042	5,677	52,357	20,509	23,122	6,303
B. Increases	197,829	24,420	238,044	98,408	117,353	27,206
B.1 Adjustments on acquired or originated impaired assets	—	X	—	X	—	X
B.2 other value adjustments	144,802	8,462	168,159	76,091	81,776	12,734
B.3 losses on disposal	—	—	4	1	1	—
B.4 transfers from other categories of non-performing exposures	46,982	11,325	45,339	14,005	14,031	7,512
B.5 contractual changes without cancellations	—	—	—	—	—	—
B.6 other increases	6,045	4,633	24,542	8,311	21,545	6,960
C. Reductions	260,112	40,790	278,524	100,117	98,529	24,195
C.1 write-backs from assessments	3,905	457	57,063	45,285	4,858	949
C.2 write-backs from recoveries	29,491	8,593	22,362	10,141	14,706	2,687
C.3 gains on disposal	11,300	2,223	6,323	1,726	1,158	236
C.4 write-off	113,633	5,681	13,205	2,019	3,753	431
C.5 transfers to other categories of non-performing exposures	3,282	729	51,971	17,447	51,099	15,120
C.6 contractual changes without cancellations	—	—	—	—	—	—
C.7 other decreases	98,501	23,107	127,600	23,499	22,955	4,772
D. Closing overall amount of writedowns	376,103	91,771	413,304	234,048	163,984	41,466
- Sold but not derecognised	27,316	4,986	45,467	22,701	24,318	5,684

A.2 Classification of credit exposures by internal and external ratings

A.2.1 Prudential consolidation – Distribution of financial assets, loan commitments and financial guarantees issued by class of external ratings (gross values)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost	1,187,921	3,598,013	6,138,862	1,775,198	217,449	—	48,553,683	61,471,126
- First Stage	1,187,921	3,598,013	6,137,546	1,708,042	122,979	—	43,612,264	56,366,765
- Second Stage	—	—	507	67,156	94,470	—	3,265,094	3,427,227
- Third Stage	—	—	809	—	—	—	1,316,056	1,316,865
- Purchased or originated credit impaired assets	—	—	—	—	—	—	360,269	360,269
B. Financial assets measured at fair value through other comprehensive income	1,198,513	3,033	1,850,598	398,042	98,471	—	334,543	3,883,200
- First Stage	1,198,513	3,033	1,850,598	324,023	98,471	—	334,543	3,809,181
- Second Stage	—	—	—	74,019	—	—	—	74,019
- Third Stage	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
C. Financial assets being sold	—	—	—	—	—	—	—	—
- First Stage	—	—	—	—	—	—	—	—
- Second Stage	—	—	—	—	—	—	—	—
- Third Stage	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
Total (A+B+C)	2,386,434	3,601,046	7,989,460	2,173,240	315,920	—	48,888,226	65,354,326
D. Commitments and financial guarantees given	166,729	845,733	6,114,158	807,345	159,842	752	7,547,579	15,642,138
- First Stage	166,729	845,733	6,114,158	757,345	136,431	752	7,393,584	15,414,732
- Second Stage	—	—	—	50,000	23,411	—	151,236	224,647
- Third Stage	—	—	—	—	—	—	2,759	2,759
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
Total (D)	166,729	845,733	6,114,158	807,345	159,842	752	7,547,579	15,642,138
Total (A+B+C+D)	2,553,163	4,446,779	14,103,618	2,980,585	475,762	752	56,435,805	80,996,464

The Mediobanca Group adopts the Standard & Poor's ratings for all portfolios subject to assessment.

The table is compliant with the classification provided by Bank of Italy circular 262/05 (seventh update), which requires external ratings to be divided into six different classes of credit quality.

The first three risk classes (classes 1, 2 and 3) consist of investment grade exposures, with a Standard & Poor's rating of between AAA and BBB-, and represent 85% of the entire portfolio (86% also considering loan commitments and financial guarantees issued), excluding unrated counterparties and non-performing loans.

The unrated exposures refer chiefly to Private Banking clients and to small and medium-sized enterprises.

A.2.2 Prudential consolidation – Distribution of financial assets, loan commitments and financial guarantees issued by class of internal ratings (gross values)

Exposures	Internal rating classes						Non-performing loans	*Unrated*	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6			
A. Financial assets measured at amortised cost	1,791,844	7,332,411	19,771,185	15,496,379	7,942,168	1,177,518	1,664,389	6,295,232	61,471,126
- First Stage	1,791,262	7,288,563	19,655,701	14,570,011	6,736,982	210,430	—	6,113,816	56,366,765
- Second Stage	582	43,848	114,675	926,368	1,205,186	967,088	—	169,480	3,427,227
- Third Stage	—	—	809	—	—	—	1,304,120	11,936	1,316,865
- Purchased or originated credit impaired assets	—	—	—	—	—	—	360,269	—	360,269
B. Financial assets measured at fair value through other comprehensive income	1,198,513	317,407	1,867,702	303,917	89,274	—	—	106,387	3,883,200
- First Stage	1,198,513	317,407	1,867,702	229,898	89,274	—	—	106,387	3,809,181
- Second Stage	—	—	—	74,019	—	—	—	—	74,019
- Third Stage	—	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
C. Financial assets being sold	—	—	—	—	—	—	—	—	—
- First Stage	—	—	—	—	—	—	—	—	—
- Second Stage	—	—	—	—	—	—	—	—	—
- Third Stage	—	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
Total (A+B+C)	2,990,357	7,649,818	21,638,887	15,800,296	8,031,442	1,177,518	1,664,389	6,401,619	65,354,326
D. Commitments and financial guarantees given	165,120	1,145,839	8,468,846	2,502,762	553,788	41,474	1,628	2,762,681	15,642,138
- First Stage	164,051	1,145,839	8,468,838	2,346,979	508,420	22,332	—	2,758,273	15,414,732
- Second Stage	1,069	—	8	155,783	45,368	19,142	—	3,277	224,647
- Third Stage	—	—	—	—	—	—	1,628	1,131	2,759
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
Total (D)	165,120	1,145,839	8,468,846	2,502,762	553,788	41,474	1,628	2,762,681	15,642,138
Total (A+B+C+D)	3,155,477	8,795,657	30,107,733	18,303,058	8,585,230	1,218,992	1,666,017	9,164,300	80,996,464

Mediobanca uses models developed internally in the process of managing credit risk to assign ratings to each counterparty.

The models' different rating scales are mapped against a single Group master scale consisting of six different rating classes based on the underlying probability of default (PD) attributable to the S&P master scale.

The companies within the Group which use the internal ratings and contribute to the various rating classes indicated apart from Mediobanca S.p.A. (for corporate customers) are: SelmaBPM, Compass Banca, CheBanca! and MBFACTA (for corporate customers).

A.3 Distribution of secured exposures by type of security

A.3.1 Prudential consolidation – On- and off-balance sheet secured exposures to banks

	Gross exposures	Net exposure	Collaterals[1]				Personal guarantees[2]									Total (1)+(2)
							Credit derivatives					Unsecured loans				
			Real properties – mortgage loans	Real properties – Finance leases	Securities	Other collateral guarantees	CLN	Other derivatives				Public administration	Bank	Other financial companies	Other subjects	
								Central counterparts	Bank	Other financial companies	Other subjects					
1. Secured balance sheet credit exposures:	2,201,568	2,201,525	—	847	2,147,305	407	—	—	—	—	—	—	—	—	—	2,148,559
1.1 totally secured	1,901,476	1,901,434	—	847	1,847,305	407	—	—	—	—	—	—	—	—	—	1,848,559
- *of which non-performing*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2. partially secured	300,092	300,091	—	—	300,000	—	—	—	—	—	—	—	—	—	—	300,000
- *of which non-performing*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off-balance sheet credit exposures:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.1 totally secured:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- *of which non-performing*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2. partially secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- *of which non-performing*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 *Prudential consolidation – On- and off-balance sheet secured exposures to customers*

	Gross exposures	Net exposure	Collaterals[1]				Personal guarantees[2]										Total (1)+(2)
							Credit derivatives						Unsecured loans				
			Real properties – mortgage loans	Real properties – Finance leases	Securities	Other collateral guarantees	CLN	Other derivatives					Public administration	Bank	Other financial companies	Other subjects	
								Central counterparts	Bank	Other financial companies	Other subjects						
1. Secured balance sheet credit exposures:	22,545,400	22,272,586	12,653,578	840,960	3,372,011	2,993,024	—	—	—	—	—		142,699	9,152	573,633	795,215	21,380,272
1.1 totally secured:	18,393,265	18,169,548	11,454,669	840,960	2,375,023	2,535,640	—	—	—	—	—		26,721	150	427,378	367,046	18,027,587
- of which non-performing	*326,848*	*169,885*	*99,194*	*57,722*	*286*	*7,075*	—	—	—	—	—		*25*	*32*	—	*5,516*	*169,850*
1.2. partially secured	4,152,135	4,103,038	1,198,909	—	996,988	457,384	—	—	—	—	—		115,978	9,002	146,255	428,169	3,352,685
- of which non-performing	*71,513*	*30,011*	*1,467*	—	*347*	*11,476*	—	—	—	—	—		*22*	*2*	—	—	*13,314*
2. Secured off-balance sheet credit exposures:	2,548,686	2,544,762	66,053	—	1,114,681	487,395	—	—	—	—	—		18	—	124,507	432,367	2,225,021
2.1 totally secured:	1,189,465	1,186,845	56,381	—	212,306	487,327	—	—	—	—	—		—	—	63,589	313,021	1,132,624
- of which non-performing	*1,982*	*1,916*	*42*	—	*581*	*1,293*	—	—	—	—	—		—	—	—	—	*1,916*
2.2. partially secured	1,359,221	1,357,917	9,672	—	902,375	68	—	—	—	—	—		18	—	60,918	119,346	1,092,397
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—		—	—	—	—	—

A.4 Prudential consolidation – Financial and non-financial assets obtained from collateral enforcement

	Derecognized credit exposures	Gross value	Cumulative write-downs	Book value	
					Of which: obtained during the period
A. Property, equipment and investment property	61,482	61,346	(19,897)	41,449	95
A.1. Core assets	82	76	(5)	71	—
A.2. Held for investment purpose	55,583	55,525	(19,700)	35,825	—
A.3. Inventories	5,817	5,745	(192)	5,553	95
B. Equity and debt securities	—	—	—	—	—
C. Other assets	—	—	—	—	—
D. Non-current assets and groups pf assets being sold	—	—	—	—	—
D.1. Tangible assets	—	—	—	—	—
D.2. Other assets	—	—	—	—	—
Total 30/6/2022	61,482	61,346	(19,897)	41,449	95
Total 30/6/2021	66,601	65,929	(19,238)	46,691	513

The table includes properties originating from the enforcement of leasing contracts by SelmaBPM. Such properties are booked, to the consolidated accounts and the individual financial statements of Selma itself, on the basis of their characteristics and in accordance with the internal procedures, as tangible assets under IAS 40 or IAS 2. In very few instances are they classified as core properties, whereas IFRS 5 is not applied as the conditions provided for in this standard do not apply.

B. Distribution and concentration of credit exposures

B.1 Prudential consolidation – Distribution of on- and off-balance sheet exposures to customers by sector

Exposures/Counterparts	Public administration		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Families	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. Balance sheet credit exposures										
A.1 Bad loans	—	(954)	337	(8,672)	—	—	77,288	(30,865)	325,154	(335,612)
- of which: forborne exposures	—	—	—	*(6,636)*	—	—	*7,026*	*(14,179)*	*1,154*	*(70,956)*
A.2 Unlikely to pay	575	(507)	4,071	(3,125)	—	—	67,945	(82,645)	175,504	(327,027)
- of which: forborne exposures	—	—	*1,936*	*(2,128)*	—	—	*53,417*	*(68,481)*	*104,757*	*(163,439)*
A.3 Overdue exposures (NPLs)	828	(227)	188	(139)	—	—	5,897	(4,629)	77,233	(158,989)
- of which: forborne exposures	—	—	*18*	*(12)*	—	—	*299*	*(461)*	*11,882*	*(40,993)*
A.4 Performing exposures	8,908,992	(7,907)	7,710,867	(15,015)	1,174,901	(1,388)	19,398,818	(93,853)	26,816,895	(581,913)
- of which: forborne exposures	—	—	*18,848*	*(601)*	—	—	*202,868*	*(10,907)*	*447,898*	*(54,368)*
Total (A)	8,910,395	(9,595)	7,715,463	(26,951)	1,174,901	(1,388)	19,549,948	(211,992)	27,394,786	(1,403,541)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	842	(47)	2,057	(113)
B.2 Performing exposures	2,733,791	(54)	9,300,724	(1,872)	790,583	(14)	13,308,126	(14,266)	2,772,912	(7,913)
Total (B)	2,733,791	(54)	9,300,724	(1,872)	790,583	(14)	13,308,968	(14,313)	2,774,969	(8,026)
Total (A+B) 30/6/2022	11,644,186	(9,649)	17,016,187	(28,823)	1,965,484	(1,402)	32,858,916	(226,305)	30,169,755	(1,411,567)
Total (A+B) 30/6/2021	11,900,633	(12,337)	15,770,769	(36,500)	2,691,903	(4,988)	27,897,194	(275,871)	28,602,639	(1,406,262)

B.2 Prudential consolidation – Distribution of on- and off-balance sheet exposures to customers by geography

Exposures / geographical area	Italy		Others European countries		America		Asia		Rest of the world	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. Balance sheet credit exposures										
A.1 Bad loans	399,610	(372,190)	2,412	(3,611)	301	(126)	71	(15)	385	(161)
A.2 Unlikely to pay	220,753	(373,333)	25,886	(39,301)	192	(88)	—	—	1,264	(582)
A.3 Overdue exposures (NPLs)	71,850	(163,688)	12,285	(293)	7	(2)	—	—	4	(1)
A.4 Performing exposures	46,805,651	(646,787)	12,573,368	(34,551)	2,834,622	(16,794)	216,120	(368)	405,811	(188)
Total (A)	47,497,864	(1,555,998)	12,613,951	(77,756)	2,835,122	(17,010)	216,191	(383)	407,464	(932)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	2,899	(160)	—	—	—	—	—	—	—	—
B.2 Performing exposures	11,066,301	(14,948)	15,127,827	(8,467)	428,923	(496)	1,146,264	—	346,238	(194)
Total (B)	11,069,200	(15,108)	15,127,827	(8,467)	428,923	(496)	1,146,264	—	346,238	(194)
Total (A+B) 30/6/2022	58,567,064	(1,571,106)	27,741,778	(86,223)	3,264,045	(17,506)	1,362,455	(383)	753,702	(1,126)
Total (A+B) 30/6/2021	55,192,342	(1,615,636)	24,663,398	(79,441)	2,353,660	(19,868)	1,233,110	(15,169)	728,719	(857)

B.3 Prudential consolidation – Distribution of on- and off-balance sheet exposures to banks by geography

Exposures/geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. Balance sheet credit exposures										
A.1 Bad loans	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
A.3 Overdue exposures (NPLs)	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	8,943,475	(4,766)	4,148,944	(130)	76,883	(7)	4,201	(2)	20	—
Total (A)	8,943,475	(4,766)	4,148,944	(130)	76,883	(7)	4,201	(2)	20	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	—	—	—	—
B.2 Performing exposures	1,259,881	—	13,613,921	—	—	—	—	—	19	—
Total (B)	1,259,881	—	13,613,921	—	—	—	—	—	19	—
Total (A+B) 30/6/21	10,203,356	(4,766)	17,762,865	(130)	76,883	(7)	4,201	(2)	39	—
Total (A+B) 30/6/20	3,727,827	(5,788)	14,324,176	(444)	351,791	(72)	1,041	(4)	14,639	—

B.4a Credit risk indicators

	30 June 2022	30 June 2021
a) Bad loans (Gross exposure) / Loans to customers	1.31%	1.63%
b) Unusual matches / Balance sheet credit exposures	2.66%	3.33%
c) Bad loans (Net exposure) / Regulatory capital[1]	4.54%	5.08%

[1] This item includes the NPL portfolios acquired and held by MBCredit Solutions, which increased from €383,7m to €350,6m.

B.4b Large exposures

	30 June 2022	30 June 2021
a) Book value	8,940,901	9,925,906
b) Weighted value	6,697,929	8,519,056
c) No. of exposures	7	9

At 30 June 2022, exposures (including market risk and equity investments) exceeding 10% of Tier 1 Regulatory Capital concerned seven customer groups (two less than in the previous financial year) for a gross exposure of €8.9bn (€6.7bn taking into account guarantees and weights), a decrease compared to June 2021 (€9.9bn and €8.5bn, respectively). In detail, the seven positions concerned an industrial group, an insurance company and five banking groups.

C. Securitization

QUALITATIVE INFORMATION

The Group has a portfolio of securities deriving from securitizations by other issuers totalling €1,282.6m, €1,021.2m of which as part of the banking book and €261.3m as part of the trading book (respectively, €231.2m and €128.8m at June 2021).

The widening spread trend was maintained in the ABS market also during the second quarter of 2022, in line with the general market trend which continued to suffer the joint impact of the economic slowdown due to the conflict in Ukraine and the normalization of rates by central banks.

In a context of scarce liquidity, the secondary market showed a further expansion, partly due to smaller actions on the part of the ECB, which, starting in July, will only concern the reinvestment of maturities. The primary market remained practically closed for the entire period of last quarter due to volatility in the credit world and worsening economic conditions for issuers, who continued to structure / retain transactions and seek alternative financing sources in the short term, pending greater clarity on the macroeconomic context.

Although the ABS product, at a floating rate by nature, offers greater protection against interest rate hikes, the prolongation of a recession could have an impact on performance and consequently on the delinquency rate of transactions, leading to a re-pricing of the cost of the instrument in the coming months, especially in view of the banks' T-LTRO refinancing.

The banking book stood at €1,021.2m (€231.2m in June 2021) mainly due to the subscription of the senior tranche of a securitization (€675.5m) in the first half of the year, whose underlying was a portfolio of non-performing loans originated from an Italian bank (A2 Moody's and Alow DBRS ratings) and which benefited from the Guarantee on the Securitization of Non-Performing Loans (GACS), of which €400m recorded in the Held To Collect portfolio and the remainder in the Held To Collect & Sell portfolio. CLO positions amounted to €261.2m (€155.2m in June 2021) due to the subscription to six new senior European corporate loan transactions (€150.9m) and the sale of two loans; the performing portion in the portfolio amounted to €56.4m (€28.3m in June 2021), of which €45.8m relating to a position whose underlying was a UK performing loan portfolio. The portion of junior securities remained decidedly contained (€0.5m), while the portion of mezzanine tranches was down from €15.6m to €3.5m. The difference between book value (amortized cost) and fair value (taken from market platforms) amounted to €11.5m.

The trading book stood at €261.3m (€128.8m in June 2021): the senior portion amounted to €143.3m (€29.2m in June 2021), of which €100m in the Transferable Custody Receipt[1] transaction carried out in the first half of the year; the mezzanine portion stood at €115.3m (€99.6m in June 2021), more than half of which in the "negative basis" strategy, i.e., without credit risk due to coverage with primary insurance companies.

Mediobanca also has exposures to:

– CLI Holdings I and CLI Holdings II[2], SPVs under English law, which respectively subscribed to the capital of Cairn Loan Investments and Cairn Loan Investments II, independent managers of Cairn-branded CLOs, which invested in the junior tranches of the CLOs they manage in order to comply with prudential regulations (Article 405 of Regulation [EU] 585/2013).

[1] The Bank signed a note issued by the custodian bank in which three CLO positions (with underlying European corporate loans) purchased by Mediobanca and some financial guarantees on the same CLOs with which the Bank purchased protection had been contributed in the form of a trust; TCR pays out principal and interest of the underlying CLOs after the premium of financial guarantees.

[2] At 30 June, as reported in the disclosure on Structured Entities not consolidated in the accounts, CLI H I was recorded in the financial statements for €18.8m, while CLI H II, a consolidated investment using the equity method pursuant to IAS 28, was recorded with a value of €41.8m.

During the year under review, CLI Holdings II was reclassified from the IFRS 9 accounting class measured at Fair Value through Profit or Loss to equity investment pursuant to IAS 28 following the increased share commitment and related status as Qualifying Noteholder;

– Italian Recovery Fund, a closed-end alternative investment fund (AIF) incorporated under Italian law and managed by DEA Capital SGR S.p.A. which is currently invested in five securitizations (Valentine, Berenice, Cube, Este and Sunrise I) with Italian banks' NPLs as the underlying instrument; the €30m commitment has to date been drawn as to €29m;

– Negentropy RAIF – Debt Select Fund, an alternative investment fund instituted under Luxembourg law and managed by Negentropy Capital Partners Limited, for which Mediobanca has acted as advisor; the fund has senior tranches of Italian NPLs as the underlying instrument, with an aggregate NAV of €115.8m, €70.6m of which refer to Mediobanca investment.

QUANTITATIVE INFORMATION

C.2 Prudential consolidation – Exposures from main customer securitizations by asset type/ exposure

Tipologia attività sotttostanti/ Esposizioni	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Writedowns / writeback	Book value	Writedowns / writeback	Book value	Writedowns / writeback
A. NPLs Italy (residential motgages and real estates)	704,190	(3,690)	—	(495)	—	(350)
B. Consumer ABS Italy	6,723	(18)	22,198	(182)	—	—
C. Performing Loan Holland	5,676	—	984	—	459	(18)
F. Performing Loan UK	45,767	—	—	—	—	—
D. Consumer ABS Germany	19,971	(15)	—	—	—	—
D. Consumer ABS Spain	—	—	—	—	2,726.2	(34,2)
G. Others receivables	378,302	(554)	95,596	(12,184)	—	—
Total 30/6/22	1,160,628	(4,277)	118,778	(12,860)	3,185	(402)
Total 30/6/21	244,243	86	115,228	1,245	524	54

C.3 Prudential consolidation – Interests in SPVs

Name	Head Office	Type of consolidation	Assets			Liabilities		
			Receivables	Debt securities	Other items	Senior	Mezzanine	Junior
Quarzo 7 - Quarzo S.r.l.	Milan	Accounting	1,391,967	—	115,038	1,215,000	—	290,900
Quarzo 8 - Quarzo S.r.l.	Milan	Accounting	168,433	—	43,713	53,245	—	156,735
Quarzo 9 - Quarzo S.r.l.	Milan	Accounting	346,160	—	68,762	292,170	—	120,915
Quarzo 10 - Quarzo S.r.l.	Milan	Accounting	1,311,250	—	118,989	1,180,313	—	248,800
Quarzo 11 - Quarzo S.r.l.	Milan	Accounting	578,855	—	33,555	528,000	—	72,000
Quarzo CQS S.r.l. Quarzo 2018	Milan	Accounting	104,535	—	10,010	55,640	—	52,000
MB Funding Lux S.A.	Luxembourg	Accounting	1,129,641	—	—	1,010,314	—	—

C.5 Prudential consolidation – Servicing – Collecting securitized receivables and redeeming securities issued by SPVs

Servicer	Vehicle company	Securitized assets (30/6/22)		Receivables collected during the year		Percentage share of securities repaid (30/6/22)					
						Senior		Mezzanine		Junior	
		Non performing	Performing	Non performing	Performing	Non performing	Performing	Non performing	Performing	Non performing	Performing
Compass	Quarzo CQS (2018)	7,763	100,981	—	110,159	—	91.0	—	—	—	—
Compass	Quarzo Srl (Q7)	68,652	1,425,756	—	937,956	—	—	—	—	—	—
Compass	Quarzo Srl (Q8)	20,700	171,374	—	171,470	—	93.0	—	—	—	—
Compass	Quarzo Srl (Q9)	24,349	354,331	—	253,186	—	63.0	—	—	—	—
Compass	Quarzo Srl (Q10)	58,340	1,343,537	—	991,632	—	33	—	—	—	—
Compass	Quarzo Srl (Q11)	3,512	577,145	—	108,113	—	—	—	—	—	—

C.6 Prudential consolidation – Consolidated securitization-related SPVs

Quarzo S.r.l. (Compass Banca)

On 6 April last, this special purpose vehicle completed the Quarzo 11 securitization through the sale of a portfolio of performing loans for €600m, subsequently supplemented by revolving loans for a total of €67m.

This SPV currently has five securitizations in place with performing loans granted by Compass Banca as the underlying instrument (Compass has subscribed for the entire number of junior securities), which are ceded on a revolving basis for a period of between 6 and 66 months, at the end of which the amortization phase of the securitization may begin. In some of the deals the Parent company and/or other Group's companies have subscribed to the senior notes.

The five deals outstanding are summarized in the table below:

Issue date	senior		junior	Credit transferred in the year	From the repayment date
	A1	A2			
15/02/17	—	1,215	285	826	15/11/22
6/12/18	600	147	153	—	01/07/19
25/11/19	600	183	117	—	01/07/20
17/04/20	—	1,760	240	291	15/12/21
06/04/22	528	—	72	667	15/05/23

Legend:
A1: issued on the market
A2: subscribed to by the Parent company and/or other Group companies.

Quarzo CQS S.r.l. (Compass Banca, formerly Futuro)

This special purpose vehicle has only one transaction in place, completed in 2018 with underlying some Futuro credits (salary-backed loans) sold in a single non-revolving tranche. The senior securities (originally issued in a total amount of €598m, with €56m currently in issue) are listed on the Dublin stock exchange and sold on the market, while the junior securities (€52m) have been subscribed for entirely by Futuro, which has since been merged into Compass Banca[3].

MB Funding Lux S.A. (Mediobanca)

This SPV was set up by Mediobanca S.p.A. in order to execute secured transactions with a corporate syndicated loan originated by Mediobanca International (Luxembourg) SA or Mediobanca S.p.A. as the underlying instrument, of which it retains the credit risk. The notes, which form part of the Parent company's "Medium-Term Note" programme of issuance, have been subscribed for entirely by other Group legal entities and used as collateral for transactions on the interbank market.

[3] See the contents of Part A – Section 3 – Area of Consolidation in these Notes to the Accounts.

The five transactions have an aggregate nominal value of €1bn and are made up as follows:

Issue Date	Nominal Value	Refund Date
25/06/17	200	25/06/28
20/12/17	100	20/12/24
30/10/18	400	30/10/23
11/12/20	100	11/06/26
13/10/21	200	15/10/26

There is also an unsecured issue of €10m expiring in June 2023.

Transactions between the originators and the SPVs during the year under review were as follows:

Vehicle company	Credit disposal	Proceeds	Servicing fees	Junior interest	Additional return accrued
Quarzo CQS S.r.l. Quarzo 2018	—	115,2	0,3	1,1	10,4
Quarzo S.r.l.	1.783,9	2.479,7	8.0	24,8	316,1
MB Funding Lux	373.0	239,3	—	—	2,5

D. Disposals

A. Financial assets sold but not entirely derecognized

QUALITATIVE INFORMATION

With regard to the description of transactions represented in Tables D.1 and D.3 below, reference should be made to the descriptions found under the tables themselves. With regard, in particular, to transactions in debt securities against medium and long-term repurchase agreements, please refer to the contents of these Notes to the Accounts - Part B.

QUALITATIVE INFORMATION

D.1 Prudential consolidation – Financial assets sold entirely recognized and related financial liabilities: book values

	Financial assets sold as a whole				Associated financial liabilities		
	Book value	of which: subject to securitization transactions	of which: subject to sale contracts with repurchase agreement	- of which non-performing	Book value	of which: subject to securitization transactions	of which: subject to sale contracts with repurchase
A. Financial assets held for trading	2,324,398	—	2,324,398	X	2,159,719	—	2,159,719
1. Debt securities	1,798,008	—	1,798,008	X	1,636,327	—	1,636,327
2. Equity instruments	526,390	—	526,390	X	523,392	—	523,392
3. Loans	—	—	—	X	—	—	—
4. Derivatives	—	—	—	X	—	—	—
B. Other financial assets mandatorily measured at fair value	—	—	—	—	—	—	—
1. Debt securities	—	—	—	—	—	—	—
2. Equity instruments	—	—	—	X	—	—	—
3. Loans	—	—	—	—	—	—	—
C. Financial assets designated at fair value	—	—	—	—	—	—	—
1. Debt securities	—	—	—	—	—	—	—
2. Loans	—	—	—	—	—	—	—
D. Financial assets measured at fair value through other comprehensive income	1,610,176	—	1,610,176	—	1,204,843	—	1,204,843
1. Debt securities	1,610,176	—	1,610,176	—	1,204,843	—	1,204,843
2. Equity instruments	—	—	—	X	—	—	—
3. Loans	—	—	—	—	—	—	—
E. Financial assets measured at amortised cost	3,753,211	*2,628,586*	1,124,625	*26,278*	2,444,411	*1,610,451*	833,960
1. Debt securities	1,111,818	—	1,111,818	—	814,551	—	814,551
2. Loans	2,641,393	*2,628,586*	12,807	*26,278*	1,629,860	*1,610,451*	19,409
Total 30/6/2022	7,687,785	*2,628,586*	5,059,199	*26,278*	5,808,973	*1,610,451*	4,198,522
Total 30/6/2021	4,285,781	*2,531,488*	1,754,293	*43,420*	3,226,282	*1,532,367*	1,693,915

D.3 Prudential consolidation – Disposals related to financial liabilities with repayment exclusively based on assets sold and not fully derecognized: fair value

	Fully booked	Partially booked	Total	
			30/6/22	30/6/21
A. Financial assets held for trading	2,324,398	—	2,324,398	1,672,058
1. Debt securities	1,798,008	—	1,798,008	1,218,067
2. Equity instruments	526,390	—	526,390	453,991
3. Loans	—	—	—	—
4. Derivatives	—	—	—	—
B. Other financial assets mandatorily measured at fair value	—	—	—	—
1. Debt securities	—	—	—	—
2. Equity instruments	—	—	—	—
3. Loans	—	—	—	—
C. Financial assets designated at fair value	—	—	—	—
1. Debt securities	—	—	—	—
2. Loans	—	—	—	—
D. Financial assets measured at fair value through other comprehensive income	1,610,176	—	1,610,176	28,280
1. Debt securities	1,610,176	—	1,610,176	28,280
2. Equity instruments	—	—	—	—
3. Loans	—	—	—	—
E. Financial assets measured at amortized cost (fair value)	4,065,285	—	4,065,285	3,021,930
1. Debt securities	1,112,925	—	1,112,925	12,293
2. Loans	2,952,360	—	2,952,360	3,009,637
Total financial assets	7,999,859	—	7,999,859	4,722,268
Total associated financial liabilities	6,573,933	—	X	X
Net value 30/6/2022	1,425,926	—	7,999,859	X
Net value 30/6/2021	1,481,007	—	X	4,722,268

B. Financial assets sold and fully derecognized with continuing involvement recorded

QUALITATIVE AND QUANTITATIVE INFORMATION

At the end of the year, there were no fully cancelled transactions in place for the sale of financial assets that led to the recognition of a continuing involvement.

C. Financial assets sold but not entirely derecognized

QUALITATIVE AND QUANTITATIVE INFORMATION

At the end of the year, there were no fully cancelled transactions in place for the sale of financial assets.

D. Covered bond transactions

Mediobanca Covered Bond S.r.l., an SPV incorporated under Article 7-bis of Italian Law 130/99, is owned as to 90% by CheBanca! and as to 10% by SPV Holding.

At a Board meeting held in December 2020, the Bank's Directors approved a resolution to renew the programme of covered bond issuance for a further ten years compared to the original expiry date (December 2021) for a total amount of €10bn.

The deal entails the involvement of:

– Mediobanca, as the issuer of the covered bonds;
– CheBanca! as the seller (including on a revolving basis) of assets eligible for sale under the regulations in force, up to the limits on Mediobanca's regulatory capital ratios, and servicer for the transaction;
– Mediobanca Covered Bond S.r.l. (SPV) as non-recourse recipient of the assets and guarantor of the covered bonds.

Fitch assigned an AA rating to the issues of this programme; after the Italian sovereign rating was raised, the issues of Mediobanca S.p.A.'s covered bonds also obtained an upgrade (previous rating AA-).

On 30 June, Mediobanca issued a new 5-year covered bond on the market with a size of €500m.

The programme thus has seven transactions in place for a value of €5bn placed with institutional investors and covered by assets for €7.1bn, broken down as follows:

Issue date	Nominal value	Rate	Maturity date
Oct-13	750	Fix, 3.625%	Oct-23
Nov-15	750	Fix, 1.375%	Nov-25
Nov-17	750	Fix, 1.25%	Nov-29
Jul-18	750	Fix, 1.125%	Aug-24
Jul-19	750	Fix, 0.5%	Oct-26
Jan-21	750	Fix, 0.01%	Feb31
Jun-22	500	Fix, 2.375%	Jun-27
	5,000		

During the financial year under review, €500m were issued (increased to €750m after the end of the year) against a portfolio of mortgages for €1bn. Assets sold by CheBanca! to the special-purpose vehicle Mediobanca Covered Bond in the amount of €0.8bn, with total assets of €15.1m bought back, should also be noted.

* * *

E. Prudential consolidation – Models for managing credit risk

The Mediobanca Group uses the IRB Advanced method (PD and LGD parameters) in order to quantify the capital requirement for credit risk on the corporate loan book of Mediobanca and Mediobanca International and the CheBanca! Italian mortgage portfolio. A plan has also been adopted to progressively roll out the internal models to cover other categories of credit asset (the "Roll-Out Plan"). For these exposures, for which the standardized methodology is currently used to calculate the regulatory capital requirements, the Group has nonetheless developed internal credit risk models that are used for management purposes. The Group has also adopted a portfolio model in order to calculate the economic capital for credit risk, which enables geographical and sector concentration and diversification effects to be factored in. For further details please see "Section 1.1 Credit risk" in Part E of the Notes to the Accounts.

1.2 MARKET RISKS

1.2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING PORTFOLIO

QUALITATIVE INFORMATION

The operating exposure to market risks generated by the positions held as part of the trading portfolio are measured and monitored, and operating earnings are calculated on a daily basis principally through use of the following indicators:

– Sensitivity – mainly Delta and Vega – to the principal risk factors (interest rates, share prices, exchange rates, credit spreads, inflation and volatility, dividends, correlations, etc.); sensitivity analysis shows the increase or decrease in the value of financial assets and derivatives to local changes in these risk factors, providing a static representation of the market risk of the trading portfolio;

– Value-at-risk calculated using a weighted historical simulation method with scenarios updated daily, assuming a liquidation horizon of one business day and a confidence level of 99%.

Thresholds are monitored daily through VaR and sensitivity analyses to ensure compliance with operating limits, managing the risk appetite established by the Bank for its Trading Book and, in case of VaR, also to evaluate the robustness of the model through back-testing. Stress tests are also carried out daily (on specific positions) and monthly (on the entire portfolio) concerning the main risk factors to show the impact which more substantial movements in the main market variables might have (e.g., share prices and interest or exchange rates) calibrated on the basis of extreme changes in market variables.

Other complementary and more specific risk metrics are also calculated in order to assess risks not fully measured by VaR and sensitivity analyses. The weight of products which require such metrics to be used is in any case extremely limited compared to the overall size of Mediobanca's trading portfolio.

The financial year was marked by a general increase in volatility on all major related asset classes mainly linked to the effects of the COVID-19 pandemic and to the war between Russia and Ukraine.

In this regard, the effects of the pandemic were still persistent due to the slow reconstruction of production chains and for the persistent "zero-Covid" policy in China, which imposes strict, total closures at the first appearance of a Covid case. The shocks on the supply side arising from the Russian - Ukrainian war, particularly felt in Europe, should be added to this. The reaction in terms of economic policies in the US and in the EU, based on support for aggregate demand, led to inflationary hikes, initially interpreted as transitory.

The inflation rate and the possible persistence of inflationary pressures that had started in late 2021 led to a reaction on the part of central banks, with a generalized rise in rates in the Western world, which was as quick and significant as it was late. On the interest rate market, this entailed a significant rise and the volatility of forward rates. Equity markets reported a constant decline in the second half of the year, while prices of commodities continued to remain high and highly volatile.

In conjunction with the worsening of the war, some breaches of Stop Loss limits and VaR limits were recorded.

The Value-at-Risk of the Trading aggregate fluctuated over the year under review between a minimum of €3.6m at the beginning of January and a maximum of €11.8m at the beginning of May. The average figure (€6.1m) was 46% higher than in the previous year (€4.2m). After the peak recorded in May, the VaR figure remained very volatile in June, levelling off at an average value of €6.2m.

The trend in Value-at-Risk may be essentially explained by the positions in put-and-call options sold with American short rate futures as underlying, by the outright positions in bonds and futures on core-Euro government bonds and finally by the growing business of mark-to-market equity-linked certificates, to which investment transactions in securities, mainly financial, are linked to hedge their own credit risk (DVA).

Equally, the Expected shortfall shows an average figure higher than in the previous year (€8.2m against €5.5m).

Daily back-testing results (based on the comparison with the theoretical Profits and Losses), during the twelve-month observation period, showed six cases of deviation from the VaR. The first breach occurred at the end of November when the stock markets recorded downward changes due to the rapid spread of the Omicron variant; three breaches occurred between the end of February and the beginning of March when the Russia-Ukraine conflict escalated with a strong impact on stock markets and government rates. Finally, the last two breaches occurred in June due to an increase in US risk-free interest rates.

Tab.1: Value-at-risk and Expected Shortfall: trading portfolio

(€ '000)

Risk factors	12 mths ended 30/6/22				12 mths ended 30/6/21
	30/6	Min	Max	Average	Average
Interest rates	7,006	948	10,359	2,735	1,886
Credit	3,115	850	3,558	1,532	1,411
Share prices	6,935	1,810	8,198	3,817	3,412
Exchange rates	1,147	225	2,655	633	671
Inflation	94	25	314	140	502
Volatility	6,286	1,415	6,286	3,421	2,820
*Diversification effect**	*(15,894)*	*(1,569)*	*(15,894)*	*(6,170)*	*(6,521)*
Total	8,689	3,706	15,475	6,109	4,181
Expected Shortfall	***12,383***	***4,176***	***27,194***	***8,190***	***5,482***

* Associated with a not perfectly matched correlation between risk factors.

Apart from the general VaR limit on aggregate trading positions, a system reflecting a greater degree of granularity for the individual trading desks is also in place. Each desk also has limits in terms of sensitivities to changes in the various risk factors (1 basis point for interest rates and credit spreads, 1 percentage point for equities, exchange rates and share volatility), which are monitored daily. A greater sensitivity to interest rates (US and Euro area) for about €68,000 / 1 bp, an increase in sensitivity to the implicit volatility of the equity market for €940,000 / 1% and an increase in sensitivity to exchange rates for around €300,000 / 1% were recorded in comparison with the previous financial year.

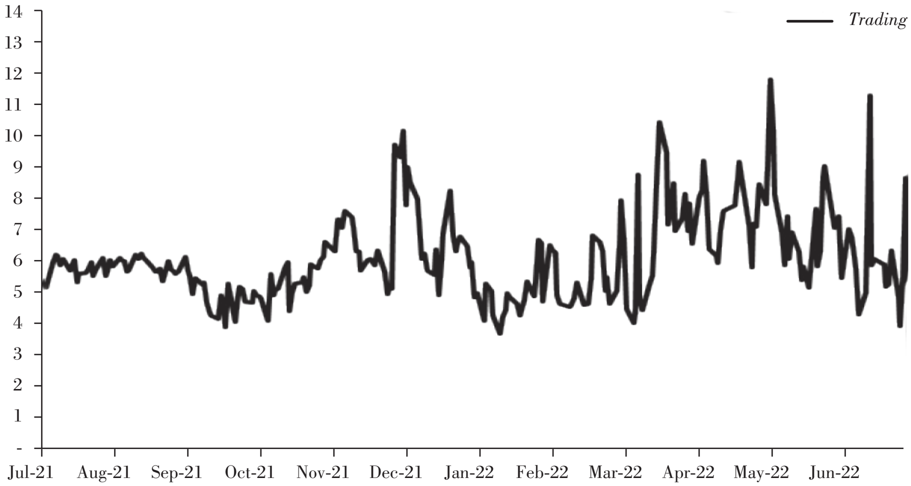
Tab. 2: Summary of trend in main sensitivities of trading portfolio

(€ '000)

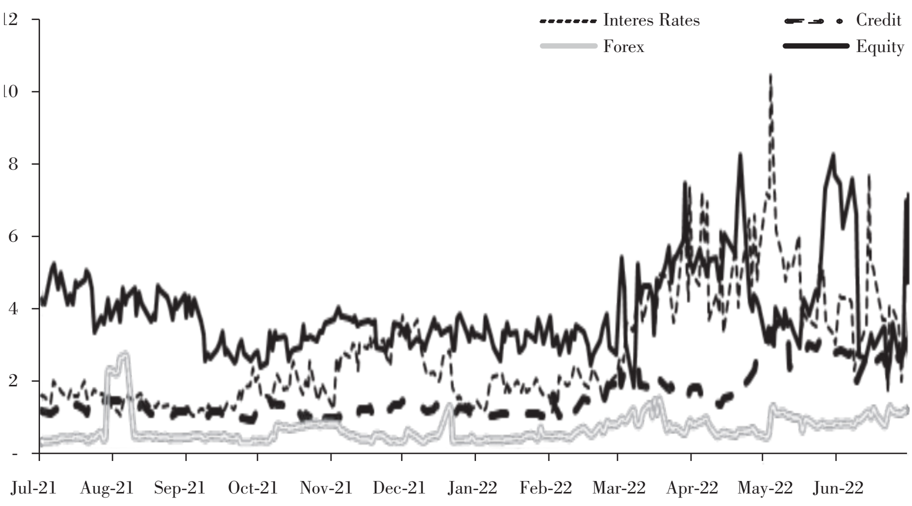
Risk factors	12 mths ended 30/6/22				12 mths ended 30/6/21
	30/6	Min	Max	Average	Average
Equity delta (+1%)	501,472	(750,743)	1,159,690	318,529	(180,824)
Equity vega (+1%)	1,980,544	894,170	2,926,993	1,438,665	991,177
Interest rate delta(+1bp)	185,385	(686,558)	491,604	82,913	189,395
Inflation delta (+1 bp)	3,754	(9,961)	14,258	2,210	50,020
Exchange rate delta (+1%)*	555,891	97,865	1,180,243	427,898	325,897
Credit delta (1 bp)	497,696	(367,073)	1,029,787	514,646	584,124

* Refers to the Euro gaining versus other currencies.

Trends in VaR of trading portfolio



Trends in VaR constituents (Trading)



QUANTITATIVE INFORMATION

1. Regulatory trading portfolio: distribution by residual maturity (repricing date) of financial cash assets and liabilities and financial derivatives

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	573,041	382,413	825,574	1,371,665	340,278	588,808	—
1.1 Debt securities	—	573,041	382,413	825,574	1,371,665	340,278	588,808	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	573,041	382,413	825,574	1,371,665	340,278	588,808	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	783	3,496,859	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	783	3,496,859	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ long positions	—	122,572	13,679	—	—	—	—	—
+ short positions	—	122,087	14,182	—	—	—	—	—
– Others								
+ long positions	15,027	1,644,159	586,186	423,983	379,796	—	—	—
+ short positions	15,083	1,643,892	587,306	426,442	376,427	—	—	—
3.2 Without underlying securities								
– Options								
+ long positions	—	103,982,529	140,274,688	909,092	7,372,333	1,590,465	—	—
+ short positions	—	103,982,529	140,274,688	909,092	7,372,333	1,590,465	—	—
– Others								
+ long positions	940,195	24,098,220	11,640,155	15,061,857	22,899,185	4,847,933	5,315,684	—
+ short positions	1,200,195	31,541,379	14,267,126	4,731,728	22,899,185	4,847,933	5,315,684	—

2. Regulatory trading portfolio: cash exposures in equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities[1]			
A.1 Shares	1,619,624	—	274,971
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	—
B. UCITs units			
B.1 Under Italian law	—	—	298
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	298
- reserved	—	—	—
- speculative	—	—	—
B.2 Under other EU states law	802	—	—
- harmonized	549	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	253	—	—
B.3 Under non-EU states law	—	—	—
- open	—	—	—
- closed	—	—	—
Total	1,620,426	—	275,269

[1] Mismatch between trading assets and technical shortfalls booked as trading liabilities: over 75% of the net exposure is related to EU member states.

1.2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

The Mediobanca Group monitors and manages interest rate risk through sensitivity testing of net interest income and economic value. The former quantifies the impact of parallel and simultaneous shocks in the interest rate curve on current earnings. In this testing, the asset stocks are maintained constant, renewing the items falling due with the same financial characteristics and assuming a time horizon of twelve months.

Conversely, the sensitivity of economic value measures the impact of future flows on the current value in the worst-case scenario of those contemplated in the Basel Committee guidelines (BCBS).

All the scenarios present a floor set by the EBA guidelines (EBA/GL/2018/02) at minus 1% on the demand maturity with linear progression up to 0% at the twenty-year maturity.

For both sensitivities, balance sheet items have been treated based on their contractual profile, except for the items related to current account deposits for retail clients (which have been treated on the basis of proprietary behavioural models) and consumer credit items and mortgages (which reflect the possibility of early repayment).

To determine the discounted value of cash flows, various benchmark curves have been used, to discount and compute future rates, based on the value date on which the balance sheet item itself is traded (multi-curve). The credit component has been stripped out of the cash flows for the economic value sensitivity only.

With reference to the Group's banking book positions at 30 June, in the event of a parallel and instantaneous decrease ("parallel down"), the expected interest income would undergo no negative change of €57m (while the negative change amounted to €13m in the previous half year).

With reference to the analysis of the present value of future cash flows in the Group's banking book, the shock that may cause the worst change would occur if the short part of the interest rate curve rises ("Short Up"). The change would in fact be negative by €201m, mainly due to the impact of Compass (loss of €30m), CheBanca! (loss of €102m) and Mediobanca (loss of €84m) against a positive change for the other subsidiaries. In the previous year, the maximum change amounted to €111m in the "Short Up" scenario.

(€m)

Data at 30/6/22	Banking Book					
	Maximum level scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Net interest income sensitivity	*Parallel Down*	(57)	24	(9)	(28)	(44)
Discounted value of expected cash flows sensitivity	*Short Up*	(201)	(84)	(102)	(30)	16

At Group level, the values obtained in both scenarios continue to remain within the limits set by the Group policy on managing interest rate risk on the banking book, which are respectively 11.5% (net interest income sensitivity/estimated Group net interest income) and 3.5% (economic value sensitivity/CET1).

The sensitivity of interest income is particularly low also considering scenarios closer to those that usually occur on the market and removing the floor on rates imposed by the aforementioned EBA guidelines. Four scenarios were considered:

– Soft Steep is a scenario in which the curve rotates around the 4-year rate, falling at short-term points and rising at medium-long term points (for average changes of about 10 basis points);

– Soft Flat is a scenario in which the curve rotates around the 4-year rate, rising at short-term points and falling at medium-long term points (for average changes of about 10 basis points);

– +10 bps is a scenario where the curve moves in parallel upwards by 10 basis points;

– -10 bps is a scenario where the curve moves in parallel downwards by 10 basis points.

On a consolidated level, the worst scenario always corresponds to a situation of decline in short-term rates and rise in long-term rates ("Soft Steep") with a negative change of approximately €10m.

The table below shows the changes in interest income that would occur in the four scenarios:

(€m)

Data at 30/6/22	Banking Book	
	Group	Mediobanca S.p.A.
Soft Steep	(10)	(6)
Soft flat	10	6
+10 bps	7	3
-10 bps	(7)	(3)

Hedging

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of certain financial risk factors (interest rate, exchange rate, credit or some other risk parameter) through the gains that may be realized on a hedging instrument that is capable of offsetting changes in fair value or cash flows of the hedged instrument. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months)[1].

A. Fair value hedging

Fair value hedges are used to neutralize exposure to interest rate or price risk for specific asset or liability positions, via derivative contracts entered into with leading market counterparties with high credit rating. In particular, with regard to interest rate risk, the Group applies specific hedges to individual items or clusters of like-for-like assets and liabilities in terms of interest rate risk. The objective of these hedges is to reduce the interest rate risk through swaps that convert fixed-rate into floating rate assets and/or liabilities. The items being mainly hedged are fixed-rate or structured liabilities issued by

[1] This target is maintained even in the presence of hedging contracts with market counterparties with which netting agreements and CSAs (collateralized standard agreements) have been entered into and whose valuation is carried out at Ester interest rates.

Mediobanca, investments in fixed-rate securities under assets held in the HTC and HTCS portfolio, the portfolio of fixed-rate mortgage loans, the floors implicit in the floating-rate loans of the Lending division and floating-rate mortgage loans granted by CheBanca! and the deposits of CheBanca! for which the new behavioural model is being taken into account with a benefit on the effective maturity.

If structured bonds do not show risks related to the main risk, the interest rate component (hedge) is stripped out from the other risks represented in the trading book and usually hedged by trades of the opposite sign. Fair value hedges are also used by the Parent company to mitigate the price risk of an equity investment recorded within the portfolio of assets measured at fair value through other comprehensive income.

The CheBanca! mortgage loan book is hedged via amortizing swaps, the notional and maturity profile of which follows that of the mortgage repayments with a prudential margin allowed on payments and the estimated prepayment rate for the loan book based on the model developed by Risk Management and subject to internal approval.

During the year under review, a new behavioural model relating to CheBanca! deposits was commissioned in order to make the coverage of these balance sheet items more efficient, further reducing the Group's exposure to interest rate risk.

Similarly, the interest rate risk of CMB's customer deposits, either in Euro or in USD, subject to modelling and transfer to the Parent Company for the related management, was hedged.

Finally, it should be noted that the transition to Ester (for Euro) and Saron (for CHF) of all hedge-accounting items, and associated hedging instruments related thereto, was completed without recording significant changes in the effectiveness of the hedges, as expected.

With regard to the USD Libor rate, please note that the Group applies Regulation (EU) 2020/34 of 15 January 2020 ("Regulation 34"), which transposed the IASB waivers of September 2019, to avoid that the uncertainty caused by the absence of a single alternative benchmark for the entire market may lead to discontinuing a hedging relationship.

B. Cash flow hedging

This form of hedging is mainly used in the context of some Group companies' operations (in particular with reference to consumer credit and leasing), where provisions at a floating rate are set aside for a significant amount against a large number of transactions for a negligible amount, generally at a fixed rate. The hedge is made in order to transform these positions into fixed-rate positions, correlating the relevant cash flows with investments. Normally, the Group uses derivatives to fix the expected cost of deposits over the reference period to cover floating-rate loans in place and future transactions linked to systematic renewals of such loans upon expiry.

C. Foreign investment hedging activities

This involves hedging an exposure to a controlling interest in a company and the goodwill associated with it (including any intangibles identified as a result of the Purchase Price Allocation process) in currencies other than the Euro. The exposure may be hedged via derivatives or other financial instruments in different currencies, such as bond issues. The exchange rate effect of the hedge is taken through the net equity reserve to cover the effects of the hedged instrument. Reference is made to section 1.2.3 Exchange rate risk below for a description of the only hedge of this kind entered into by the Group.

D. Hedging instruments

E. Items hedged

As for hedged and hedging instruments, they are already exhaustively described in the previous paragraphs and throughout the document.

Counterparty risk

Counterparty risk generated by market transactions with institutional customers or counterparties is measured in terms of expected potential future exposure. With regard to derivatives and short-term loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% likelihood) at various points in time up to 30 years. The scope of application regards all groups of counterparties which have relations with the Bank, taking into account the presence of netting (e.g. ISDA, GMSLA or GMRA) and collateralization agreements (e.g. CSA), if any, plus exposures deriving from interbank market transactions. For these three types of transactions, different exposure limits are granted to each counterparty and/or group subject to internal analysis and approval by the Lending and Underwriting Committee.

For derivatives transactions, as required by IFRS 13, the fair value incorporates the effects of the counterparty's credit value adjustment (CVA) and Mediobanca's debit value adjustment (DVA) based on the future exposure profile of the aggregate of such contracts in place.

QUANTITATIVE INFORMATION

1. Banking book by outstanding maturity (repricing date) of financial assets and liabilities

Type	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	8,714,899	22,877,170	5,871,697	4,582,110	14,721,979	4,856,849	4,065,143	208
1.1 Debt securities	—	1,999,246	604,934	1,752,937	2,669,198	943,566	375,611	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	1,999,246	604,934	1,752,937	2,669,198	943,566	375,611	—
1.2 Loans to banks	1,787,947	2,045,308	352,361	151,808	488,201	—	19,099	60
1.3 Loans to customers	6,926,262	18,832,616	4,914,402	2,677,365	11,564,580	3,913,283	3,670,433	148
– current accounts	1,464,263	775,968	—	—	—	2	—	—
– other loans	5,462,689	18,056,648	4,914,402	2,677,365	11,564,580	3,913,281	3,670,433	148
– with early repayment option	2,573,181	2,941,651	1,058,031	1,930,668	9,474,446	3,290,274	3,648,581	—
– others	2,889,508	15,114,997	3,856,371	746,697	2,090,134	623,007	21,852	148
2. Cash liabilities	26,358,003	15,222,345	1,763,191	5,567,676	16,268,455	2,380,184	918,477	—
2.1 Due to customers	24,501,029	5,110,711	556,932	1,148,943	2,125,873	94,509	40,149	—
– current accounts	20,948,881	2,407,438	—	—	—	—	—	—
– other amounts due	3,552,148	2,703,273	556,932	1,148,943	2,125,873	94,509	40,149	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	3,552,148	2,703,273	556,932	1,148,943	2,125,873	94,509	40,149	—
2.2 Due to banks	1,856,037	4,362,754	136,614	670,686	8,420,400	29,016	277,358	—
– current accounts	461,443	—	—	—	—	—	—	—
– other amounts due	1,394,594	4,362,754	136,614	670,686	8,420,400	29,016	277,358	—
2.3 Debt securities	937	5,748,880	1,069,645	3,748,047	5,722,182	2,256,659	600,970	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	937	5,748,880	1,069,645	3,748,047	5,722,182	2,256,659	600,970	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early repayment option	—	—	—	—	—	—	—	—
– others	—	—	—	—	—	—	—	—
3. Financial derivative products								
3.1 With underlying securities								
– Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others								
+ long positions	—	242,548	—	—	—	—	—	—
+ short positions	—	242,548	—	—	—	—	—	—
3.2 Without underlying securities								
– Options								
+ long positions	—	—	47,592	233,617	904,588	41,531	918,809	—
+ short positions	—	—	47,592	233,617	904,588	41,531	918,809	—
– Others								
+ long positions	731,597	17,791,951	7,748,287	13,682,564	15,838,071	5,735,225	3,622,000	—
+ short positions	963,194	32,468,556	2,345,671	4,166,978	15,848,071	5,735,225	3,622,000	—
4. Other OTC trades	7,526,632	8,427,748	441,981	3,251,535	15,670,952	4,087,016	1,591,613	—
+ long positions	3,008,475	5,411,096	184,496	1,241,599	7,800,790	2,133,898	718,384	—
+ short positions	4,518,157	3,016,652	257,485	2,009,936	7,870,162	1,953,118	873,229	—

2. Banking book: cash exposures in equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities[1]			
A.1 Shares	116,812	—	150,647
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	—
B. UCITs units			
B.1 Under Italian law	49,530	—	121,111
- harmonized open	45,674	—	—
- non-harmonized open	—	—	—
- closed	—	—	117,924
- reserved	—	—	—
- speculative	3,856	—	3,187
B.2 Under other EU states law	227,885	—	222,370
- harmonized	—	—	—
- non-harmonized open	—	—	70,631
- non-harmonized closed	227,885	—	151,739
B.3 Under non-EU states law	—	—	—
- open	—	—	—
- closed	—	—	—
Total	394,227	—	494,128

[1] Of which 48% Italian and 51% other EU member states.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques of exchange rate risk

B. Exchange rate risk hedging

The trends in the currency component of the VaR illustrated in paragraph "1.2.1 Interest rate risk and price risk" effectively represents the evolution of risks incurred on the currency market due to currency exposures being managed globally within the Parent Company's Finance Area.

The investment in RAM, in Swiss francs, is hedged by a bond issued in the same currency, and the exchange rate effect on both items is managed as a "net investment in a foreign operation", i.e., the exchange rate differences arising in connection with the asset item (goodwill) and the liability issued are recorded directly through a net equity reserve.

QUANTITATIVE INFORMATION

1. Assets, liabilities and derivatives by currency

Items	Currencies					
	US Dollar	Great Britain Pound	Japanese Yen	Swedish Krona	Swiss Franc	Other currencies
A. Financial assets	4,574,185	1,229,517	10,510	42,580	324,176	184,771
A.1 Debt securities	1,062,275	48,603	—	—	121,904	—
A.2 Equity securities	350,301	653,964	—	534	20,037	1,688
A.3 Due from banks	261,521	43,870	8,615	3,772	94,375	113,627
A.4 Due from customers	2,673,924	481,740	1,594	38,189	87,830	69,270
A.5 Other financial assets	226,164	1,340	301	85	30	186
B. Other assets	162,861	23,692	—	—	15,952	56,427
C. Financial liabilities	4,274,327	924,142	56,365	13,423	278,215	114,710
C.1 Due to banks	15,216	556,077	—	11,448	113	265
C.2 Due to customers	2,171,536	352,965	7,525	1,975	117,540	113,915
C.3 Debt securities in issue	1,905,411	14,062	48,716	—	150,423	—
C.4 Other financial liabilities	182,164	1,038	124	—	10,139	530
D. Other liabilities	173,430	12,144	—	—	9,143	56,423
E. Financial derivatives						
- Options						
+ Long positions	171,582	61,856	3,980	501	14,772	1,344
+ Short positions	228,728	81,137	4,617	—	18,930	4,335
- Other derivatives						
+ Long positions	8,092,813	990,569	262,322	46,180	1,287,254	246,408
+ Short positions	8,276,019	1,309,368	178,429	66,726	1,361,135	296,159
Total assets	13,001,441	2,305,634	276,812	89,261	1,642,154	488,950
Total liabilities	12,952,504	2,326,791	239,411	80,149	1,667,423	471,627
Difference (+/-)	48,937	(21,157)	37,401	9,112	(25,269)	17,323

2. Internal models and other methodologies used for sensitivity analysis

During the year under review, and in particular in June, there was an appreciation of the US Dollar against the Euro; the appreciation was approximately 13%. The overall Forex VaR remained relatively constant at €800,000.

1.3 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

1.3.1 TRADING DERIVATIVES

A. Financial derivatives

A.1 Trading financial derivatives: reporting-date notional values

Underlying assets / Type of derivatives	30/6/22				30/6/21			
	Over the counter			Established markets	Over the counter			Established markets
	Central Counterparts	without central counterparties			Central Counterparts	without central counterparties		
		with offsetting arrangements	Without offsetting arrangements			with offsetting arrangements	Without offsetting arrangements	
1. Debt securities and interest rate	51,140,611	24,802,696	2,223,147	243,799,846	30,757,493	25,817,877	2,919,303	110,511,723
a) Options	—	5,824,722	708,379	242,979,042	—	5,534,985	626,316	110,236,307
b) Swap	51,140,611	14,862,262	1,514,768	—	30,757,493	14,951,514	2,292,987	—
c) Forward	—	348,654	—	—	—	475,648	—	—
d) Futures	—	—	—	820,804	—	—	—	275,416
e) Others	—	3,767,058	—	—	—	4,855,730	—	—
2. Equities and equity indexes	—	24,930,392	2,337,731	18,485,564	—	25,184,970	2,569,998	20,770,453
a) Options	—	23,520,849	328,337	18,079,439	—	23,349,514	906,280	20,299,618
b) Swap	—	1,409,543	—	—	—	1,718,307	—	—
c) Forward	—	—	—	—	—	117,149	—	—
d) Futures	—	—	—	406,125	—	—	—	470,835
e) Others [1]	—	—	2,009,394	—	—	—	1,663,718	—
3. Currencies and gold	—	18,773,897	1,377,560	—	—	12,072,530	1,170,726	—
a) Options	—	458,175	—	—	—	754,299	—	—
b) Swap	—	7,820,925	528,736	—	—	4,646,922	350,240	—
c) Forward	—	10,494,797	848,824	—	—	6,671,309	820,486	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
4. Commodities	—	1,700,000	127,453	—	—	—	—	—
5. Other	—	—	—	—	—	—	—	—
Total	51,140,611	70,206,985	6,065,891	262,285,410	30,757,493	63,075,377	6,660,027	131,282,176

[1] Of which Certificates for €2,009,349.

A.2 Trading financial derivatives: gross positive and negative fair values by product

Types of derivatives	Total 30/6/22				Total 30/6/21			
	Over the counter			Established markets	Over the counter			Established markets
	Central Counterparts	Without central counterparties			Central Counterparts	Without central counterparties		
		with offsetting arrangements	Without offsetting arrangements			with offsetting arrangements	Without offsetting arrangements	
1. Positive fair value								
a) Options	—	1,039,048	427	784,678	—	1,922,782	4,488	867,097
b) Interest rate swap	169,330	196,220	4,753	—	204	469,715	71,534	—
c) Cross currency swap	—	381,595	—	—	—	120,878	—	—
d) Equity swap	—	161,284	—	—	—	128,714	—	—
e) Forward	—	286,453	41,523	—	—	72,417	21,079	—
f) Futures	—	—	—	11,923	—	—	—	5,462
g) Others	—	—	—	—	—	—	—	—
Total	169,330	2,064,600	46,703	796,601	204	2,714,505	97,101	872,559
2. Negative fair value								
a) Options	—	1,053,244	22,965	1,200,474	—	1,880,057	7,586	1,072,720
b) Interest rate swap	19,959	385,617	2,088	—	64,850	393,202	20,280	—
c) Cross currency swap	—	308,391	36,283	—	—	101,024	9,785	—
d) Equity swap	—	685	—	—	—	1,918	—	—
e) Forward	—	252,588	51,894	—	—	167,397	17,304	—
f) Futures	—	—	—	14,886	—	—	—	20,127
g) Others[1]	—	—	1,597,551	—	—	—	1,652,285	—
Total	19,959	2,000,525	1,710,781	1,215,360	64,850	2,543,598	1,707,240	1,092,847

[1] Of which Certificates for €-1,597,550.

A.3 OTC trading financial derivatives: notional values, gross positive and negative fair values by counterparty

Underlyings	Central Counterparts	Banks	Other financial companies	Other subjects
Contracts not included in offsetting arrangements				
1) Debt securities and interest rate				
- notional amount	X	63,168	1,000,000	1,159,979
- positive fair value	X	4,089	727	511
- negative fair value	X	1,907	11,866	37,095
2) Equity instrument and stock indexes				
- notional amount[1]	X	2,064,654	273,055	22
- positive fair value	X	7,676	764	333
- negative fair value[1]	X	1,543,660	29,959	253
3) Currencies and gold				
- notional amount	X	142,036	220,619	1,014,905
- positive fair value	X	2,568	1,582	—
- negative fair value	X	4,761	1,155	80,126
4) Commodities[2]				
- notional amount	X	127,453	—	—
- positive fair value	X	28,453	—	—
- negative fair value	X	—	—	—
5) Others				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in offsetting arrangements				
1) Debt securities and interest rate				
- notional amount	51,140,611	11,535,900	7,351,748	5,915,049
- positive fair value	169,330	270,032	157,012	76,217
- negative fair value	19,959	266,409	241,006	164,188
2) Equity instrument and stock indexes				
- notional amount	—	13,480,212	9,770,075	1,680,105
- positive fair value	—	386,406	465,277	89,734
- negative fair value	—	364,987	384,127	25,031
3) Currencies and gold				
- notional amount	—	11,440,593	3,291,592	4,041,714
- positive fair value	—	385,763	78,164	152,650
- negative fair value	—	331,019	44,969	156,408
4) Commodities				
- notional amount	—	1,200,000	500,000	—
- positive fair value	—	2,349	998	—
- negative fair value	—	16,974	5,407	—
5) Others				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

[1] Of which certificates with a notional value of €2,009,394 and a fair value of €-1,597,550.

[2] The items includes the embedded derivatives in skew issues and the derivatives of related arbitrative structures.

A.4 Outstanding life of OTC financial derivatives: notional amounts

Underlying / Outstanding life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivative contracts on debt securities and interest rates	18,375,266	42,539,028	17,252,160	78,166,454
A.2 Financial derivative contracts on equity securities and stock indexes	13,268,444	13,262,061	737,618	27,268,123
A.3 Financial derivatives on currency and gold	12,961,102	6,592,410	597,945	20,151,457
A.4 Financial derivatives on goods	657,128	1,170,325	—	1,827,453
A.5 Other financial derivatives	—	—	—	—
Total 30/6/22	45,261,940	63,563,824	18,587,723	127,413,487
Total 30/6/21	30,652,843	52,655,113	17,184,941	100,492,897

B. Credit derivatives

B.1 Trading credit derivatives: reporting-date notional values

Type of transaction	Trading derivatives	
	With a single counterparty	With more counterparties (basket)
1. Hedge purchases		
a) Credit default products	4,259,028	26,446,452
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other[1]	266,614	—
Total 30/6/22	4,525,642	26,446,452
Total 30/6/21	4,282,550	14,988,621
2. Security sales		
a) Credit default products	2,199,753	26,791,001
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other[1]	—	—
Total 30/6/22	2,199,753	26,791,001
Total 30/6/21	2,153,060	14,920,620

[1] Of which Certificates for €266,614.

The column headed "Basket" includes the positions in credit indexes matched by positions on single names which go to make up the same index for the skew issues[2]. The arbitrage structures have a notional value of €17.6bn (€12.8bn in the previous year). The embedded derivative of the issues consists in purchases of hedges of €1.6bn[3] (€1.5bn) on individual entities.

[2] Please see "Part B - Liabilities - Liabilities at amortized cost" of the present report.

[3] Embedded items with underlying commodities (€127m) and related derivatives (€1,700m) are shown in Table A.3.

B.2 Trading credit derivatives: gross positive and negative fair values by product

Types of derivatives	30/6/22	30/6/21
1. Positive fair value		
a) Credit default products	243,371	319,914
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other	—	—
Total	243,371	319,914
2. Negative fair value		
a) Credit default products	297,714	355,787
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other[1]	232,740	237,018
Total	530,454	592,805

[1] Of which Certificates for €-232,740.

B.3 OTC trading credit derivatives: notional values and gross positive/negative fair value, by counterparty

	Central counterparts	Bank	Other financial companies	Other subjects
Contracts not included in offsetting arrangements				
1) Hedge purchases				
- Notional value[1]	X	2,407,144	70,829	—
- Positive fair value	X	26,913	8,121	—
- Negative fair value[1]	X	298,904	—	—
2) Hedge sales				
- Notional value	X	14,526	—	—
- Positive fair value	X	12,645	—	—
- Negative fair value	X	6,757	—	—
Contracts included in offsetting arrangements				
1) Hedge purchases				
- Notional value	7,083,344	3,175,397	18,235,380	—
- Positive fair value	—	5,379	140,351	—
- Negative fair value	—	9,156	46,958	—
2) Hedge sales				
- Notional value	7,381,497	3,788,924	17,805,806	—
- Positive fair value	—	13,382	36,580	—
- Negative fair value	21,600	29,435	117,644	—

[1] Of which certificates with a notional value of €266,614 and a fair value of €-232,740.

B.4 Outstanding life of OTC trading credit derivatives: notional values

Underlying / Outstanding life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
1 Hedges sales	6,269,881	22,217,587	503,285	28,990,753
2 Hedges purchases	6,392,671	24,045,645	533,778	30,972,094
Total 30/6/2022	12,662,552	46,263,232	1,037,063	59,962,847
Total 30/6/2021	3,381,936	32,678,310	284,604	36,344,850

1.3.2 ACCOUNTING HEDGES

QUANTITATIVE INFORMATION

A. Financial hedging derivatives

A.1 Financial hedging derivatives: reporting-date notional value

Underlying assets / Type of derivatives	30/6/22				30/6/21			
	Over the counter			Established markets	Over the counter			Established markets
	Central Counterparts	without central counterparties			Central Counterparts	without central counterparties		
		with offsetting arrangements	Without offsetting arrangements			with offsetting arrangements	Without offsetting arrangements	
1. Debt securities and interest rate	62,909,859	4,301,921	20,000	—	46,428,209	4,673,697	25,000	—
a) Options	—	2,146,137	—	—	—	2,312,311	—	—
b) Swap	62,909,859	1,913,236	20,000	—	46,428,209	2,361,386	25,000	—
c) Forward	—	242,548	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
2. Equities and equity indexes	—	—	—	—	—	—	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swap	—	—	—	—	—	—	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
3. Currencies and gold	—	306,600	—	—	—	695,101	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swap	—	306,600	—	—	—	695,101	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
4. Commodities	—	—	—	—	—	—	—	—
5. Other	—	—	—	—	—	—	—	—
Total	62,909,859	4,608,521	20,000	—	46,428,209	5,368,798	25,000	—

A.2 Financial hedging derivatives: gross positive and negative fair values by product

Types of derivatives	Positive and negative fair value								Change in the value used to calculate the hedge effectiveness	
	30/6/22				30/6/21				30/6/22	30/6/21
	Over the counter			Established markets	Over the counter			Established markets		
	Central Counterparts	Without central counterparties			Central Counterparts	Without central counterparties				
		with offsetting arrangements	Without offsetting arrangements			with offsetting arrangements	Without offsetting arrangements			
1. Positive fair value										
a) Options	—	36,604	—	—	—	15,847	—	—	—	—
b) Interest rate swap	817,030	17,164	—	—	268,119	22,821	493	—	454,468	114,713
c) Cross currency swap	—	894	—	—	—	1,090	—	—	—	—
d) Equity swap	—	—	—	—	—	—	—	—	—	—
e) Forward	—	739	—	—	—	—	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Others	—	—	—	—	—	—	—	—	—	—
Total	817,030	55,401	—	—	268,119	39,758	493	—	454,468	114,713
Negative fair value										
a) Options	—	6,788	—	—	—	6,989	—	—	—	—
b) Interest rate swap	1,245,183	108,810	1,035	—	294,960	70,175	3,289	—	1,828,809	270,467
c) Cross currency swap	—	—	—	—	—	—	—	—	—	—
d) Equity swap	—	—	—	—	—	—	—	—	—	—
e) Forward	—	48	—	—	—	—	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Others	—	—	—	—	—	—	—	—	—	—
Total	1,245,183	115,646	1,035	—	294,960	77,164	3,289	—	1,828,809	270,467

A.3 OTC financial hedging derivatives: notional values, gross positive and negative fair values by counterparty

Underlying	Central counterparts	Bank	Other financial companies	Other subjects
Contracts not included in offsetting arrangements				
1) Debt securities and interest rate notional amount	X	20,000	—	—
- positive fair value	X	—	—	—
- negative fair value	X	1,035	—	—
2) Equity instrument and stock indexes				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
3) Currencies and gold				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
4) Commodities				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
5) Others				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	62,909,859	3,638,167	663,755	—
- positive fair value	817,030	43,550	10,958	—
- negative fair value	1,245,183	55,723	59,923	—
2) Equity instrument and stock indexes				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
3) Currencies and gold				
- notional amount	—	257,144	49,456	—
- positive fair value	—	894	—	—
- negative fair value	—	—	—	—
4) Commodities				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Others				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

A.4 Outstanding life of OTC financial hedging derivatives: notional values

Underlying / Outstanding life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivative contracts on debt securities and interest rates	15,776,070	31,712,293	19,743,417	67,231,780
A.2 Financial derivative contracts on equity securities and stock indexes	—	—	—	—
A.3 Financial derivative contracts on currency and gold	—	4,043	302,557	306,600
A.4 Financial derivatives on goods	—	—	—	—
A.5 Other financial derivatives	—	—	—	—
Total 30/6/22	15,776,070	31,716,336	20,045,974	67,538,380
Total 30/6/21	12,293,540	27,144,532	12,383,935	51,822,007

C. Non-derivative hedging instruments

C.1 Hedging instruments other than derivatives: breakdown by accounting portfolio and hedge type

	Book value			Change in the value used to calculate the hedge ineffectiveness		
	Fair value hedges	Coverage of financial flows	Coverage of foreign investment	Fair value hedges	Coverage of financial flows	Coverage of foreign investment
Financial assets other than derivatives	—	—	—	—	—	—
of which: trading assets	—	—	—	—	—	—
of which: other assets mandatorily measured at fair value	—	—	—	—	—	—
of which: assets designated at fair value	—	—	—	—	—	—
Total 30/6/22	—	—	—	—	—	—
Total 30/6/21	—	—	—	—	—	—
Financial liabilities other than derivatives	—	—	150,319	—	—	(10,606)
Trading liabilities	—	—	—	—	—	—
Liabilities designated at fair value	—	—	—	—	—	—
Liabilities measured at amortized cost	X	X	150,319	—	—	(10,606)
Total 30/6/22	—	—	150,319	—	—	(10,606)
Total 30/6/21	—	—	137,731	—	—	2,102

D. Hedged instruments

D.1 Fair value hedges

	Specific hedges: book value	Specific hedges - net positions: balance sheet value of assets or liabilities (before offsetting)	Specific hedges			Generic hedges: Book value
			Accumulated changes in fair value of the hedged instrument	Ending of hedge: residual accumulated changes in fair value	Changes in value used to calculate the hedge ineffectiveness	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedges of:	1,239,478	—	51,779	—	6,144	—
1.1 Debt securities and interest rate	1,239,478	—	51,779	—	6,144	X
1.2 Equity securities and stock price indexes	—	—	—	—	—	X
1.3 Currencies and gold	—	—	—	—	—	X
1.4 Credits	—	—	—	—	—	X
1.5 Other	—	—	—	—	—	X
2. Financial assets measured at amortized cost - hedges of:	11,602,984	—	338,921	—	802,660	—
1.1 Debt securities and interest rate	4,393,007	—	73,075	—	120,576	X
1.2 Equity securities and stock price indexes	—	—	—	—	—	X
1.3 Currencies and gold	—	—	—	—	—	X
1.4 Credits	7,209,977	—	265,846	—	682,084	X
1.5 Other	—	—	—	—	—	X
Total 30/6/22	12,842,462	—	390,700	—	808,804	—
Total 30/6/21	10,975,310	—	470,161	—	168,088	—
B. Liabilities						
1. Financial liabilities measured at amortized cost - hedges of:	26,684,699	—	1,295,748	—	1,469,976	—
1.1 Debt securities and interest rate	26,684,699	—	1,295,748	—	1,469,976	X
1.2 Currencies and gold	—	—	—	—	—	X
1.3 Other	—	—	—	—	—	X
Total 30/6/22	26,684,699	—	1,295,748	—	1,469,976	—
Total 30/6/21	23,939,234	—	240,655	—	167,172	—

D.2 Cash flow and foreign investment hedges

	Change in the value used to calculate the hedge ineffectiveness	Hedging reserves	Cessation of hedging: residual value of hedging reserves
A. Hedging of cash flows			
1. Assets	—	—	—
1.1 Debt securities and interest rate	—	—	—
1.2 Equity securities and stock price indexes	—	—	—
1.3 Currencies and gold	—	—	—
1.4 Credits	—	—	—
1.5 Other	—	—	—
2. Liabilities	256,236	176,525	—
1.1 Debt securities and interest rate	256,236	176,525	—
1.2 Currencies and gold	—	—	—
1.3 Other	—	—	—
Total (A) 30/6/22	256,236	176,525	—
Total (A) 30/6/21	21,723	(16,032)	—
B. Coverage of foreign investment	X	(16,266)	—
Total (A+B) 30/6/22	—	160,259	—
Total (A+B) 30/6/21	21,723	(21,692)	—

E. Effects of hedging taken through net equity

E.1 Reconciliation of net equity components

	Cash flow hedging					Foreign investment hedging activities				
	Debt securities and interest rate	Equities and equity indexes	Currencies and gold	Receivables	- Others	Debt securities and interest rate	Equities and equity indexes	Currencies and gold	Receivables	- Others
Opening balance	(16,032)	—	—	—	—	—	—	(5,660)	—	—
Changes in fair value (effective portion)	192,557	—	—	—	—	—	—	(10,606)	—	—
Transfers to P&L	—	—	—	—	—	—	—	—	—	—
Of which: no longer expected future transactions	—	—	—	—	—	X	X	X	X	X
Other adjustment	—	—	—	—	—	—	—	—	—	—
Of which: transfers of hedged items at opening book value	—	—	—	—	—	X	X	X	X	X
Closing balance	176,525	—	—	—	—	—	—	(16,266)	—	—

E-MARKET SDIR CERTIFIED

1.3.3 OTHER INFORMATION ON DERIVATIVE INSTRUMENTS (TRADING AND HEDGING)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

	Central counterparts	Bank	Other financial companies	Other subjects
A. Financial derivatives				
1) Debt securities and interest rates				
- notional amount	114,050,470	15,257,235	9,015,503	7,075,028
- net positive fair value	986,360	317,671	168,697	76,728
- net negative fair value	1,265,142	325,074	312,795	201,283
2) Equity instruments and stock indexes				
- notional amount	—	15,544,866	10,043,130	1,680,127
- net positive fair value	—	394,082	466,041	90,067
- net negative fair value	—	1,908,647	414,086	25,284
3) Currency and gold				
- notional amount	—	11,839,773	3,561,667	5,056,619
- net positive fair value	—	389,225	79,746	152,650
- net negative fair value	—	335,780	46,124	236,534
4) Commodities				
- notional amount	—	1,327,453	500,000	—
- net positive fair value	—	30,802	998	—
- net negative fair value	—	16,974	5,407	—
5) Others				
- notional amount	—	—	—	—
- net positive fair value	—	—	—	—
- net negative fair value	—	—	—	—
B. Credit derivatives				
1) Hedge purchases				
- notional amount	7,083,344	5,582,541	18,306,209	—
- net positive fair value	—	32,292	148,472	—
- net negative fair value	—	308,060	46,958	—
2) Hedge sales				
- notional amount	7,381,497	3,803,450	17,805,806	—
- net positive fair value	—	26,027	36,580	—
- net negative fair value	21,600	36,192	117,644	—

1.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques of liquidity risk

Banks are naturally exposed to the liquidity risk inherent in the maturity transformation process that is typical of banking operations.

Liquidity risk is distinguished according to its timing profile:

– The current or potential risk of the bank not being able to manage its own liquidity needs in the short term (“liquidity risk”);
– The risk of the bank not having stable funding sources in the medium or long term, resulting in its inability to meet its financial obligations without incurring an excessive increase in the cost of financing (“funding risk”).

An adequate liquidity and funding risk management system is fundamental to ensure the stability of the Group and the financial system in general, given that a single bank’s difficulties would affect the system as a whole. The liquidity and funding risk management system is developed as part of the Risk Appetite Framework and the risk tolerance levels contained in it. In particular, one of the management objectives contained in the Risk Appetite Framework is to maintain a liquidity position in the short and long term which is adequate to cope with a period of prolonged stress (combining Bank-specific and systemic stress factors).

The Policy also sets out the roles and responsibilities of the company units and governing bodies, the risk measurement metrics used, the guidelines for carrying out the stress testing process, the funds transfer pricing system and the Contingency Funding Plan.

To ensure that liquidity risk is managed according to an integrated and consistent approach within the Group as a whole, strategic decisions are taken by the Parent company’s Board of Directors, to which the Policy assigns several important duties, including: definition and approval of the guidelines and strategic direction, responsibility for ensuring that the risk governance system is fully reliable, and monitoring of trends in liquidity and funding risk and of the Group’s Risk Appetite Framework.

Moreover, the Group ALM Committee discusses the most significant liquidity risk issues, defining the asset and liability structure and the related acceptance of the risk of mismatches between assets and liabilities and managing them in line with the commercial and financial objectives set out in the budget and in the Group's Risk Appetite Framework.

In application of Article 86 of Directive 2013/36/EU, the Mediobanca Group identifies, measures, manages and monitors liquidity risk as part of its internal liquidity adequacy assessment process (ILAAP). In this process, which constitutes an integral part of the supervisory authority's activities (Supervisory Review and Evaluation Process, or SREP), the Mediobanca Group performs a self-assessment of its liquidity risk management and measurement from both a qualitative and quantitative perspective. The findings of the risk profile adequacy assessment and overall self-assessment are presented to the governing bodies annually.

The liquidity governance process for the Mediobanca Group as a whole is centralized at the parent company level by setting the strategy and guidelines which the Group companies must comply with, thereby ensuring that the liquidity position is managed and controlled at the consolidated level.

The units of the Parent company that are responsible for ensuring that the Policy is applied accurately are:

- Group Treasury, responsible at Group level for the management of liquidity, funding, collateral, internal transfer pricing system and for the preparation of the Group Funding Plan in line with budget objectives;
- Risk Management which, in accordance with the principles of separation and independence, is responsible for the Group's integrated, second-level control system for current and future risks, in accordance with the Group's regulations and governance strategies.

The Group Audit Unit is responsible for evaluating the functioning and reliability of the control system for liquidity risk management and for reviewing adequacy and compliance with the requirements laid down in the regulations. The findings of such reviews are submitted to the governing bodies once a year.

The Group's objective is to maintain a level of liquidity that will enable it to meet its ordinary and extraordinary payment obligations at the established expiry dates, while at the same time keeping costs to a minimum and hence without incurring losses. The Mediobanca Group short-term liquidity policy is intended to ensure that the mismatch between cash inflows and outflows, whether expected or unexpected, remains sustainable in the short term, including over an intra-day time horizon.

Group Treasury manages its own liquidity position actively, with the objective of being able to meet its own clearing obligations within the timeframe required.

Intra-day liquidity risk is the risk of a mismatch in terms of timing within a single day between payments made by Mediobanca and those received from other market counterparties. Management of this risk requires careful and ongoing monitoring of cash flows exchanged, and, more importantly, adequate liquidity reserves. To mitigate this risk, the Group has implemented a system of indicators and monitoring to check the availability of reserves at the start of the day and their capacity to meet possible situations of stress that could involve other market counterparties or the value of the assets used in the risk mitigation.

The monitoring metric adopted over time horizons longer than intra-day is the net liquidity position, obtained from the sum of the counterbalancing capacity (defined as the cash, bonds tradable on the market, receivables eligible for refinancing with the ECB available post-haircut) and cumulative net cash flows.

The system of limits is structured on the basis of the normal course of business up to a time horizon of three months and in a combined stress scenario of 45 days, thus effectively functioning as an early warning system if the limit is approached in normal conditions.

The short-term and intra-day liquidity monitoring is supplemented by stress testing which assumes three scenarios:

- *Systemic Scenario:* a scenario that refers to stress events external to the Group that cause uncertainties on the financial markets (economic recession, “fire sales” etc.) and/or political uncertainties resulting in a difficulty in raising funds on the market and interbank funds. Moreover, a reduction in cash inflows due to drawdowns for credit lines granted to customers is assumed:
- The counterbalancing capacity suffers a significant reduction in value;

– *Idiosyncratic Scenario:* a scenario that refers to events within the Group typically linked to reputation damage resulting in a lower rating. The effects considered are the inability to raise funds on the securitized, retail and interbank markets. Higher outflows from on-demand deposits are also assumed;

– The counterbalancing capacity suffers a reduction in value, and there are also effects on securities issued by Mediobanca (ABS and covered bonds);

– *Combined*: a combined scenario between Systemic and Idiosyncratic Scenario.

In addition to the above, the Group prepares a report on its liquidity position on a weekly basis, as required by the Bank of Italy; the Maturity Ladder report, compiled according to the instructions of the Supervisory Authority, in addition to highlighting the main transactions maturing within the three months following the reference date, is supplemented by a summary of the Group's assets that can be allocated to the Central Bank.

Monitoring structural liquidity, on the other hand, is intended to ensure that the structure has an adequate financial balance for maturities of more than twelve months. Maintaining an appropriate ratio between assets and liabilities in the medium/long term also serves the purpose of avoiding future pressures in the short term. The operating methods adopted involve analysing the maturity profiles for both assets and liabilities over the medium and long term checking that on average the cumulative inflows cover the cumulative outflows for maturities of more than one and up to three years.

Throughout the financial year under review, both indicators, short- and long- term, have shown that the Group maintained an adequate level of liquidity at all times.

In June 2021, compliance with the minimum requirement for the Net Stable Funding Ratio (NSFR)[4] has become mandatory, which is in addition to the Liquidity Coverage Ratio (LCR).[5] Both these indicators are included in the Group Risk Appetite Framework, and remained above internal and regulatory limits at all times.

[4] Directive (EU) 2019/878 (referred to as CRD V) and Regulation (EU) 2019/876 (referred to as CRR2).

[5] Commission Delegated Regulation (EU) No. 2015/61, as supplemented and amended.

In detail, the LCR figure at 30 June stood at 159% (compared to 158% in June 2021), including the prudential estimate of the "additional outflows for other products and services" in compliance with Article 23 of Delegated Regulation (EU) 2015/61. The indicator showed a limited variability around its average value of 152% (from June 2021 to June 2022), the latter down compared to the average annual figure recorded in the previous financial year. This reduction in the annual average is attributable to a more stringent target value set by senior management for the previous year, largely achieved by Group Treasury. In a context of highly available liquidity, Group Treasury governed highly liquid assets trying to combine commercial strategies with the need to always have an adequate risk mitigation instrument, in terms of quantity and quality, in a still extremely fragile global macroeconomic scenario.

The NSFR indicator, calculated according to Regulation (EU) 2019/876, stood at 115%, a slight decrease compared to 30 June last (116%).

Wholesale and Consumer Credit assets deriving from investments in securities (a part of which not highly liquid) and loans have grown altogether. On the other hand, the increase in stable funding (supported by a greater use of TLTRO funding and a significant increase in Wealth Management and retail funding) was partially offset by a loss of stability in securitized funding.

As the above indicators are included in Group Risk Appetite Framework, their sustainability is also analysed in preparing the Group Funding Plan, through future analysis over a time horizon of at least three years, with monitoring and half-yearly updates. A multi-risk stress test is also run as part of the same framework based on the scenario analysis. A stress scenario is defined which may involve the Group, and its simultaneous impacts are assessed, taking into account the inter-relations between risks and the capability to adapt the business strategies defined in the budget to the changed scenario.

In addition to the risk measurement system described above, an event governance model has been devised, known as the Contingency Funding Plan (described in the Policy), to be implemented in the event of a crisis by following a procedure approved by the Board of Directors.

The objective pursued by the Contingency Funding Plan is to ensure prompt implementation of effective action to tackle a liquidity crisis through precise identification of stakeholders, powers, responsibilities, communication procedures and related reporting criteria in order to increase the likelihood of coming through the state of emergency successfully. This objective is achieved primarily by activating an extraordinary operational and liquidity governance model, supported by consistent internal and external disclosures and a number of specific indicators.

In order to identify a “contingency” state in a timely manner, a system of early warning indicators (EWIs) has been prepared to monitor situations that could lead to deterioration in the Group’s liquidity position deriving from external factors and/or situations which are specific to the Group itself.

The foregoing sections show how stress testing is a fundamental instrument in managing liquidity risk. Liquidity risk materializes less frequently but it may have a significant impact. Instruments are needed to diagnose the Group's vulnerabilities over different time horizons. The findings of the stress tests are therefore used principally in order to:

– Define the funding strategies for the Funding Plan and planning activities more generally (liquidity profile of assets and liabilities);
– Assess the adequacy of the system of limits, and establish significant events for the purpose of the regular process of revising the limits themselves;
– Provide support in assigning the actions to be taken in managing states of operating crisis or stress.

The liquidity risk mitigation factors adopted by the Mediobanca Group are as follows:

– An adequate level of high-quality, highly liquid assets to address any liquidity imbalances, even prolonged over time;
– Precise short-term and long-term liquidity planning, alongside careful forecasting and monitoring activities;
– A robust and constantly updated stress testing framework;
– An efficient Contingency Funding Plan to identify crisis states and the actions to be taken in such circumstances, through a reliable early warning indicator system.

During the year under review, debt securities went from €18.4bn to €18.5bn after €3bn in new issues, including the second senior non-preferred bond (€500m at 7 years at a fixed rate of 0.75%), a senior preferred benchmark issue (€500m at a fixed rate of 1%), an ABS for €528m with Consumer Banking credit originating from Compass Banca S.p.A. as the underlying and a €500m Covered Bond with CheBanca! residential mortgages as the underlying. The contribution from deposits with the Central Bank (T-LTRO) was increased from €7.4bn to €8.4bn and extended in duration (to approximately 2.5 years). Wealth Management deposits rose from €25.2bn to €28.8bn (approximately 47% of total funding) with a strong growth in the Private division (up €2.3bn); the Premier contribution (€17.5bn) also increased in terms of volumes and benefited from a positive effect on the reduced cost of funding, longer duration, and thus stability.

All of these components together led to an increase of approximately €5bn in the balance of deposits and amounted to €61.2bn (€56.2bn last June).

Counterbalancing capacity at 30 June amounted to €14.7bn, an increase compared to last year (€11.3bn). Funding activities through retail and private channels and deposits with the ECB led to abundant liquidity used in lending activities (factoring, private, consumer credit and retail), and to cash reserves, also to be used for future bond redemptions in the month of September. The amount for available securities eligible for spot refinancing with the ECB to immediately obtain liquidity stood at €7bn (€9bn). The balance of collateral allocated to the Central Bank amounted to €13.6bn (€11.6bn one year ago). Out of the collateral, the amount of €5.3bn approximately was allocated to the Central Bank free and immediately available (€4.1bn) and was, therefore, included in the Group's counterbalancing capacity.

QUANTITATIVE INFORMATION

1. Financial assets and liabilities by residual contract term

Items/maturities	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	5,088,021	789,943	1,446,866	1,467,162	4,296,657	3,916,635	7,049,706	31,842,707	16,441,466	12,480
A.1 Government securities	875	45,788	101,470	1,996	172,973	87,427	1,676,988	3,851,722	2,105,192	—
A.2 Other debt securities	1,285	926	54,510	35,261	454,848	50,786	268,229	1,873,454	2,234,572	—
A.3 UCITS units	45,753	—	—	—	—	—	—	—	—	—
A.4 Loans and advances	5,040,108	743,229	1,290,886	1,429,905	3,668,836	3,778,422	5,104,489	26,117,531	12,101,702	12,480
– to banks	1,421,544	199,121	279,227	228,238	577,994	495,512	267,915	1,388,558	19,515	8,148
– to customers	3,618,564	544,108	1,011,659	1,201,667	3,090,842	3,282,910	4,836,574	24,728,973	12,082,187	4,332
Cash liabilities	26,200,269	2,970,650	1,333,620	2,105,201	3,582,119	1,647,806	4,417,442	24,951,617	6,035,897	—
B.1 Deposits and currentaccounts	23,465,056	2,623,789	241,085	695,582	708,621	545,783	942,103	112,757	5,000	—
– to banks	461,412	—	—	—	—	—	—	8,000	—	—
– to customers	23,003,644	2,623,789	241,085	695,582	708,621	545,783	942,103	104,757	5,000	—
B.2 Debt securities	937	45	100,367	406,034	1,461,367	526,781	1,219,192	9,785,427	4,702,592	—
B.3 Other liabilities	2,714,276	346,816	992,168	1,003,585	1,412,131	575,242	2,256,147	15,053,433	1,328,305	—
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
– long positions	459,365	138,359	117,915	1,579,341	2,680,279	1,502,829	915,468	3,489,183	7,897,992	—
– short positions	226,118	115,039	532,852	665,901	1,953,174	1,419,811	1,304,402	3,797,949	588,673	—
C.2 Financial derivatives without principal exchange of										
– long positions	2,240,092	7,989	11,561	26,942	36,669	42,354	263,853	—	—	—
– short positions	2,227,050	2,786	2,696	26,039	32,477	63,093	319,745	—	—	—
C.3 Deposits and loans for collection										
– long positions	2,745,081	1,573,847	—	151,648	332,784	102,663	157,742	47,965	—	—
– short positions	—	—	130,686	—	411,594	—	837,171	1,949,550	1,782,730	—
C.4 Irrevocable commitments to disburse funds *										
– long positions	44,028	45,878	261,352	78,508	512,720	96,092	1,610,964	1,704,872	2,764,542	—
– short positions	3,314,687	1,286,490	251,026	505,900	452,022	126,582	161,778	124,763	895,708	—
C.5 Financed guarantees issued	7,841	—	120	392	1,143	670	4,939	55,436	3,833	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal										
– long positions	—	—	—	—	—	37,702	37,069	1,915,794	386,343	—
– short positions	—	—	—	—	—	40,702	37,069	2,081,274	237,963	—
C.8 Credit derivatives without exchange of principal										
– long positions	623,230	—	—	—	—	—	—	—	—	—
– short positions	728,819	—	—	—	—	—	—	—	—	—

* This item includes hedge sales perfectly matched by buys for the same amount.

1.5 OPERATIONAL RISK

Definition

Operational risk is the risk of incurring losses as a result of the inadequacy or malfunctioning of procedures and IT systems, human error or external events.

Capital requirement

Against operational risk, Mediobanca has adopted the Basic Indicator Approach ("BIA") to calculate its capital requirement for operational risk by applying the regulatory coefficient of 15% of the three-year average of the relevant indicator. Based on the above calculation method, the capital requirement at 30 June 2022 was €341.5m, a slight increase compared to the previous year (€329.8m).

Risk mitigation

The Group's Non-Financial Risks Committee, with the task of guiding, monitoring and mitigating non-financial risks (including IT risk, fraud risk, outsourcing risk, legal risk, reputation risk) and the Conduct Committee, with the task of guiding, supervising and making decisions on the Group's conduct risks, operate within the scope of risk management.

Operational risks are supervised, at the level of Parent company and main subsidiary companies, by a specific Operational Risk Management team within the Risk Management unit.

The processes for the identification and assessment of operational risk, collection and analysis of loss data and mitigation of operational risk are defined and implemented at the Parent Company level and at the main subsidiaries in accordance with the Group's operational risk management policy and in line with the principle of proportionality.

Based on the evidence obtained, action to mitigate the most relevant operational risks has been proposed, implemented and monitored on a constant basis.

Operating losses recorded during the year were contained and had a low impact on total revenues (approximately 0.4%).

As for the different classes of operational risk, the percentage composition of the various Basel II event types for the Group is shown below.

Event Type	**% Total Loss**
Clients, products and business practices	39%
Execution, delivery and process management	42%
External fraud	6%
Employment practices and workplace safety	6%
Other	7%

Most of the Group's operational losses derived from the Event Type "Execution, delivery and process management", which includes litigation provisions and expenses with other banks and losses due to process failures. The second category of losses by amount "Clients, products and business practices" includes costs deriving from disputes or litigation with Consumer Banking and Retail customers concerning financial terms and conditions or interest rates applied to financing products. This is followed by provisions for the management of disputes with personnel and external fraud on Consumer Banking and Retail financing products (document and card counterfeiting, phishing), for which mitigation actions were undertaken to keep this phenomenon at a normal level.

Although they did not generate significant losses, there was an increase in some types (classes) of operational risk, such as IT & Cyber Risk and Outsourcing Risk.

It is an increase that has been observed at industry as well as Group level. Monitoring frameworks for these risk classes are constantly evolving in coordination with the other control units.

By business lines, operating losses were highest in Consumer Banking, and much lower in Wealth Management, albeit potentially growing due to the increase in regulations and guidelines from authorities, which expose operators to conduct risk, plus the growth in the number of different commercial channels and networks.

In terms of potential effects, the risk of "low frequency and high severity" events remains material, given the nature of the Bank's businesses, which feature large non-standard transactions, notably in CIB and in part Wealth Management.

* * *

Other risks

As part of the process of assessing its current and future capital adequacy (ICAAP), the Group, in addition to the risks described above (credit and counterparty, market, interest rate, liquidity and operational risk), has in particular identified the following main types of risk to which it is exposed:

- Concentration risk, understood as risk deriving from the concentration of exposures towards single counterparties or a group of connected counterparties (referred to as "single name" concentration risk) and towards counterparties belonging to the same economic sector or carrying out the same activity or belonging to the same geographical area (geo-sector concentration risk);
- Strategic risk, i.e., exposure to current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);
- Risk from equity investments held as part of the "Hold to collect and sell" banking book ("HTC&S"), deriving from the potential reduction in value of the equity investments, listed and unlisted, which are held as part of the HTC&S portfolio, due to unfavourable movements in financial markets or to the downgrade of counterparties (where these are not already included in other risk categories);
- Sovereign risk, in regard to the potential downgrade of countries or national central banks to which the Group is exposed;
- Compliance risk, attributable to the possibility of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of internal laws and regulations or self-imposed regulations;
- Reputational risk, due to reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities.

Risks are monitored and managed via the respective internal units (risk management, planning and control, compliance and Group audit units) and by specific management committees.

* * *

ESG e *Climate Change*

As part of the Risk Map update relevant for the Group, environmental risk factors were integrated into the risk identification process, specifying the related components within the main existing risk categories.

At the same time, an ESG Programme was launched at the beginning of 2021. This is a Group-wide process aiming to adapt to the recent amendments in the ESG regulatory framework. Phase 1 ended in June 2021.

The subsequent Phase 2, on the other hand, achieved the following objectives:

– implementation of the actions included in the plan filed with the ECB in May 2021;

– completion of the adaptation process to the obligations under the SFDR and MIFID;

– definition of preparatory activities to draw up the first Taxonomy disclosure, consistent with the business areas impacted by the regulations.

Furthermore, in line with the objectives relating to the fight against climate change included in the Strategic Plan, the Group has renewed its commitment to combating climate change with two important goals: joining the Net-Zero Banking Alliance (NZBA) and neutralizing its direct Scope 1 and 2 emissions relating to financial year 2020/21.

Lastly, with a view to creating long-term value to foster sustainable growth without sacrificing profit, the Group recognizes the importance of a balanced distribution of the value generated by its business activities to its stakeholders, a value that they directly or indirectly contributed to producing. For this reason, the Mediobanca Group publishes a calculation of the economic value it generated and distributed according to the instructions of *Associazione Bancaria Italiana*

(Italian Banking Association) by restating the items posted in the Consolidated income statement[6].

As part of the updated Risk Map regarding the Group, environmental risk factors were integrated into the risk identification process, including the related components within the main risk categories in place.

Finally, the Group was called upon to carry out a stress test on climate risks conducted by the ECB in 2022 in order to identify the vulnerabilities of banks to climate-related risk factors, the findings of which will be integrated into the 2022 SREP prudential assessment.

It should be noted that the Group has no significant exposures to high carbon-intensive counterparties and monitors the climate risk profile of its banking book. For more information, please refer to the section of the Pillar III Public Disclosure on ESG Risk. The document is published at the same time as this Annual Report and can be viewed at www.mediobanca.com.

* * *

IT risk e cyber risk

The so-called "emerging" risks, i.e., risks characterized by less-known or rapidly evolving components that may become significant in the medium term with respect to the Group's financial position and business model, include IT risk and cyber risk.

IT or technological risk is understood as the risk of incurring financial loss, reputation damage and market share loss in relation to the use of the company's information system and in connection with hardware, software and network malfunctions.

Cyber risk is a type of IT risk that concerns cyber security aspects and risks deriving from cyber-attacks.

While not inherently new risks, it is reasonable to expect significant potential exposure due to the enterprises' growing dependence on IT systems and consequent increase in the number of users of virtual channels and

[6] For further information, please refer to paragraph *7.1. Economic value generated and distributed* of the Group's Non-Financial Report.

interconnected devices, to the growth in the amount and quality of managed data that must be protected and to a greater use of IT services offered by third parties.

Over the last few years, the Group has constantly strengthened its security strategy in order to ensure the confidentiality, integrity and availability of information. It has adopted a system of principles and rules for the purpose of identifying and measuring the IT and cyber risks to which company assets are exposed, assessing the safeguards in place and identifying the appropriate methods to handle such risks, consistent with its operational risk management process.

Continuous security checks and IT risk analysis activities are carried out for the purpose of ensuring adequate control, organizational and technological safeguards, across the entire Group.

During the year under review, the following activities, to be carried out annually, were conducted:

- Spear Phishing simulations in order to verify the users' ability to recognize these types of cyber-attacks and apply the correct IT security procedures;
- assessment campaigns concerning the level of strength of the users' passwords to identify any weaknesses allowing a potential attacker to trace the password using specific hacking techniques;
- technical security checks (vulnerability assessment and penetration test) carried out after major application and/or infrastructural updates;
- system analyses on the governance of remote access security and an assessment of the effectiveness of the related internal controls and adequacy of the infrastructure used following the Covid-19 emergency, which led to a significant increase in the number of users authorized to perform their work duties remotely.

Part F - Information on consolidated capital

SECTION 1

Consolidated capital

QUANTITATIVE INFORMATION

*B.1 Consolidated net equity: breakdown by type of company**

Net equity items	Prudential consolidation	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total	Of which: minorities
1. Share capital	460,269	—	—	—	460,269	16,629
2. Share premium reserve	2,197,454	—	—	—	2,197,454	1,848
3. Reserves	6,989,271	—	—	—	6,989,271	81,008
4. Equity instruments	—	—	—	—	—	—
5. Treasury shares	(240,807)	—	—	—	(240,807)	—
6. Valuation reserves:	433,001	—	—	—	433,001	(591)
- Equity instruments valued at fair value with impact taken to comprehensive income	163,770	—	—	—	163,770	—
- Hedging of equity instruments valued at fair value with impact taken to comprehensive income	—	—	—	—	—	—
- Financial assets (other than equity instruments) valued at fair value with impact taken to comprehensive income	(40,790)	—	—	—	(40,790)	—
- Tangible assets	—	—	—	—	—	—
- Intangible assets	—	—	—	—	—	—
- Hedging of foreign investments	(16,266)	—	—	—	(16,266)	—
- Hedging of cash flows	176,068	—	—	—	176,068	(457)
- Hedging instruments [not designated instruments]	—	—	—	—	—	—
- Exchange differences	9,020	—	—	—	9,020	—
- Non-current assets and group of assets being sold	—	—	—	—	—	—
- Financial liabilities designated at fair value with impact taken to profit and loss (variation of own credit risk)	830	—	—	—	830	—
- Actuarial gains (losses) on defined benefits pension schemes	(2,808)	—	—	—	(2,808)	(134)
- Valuation reserves share of equity-accounted interests	133,545	—	—	—	133,545	—
- Extraordinary revaluation laws	9,632	—	—	—	9,632	—
7. Net profit (loss) for the period (+/-) of Group and minorities	909,667	—	—	—	909,667	2,677
Total	10,748,855	—	—	—	10,748,855	101,571

* Includes the equity-accounted consolidation of Compass RE (insurance companies), Compass Rent, MBContact Solutions, Revalea and RAM UK (other companies).

B.2 Valuation reserves for financial assets measured at FVOCI: composition

Assets/Values	Prudential consolidation		Insurance companies		Other companies		Consolidation adjustments and eliminations		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	15,204	(55,994)	—	—	—	—	—	—	15,204	(55,994)
2. Equity securities	168,591	(4,821)	—	—	—	—	—	—	168,591	(4,821)
3. Loans	—	—	—	—	—	—	—	—	—	—
Total at 30/6/22	183,795	(60,815)	—	—	—	—	—	—	183,795	(60,815)
Total at 30/6/21	181,452	(5,699)	—	—	—	—	—	—	181,452	(5,699)

B.3 Valuation reserves for financial assets measured at FVOCI: changes during the period

	Debt securities	Equity securities	Loans	Total
1. Opening balance	48,854	126,899	—	175,753
2. Additions	8,477	54,475	—	62,952
2.1 Increases in fair value	5,306	51,969		57,275
2.2 Writedowns for credit risk	3,171	—	—	3,171
2.3 Profit and loss reversal of negative reserves from realize	—	—	—	—
2.4 Transfers to other equity components (equity instruments)	—	—	—	—
2.5 Other variations	—	2,506	—	2,506
3. Reductions	98,121	17,604	—	115,725
3.1 Reductions in fair value	83,466	17,604		101,070
3.2 Writebacks for credit risk	1,628	—	—	1,628
3.3 Profit and loss reversal from positive reserves: from disposal	13,027	—	—	13,027
3.4 Transfers to other equity components (equity instruments)	—	—	—	—
3.5 Other reductions	—	—	—	—
4. Closing balance	(40,790)	163,770	—	122,980

SECTION 2

Own funds and supervisory capital requirements for banks

The Mediobanca Group has always stood out for its strong capital strength with ratios constantly above the regulatory thresholds, as shown by the excellent results of the Group's "2021 EU-wide stress test" conducted by the European Banking Authority (EBA), by the large amount of equity as identified by the Internal Capital Adequacy Assessment Process (ICAAP) and by the survey conducted by the Supervisor as part of the SREP process.

The "SREP 2021 Decision" came into force with effect from 1 March. It provides for an additional Pillar 2 requirement of 1.58%; Mediobanca will therefore be required to hold a minimum CET1 ratio of 7.90% on a consolidated basis, including 2.50% of the capital conservation buffer and 0.89% for the additional Pillar 2 requirement ("P2R"), i.e., 56.25% of plus 1.58%; plus, the minimum level required on Tier1 will be 9.70% and that on Total SREP Capital Requirement ("TSCR")[1] will be 12.09%. The increase of 33 bps includes the adoption of Calendar Provisioning with reference to the stock in place at 31 March 2018, for regulatory purposes only.

2.1 Scope of application for regulations

During the year under review, there were no regulatory changes such as to have a significant impact on capital ratios. However, starting from 31 March 2022, also in light of the EBA 2020_5664 Q&A, the prudential treatment of the equity investment in Assicurazioni Generali was modified without having any effect on capital ratios. According to the latest EBA decisions, Article 471 rules out the adoption of Article 48 of CRR and therefore the entire non-deducted portion must be weighted at 370%, and not only partially at 250%. In this way, the equity investment in Assicurazioni Generali will no longer fall within the overall investments to be compared with the threshold pursuant to Article 48. Therefore, the resulting increase in terms of higher RWAs will be entirely offset by lower deductions of the other significant investments. This change, on the other hand, has no impact on the ratio on a fully loaded basis.

[1] The requirements include the countercyclical capital buffer of 0.01%

It should also be remembered that the Group did not enforce the right to extend the transitional regime of higher IFRS 9-related adjustments, neutralize valuation reserves on government bonds and exclude certain exposures to central banks for the purpose of calculating the leverage ratio[2].

2.2 Bank equity

QUALITATIVE INFORMATION

Common Equity Tier 1 (CET1) consists of the share attributable to the Group and to minority shareholders of capital paid up, and reserves (including the profit for the period (€907m) net of the dividend proposed (€629.2m equal to a DPS of €0.75). The portion of reserves relating to securities measured at fair value through other comprehensive income amounted to €391.9m, of which €268.9m recovered from the equity-accounted consolidation of Assicurazioni Generali.

The deductions regarded:

– treasury shares as to €240.8m, representing 3% of the share capital, relating to repurchases made as part of the buyback plan concluded for a total of 25,900,000 shares last June;

– intangible assets as to €180.9m and goodwill as to €616.8m, an increase compared to last June 30 due to the completion of the Bybrook acquisition during the year (respectively €141m and €602.4m);

– prudential changes relating to the valuation of financial instruments (referred to as AVA and DVA) for €68.6m, a decrease compared to last year (€80.3m) mainly due to the trend in gains and losses on liabilities due to the evolution of the entity's credit quality (Debt Valuation Adjustment, which went from €19.9m to €8m);

– significant interests of €1,206.7m in total in financial companies, entirely relating to the investment in Assicurazioni Generali;

[2] Regulation (EU) 2020/873 amending Regulations (EU) 575/2013 and (EU) 2019/876 regarding some adjustments in response to the COVID-19 pandemic ("CRR Quick Fix").

No Additional Tier 1 (AT1) instruments were issued.

Tier 2 capital includes subordinated liabilities, down from €1,167.3m to €911.8m due to amortization (€255.4m) and taking into account that there were no new issues. No subordinated tier 2 issue benefits from the grand-fathering permitted under Articles 483ff of the CRR.

Issue	30/6/2022		
	ISIN code	Nominal value	Computed value*
MB SUBORDINATO 5,75% 2023	IT0004917842	499,686	78,040.79
MB SUBORDINATO TV con min 3% 2025	IT0005127508	499,153	312,889.22
MB SUBORDINATO 3,75% 2026	IT0005188351	300,407	231,023.28
MB SUBORDINATO 1,957% 2029	XS1579416741	50,000	48,500.88
MB SUBORDINATO 2,3% 2030	XS2262077675	248,900	241,367.61
Total subordinated securities		1,598,146	911,821.78

* The computed value differs from the book value because of fair value components and buyback commitments.

Tier 2 also includes the difference between the higher book value adjustments compared to the expected prudential losses calculated with advanced models (referred to as "buffer"): the surplus stood at €97.4m; the calculated value, i.e. €68.3m, was nearly in line with the value calculated last June (€66.7m), as it is permitted to calculate the maximum amount corresponding to the regulatory threshold, i.e. 0.6% of exposure amounts weighted for the risk calculated by using the advanced models (under Article 159 of the CRR).

QUANTITATIVE INFORMATION

	30/6/2022	30/6/2021
A. Common equity tier 1 (CET1) prior to application of prudential filters	10,061,450	10,480,710
of which: CET1 instruments subject to phase-in regime	—	—
B. CET1 prudential filters (+/-)	(200,929)	(47,932)
C. CET1 gross of items to be deducted and effects of phase-in regime (A +/- B)	9,860,521	10,432,778
D. Items to be deducted from CET1	(3,379,799)	(3,935,089)
E. Phase-in regime - impact on CET1 (+/-), including minority interests subject to phase-in regime*	1,413,612	1,191,710
F. Total common equity tieer 1 (CET1) (C-D+/-E)	7,894,334	7,689,399
G. Additional tier 1 (AT1) gross of items to be deducted and effects of phase-in regime	—	—
of which: AT1 instruments subject to temporary provisions	—	—
H. Items to be deducted from AT1	—	—
I. Phase-in regime - impact on AT1 (+/-), including instruments issued by branches and included in AT1 as a result of phase-in provisions	—	—
L. Total additional tier 1 (AT1) (G-H+/-I)	—	—
M. Tier 2 (T2) gross of items to be deducted and effects of phase-in regime	980,165	1,233,946
of which: T2 instruments subject to phase-in regime	—	—
N. Items to be deducted from T2	(69)	(4,167)
O. Phase-in regime - Impact on T2 (+/-), including instruments issued by branches and included in T2 as a result of phase-in provisions	—	—
P. Total T2 (M-N+/-O)	980,096	1,238,113
Q. Total own funds (F+L+P)	8,874,429	8,927,512

* Adjustments include application of the phase-in provisions for the introduction of IFRS9.

2.3 Capital adequacy

QUALITATIVE INFORMATION

At 30 June 2022, the Common Equity Ratio - ratio of Tier 1 Common Equity to total weighted assets - stood at 15.67%, down by about 60 bps compared to last June (16.31%) due to the buyback plan[3]; retained earnings for the year (up 59 bps) financed organic growth (down 58 bps) and the Bybrook acquisition (down 13bps).

The significant increase in RWAs (from €47.2bn to €50.4bn) was equally split between the new prudential treatment of the investment in Assicurazioni Generali (€1.4bn) and higher loans: CIB (up €700m), Consumer Banking (up €900m) and Private Banking (up €400m).

[3] The buyback plan was launched after 22,581,461 treasury shares held in the Bank's portfolio were cancelled last November. Of the shares in the portfolio at 30 June 2022, 16,500,000 shares will be cancelled.

Changes in RWAs

	Value
RWA as at 30 June 21	**47,159,255**
New regulation impact	**1,357,128**
Optimization (CVA and market risk)	**—**
Volume effect	**1,861,570**
Corporate Investment Banking - CIB	710,850
Wholesale Banking- WS	379,340
Specialty Finance - SF	331,510
Consumer	964,601
Wealth Manangement - WM	468,729
Holding Functions - HF - (Leasing)	(270,676)
Others PI	(11,934)
RWA as at 30 June 2021	**50,377,953**

The total capital ratio decreased from 18.9% to 17.6%, the faster decrease compared to that of the CET1 ratio being attributable to the prudential amortization of Tier 2 instruments.

Fully-loaded ratios without adopting of the Danish Compromise, i.e. fully deducting the Assicurazioni Generali stake (down 108 bps, i.e., €1,360.0m) and fully applying the IFRS 9 effect (down 10 bps, i.e., €53.6m), stood respectively at 14.50% (CET1 ratio) and 16.69% (total capital ratio), a decrease compared to 30 June last year (15.1% and 17.9% respectively).

The other indicators performed as follows:

- The Leverage Ratio, calculated without excluding exposures to central banks, decreased from 9.1% to 8.4%, as an effect of the increase in exposures (up €9.7bn) relating to greater treasury activities; it still remained well above the regulatory threshold of 3% at all times;
- The MREL ratio, calculated according to the hybrid approach, stood at 30.7% of RWAs[4] and 16.4% of LREs, both considerably higher than the minimum levels set by the Single Resolution Board for the year 2022, which were 21.85% and 5.91%, respectively, including the Combined Buffer Requirement of 2.51%.

[4] Ratio calculated using the hybrid approach introduced by the Regulator, which takes into consideration consolidated own funds and eligible liabilities (other than own funds) issued by the resolution entity to entities outside the resolution group.

QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts[7]		Weighted amounts/requirements	
	30/6/2022	30/6/2021	30/6/2022	30/6/2021
A. RISK ASSETS				
A.1 Credit and counterpart risk	83,002,780	71,850,055	43,304,396	40,728,331
1. Standard methodology	52,395,447	43,040,773	31,810,452	29,500,445
2. Internal rating methodology	30,278,802	28,612,334	11,390,437	11,114,732
2.1 Basic	—	—	—	—
2.2 Advanced	30,278,802	28,612,334	11,390,437	11,114,732
3. Securitization	328,531	196,948	103,507	113,153
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			3,464,352	3,258,266
B.2 Credit valuation risk			29,872	18,939
B.3 Settlement risk			—	—
B.4 Market risk			194,477	165,699
1. Standard methodology			194,477	165,699
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Other prudential requirements			341,535	329,836
1. Basic Indicator Approach (BIA)			341,535	329,836
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.6 Other calculation elements			—	—
B.7 Total prudential requirements			4,030,236	3,772,740
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			50,377,953	47,159,256
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			15.67%	16.31%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			15.67%	16.31%
C.4 Regulatory capital/risk-weighted assets (total capital ratio)			17.62%	18.91%

[7] For the standardized methodology, the "un-weighted amounts", as provided by the regulations in force, correspond to the value of the exposure taking into account the prudential filters, risk mitigation techniques and credit conversion factors. For the AIRB ratings methodology, the "un-weighted amounts" correspond to the "exposure at default" (EAD). For guarantees issued and commitments to disburse funds, credit conversion factors are also included in the EAD calculation.

For more details on the disclosure concerning own funds and capital adequacy, please refer to the Basel 3 Third Pillar file at 30 June 2022, published on the Bank's website in the section "Capital adequacy".

Part G - Combinations involving Group companies or business units

SECTION 1

Transactions completed during the period

It should be noted that on 31 August 2021 the activities of Bybrook Capital LLP (“Bybrook”) merged into Cairn Capital Ltd.

This transaction, approved by the competent Regulatory Authorities, took place in two successive stages, namely: takeover of the Revenue Sharing Agreement (“RSA”) between Bybrook and an institutional investor; and acquisition of the Bybrook Business from the two founders. The total outlay amounted to £66.9m, of which £23.6m to the institutional investor and £43.3m to the two Bybrook partners, of which £25.2m in new Cairn shares (D Shares) representing 21.86% of the company. A Put & Call agreement is expected to be entered into with Mediobanca on half of these. Following the acquisition, Cairn Capital recognized intangible assets of £67.4m (of which £8.5m with a finite life and £58.9m with an indefinite life).

It should also be noted that on 1 April the sale by Spafid to Euronext of the Issuers Services branch relating to shareholder meeting operations and keeping of shareholder registers took place at a price of €12m.

Lastly, the partial demerger of the “NPL purchase” business unit of the subsidiary MBCS to a newly established company called Revalea S.p.A., wholly owned by Compass Banca, was initiated with the aim of separating operating activities on behalf of third parties from purchasing activities.

For further details, please see Part B of the Notes to the Consolidated Balance Sheet, Section 10 (Intangible Assets)”.

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SECTION 2

Transactions completed since the reporting date

No transactions have taken place since the reporting date.

SECTION 3

Retrospective adjustments

No adjustments have been made to the accounts in connection with previous business combinations for the period under review.

Part H – Related-Party Transactions

1. Disclosure on compensation paid to key management personnel

With regard to the disclosure on compensation paid to key management personnel, reference should be made to the "Report on remuneration and compensation paid" published on the Mediobanca website www.mediobanca.com, where the following are disclosed (with reference to the Mediobanca Group):

– the analytical detail of compensation paid to members of governing and supervisory bodies and other key management personnel;

– the detail and the evolution of performance shares schemes awarded to members of the Board of Directors, other key management personnel and long-term incentive schemes.

Group compensation includes amounts paid to managers of Group Legal Entities not listed in the Table published in the Report (for a total of €1.3m).

2. Disclosure on related-party transactions

The Regulation on Related-Party Transactions, implementing CONSOB Regulation no. 17221 of 12 March 2010, as most recently amended by Resolution No. 21264 of 10 December 2020, was introduced in 2011 and aims to ensure the transparency and substantial correctness of transactions with related parties carried out directly or through Group Legal Entities. After receiving a favourable opinion from the Bank's Related-Party and Statutory Audit Committees, the Board of Directors incorporated the Bank of Italy's most recent instructions on this subject into the Regulation, introducing prudential limits for risk activities with related parties; the Regulation came into force in December 2012 and was last updated in June 2021. The document is available at www.mediobanca.com.

For a definition of related party, please refer to Part A, Accounting Policies, of the Notes to the Accounts.

Transactions with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. Details of the Directors' and the key management personnel's compensation are provided in a footnote to the table.

2.1 Regular financial disclosure: most significant transactions

There are no transactions to report for the year under review.

2.2 Quantitative information

During the year under review, the Caltagirone Group was included within the scope of the regulation on related-party transactions, taking into account that the equity investment held in Mediobanca exceeded 3%.

The regulatory risk exposure of the Mediobanca Group at 30 June 2022 towards the Caltagirone group amounted to €57m, of which €25m in reference to a loan disbursed, €10m to a loan entered into and yet to be disbursed and the residual amount in counterparty risk for operations in derivative instruments.

The Group's overall exposure to related parties remains particularly limited, with a slight decrease after the above addition.

Situation as at 30 June 2022

(€m)

	Directors and strategic management	Associates	Others related parties	Total
Assets	3.1	0.1	168.1	171.3
of which: other assets	—	*0.1*	*133.7*	*133.8*
loans and advances	*3.1*	—	*34.4*	*37.5*
Liabilities	24.6	—	51.3	75.9
Guarantees and commitments	—	—	390.0	390.0
Interest income	—	0.1	0.8	0.9
Interest expense	(0.1)	—	(1.4)	(1.5)
Net fee income	—	2.8	50.4	53.2
Other income (costs)	(42.5)[1]	(0.1)	91.4[2]	48.8

[1] Of which: short-term benefits amounting to (€37.2m) and performance shares worth (€4.9m). The number includes the resources included among key management personnel during the year under review.

[2] The item also includes the valuation of derivative agreements, including bond forwards with Government securities as underlying.

Situation as at 30 June 2021

(€m)

	Directors and strategic management	Associates	Others related parties	Total
Assets	2.1	4.1	110.1	116.3
of which: other assets	—	*4.1*	*101.1*	*105.2*
loans and advances	*2.1*	—	*9.0*	*11.1*
Liabilities	23.9	—	108.2	132.1
Guarantees and commitments	—	—	380.0	380.0
Interest income	—	0.7	0.5	1.2
Interest expense	—	—	(1.8)	(1.8)
Net fee income	—	—	49.8	49.8
Other income (costs)	(42.9)[1]	0.4	10.9[2]	(31.6)

[1] Of which: short-term benefits amounting to (€37.7m) and performance shares worth (€4.9m). The number includes the resources included among key management personnel during the year under review.

[2] The item also includes the valuation of derivative agreements, including bond forwards with Government securities as underlying.

Part I – Share-based payment schemes

A. QUALITATIVE INFORMATION

1. Summary of share-based payment schemes approved by the Shareholders' Meeting.

The following table shows the resolutions taken by the Parent Company's Extraordinary Shareholders' Meeting regarding the current stock option, performance stock option and performance share plans:

Extraordinary general meeting	No. of shares approved	Awards expire on	No. of options and performance shares awarded
For use in connection with performance share schemes			
28 october 2015	20,000,000	X	2,418,848 *
28 october 2020	20,000,000	X	1,655,315 *
28 october 2021	4,000,000	X	56,927 *

* Refers to options awarded in 2017, 2018, 2019, 2020, 2021 and 2022.

2. Description of performance share schemes and parent company LTI

In the area of equity instruments used for staff remuneration, Mediobanca has decided to adopt a performance shares scheme, the most recent version of which was approved by shareholders at the Annual General Meeting held on 28 October 2021. Starting from financial year 2021/2022, the Shareholders' Meeting partially revoked the 2021-2025 incentive scheme approved on 28 October 2020 to move to a system based on resolutions to be taken annually.

Under the terms of the scheme, in certain conditions Mediobanca shares may be awarded to staff free of charge at the end of a vesting period. The rationale for the scheme is to:

– Bring the Bank's remuneration structure into line with the regulations requiring that a share of the variable remuneration component to be paid in the form of equity instruments, over a time horizon of several years, subject to performance conditions and hence consistent with results sustainable over time;

– Align the interests of Mediobanca's management with those of shareholders to create value over the medium/long term.

The maximum number of shares that can be assigned by the plan approved by the Shareholders' Meeting held on 28 October 2021 is 4,000,000 to the Group's personnel for the variable remuneration to be paid out for the financial year ending at 30 June 2022. Treasury shares will be used in connection with the scheme.

As part of staff variable remuneration for financial year 2021, a total of 1,665,114 performance shares were allocated during the year under review: the shares, the award of which is conditional upon performance objectives being achieved over a five-year period, will be made available in tranches as follows: November 2022 (up to 705,975), February 2023 (up to 21,482), November 2023 (up to 272,267), November 2024 (up to 391,327), February 2025 (up to 11,815), November 2025 (up to 119,558), February 2026 (up to 11,815), November 2026 (up to 119,060), and February 2027 (up to 11,815).

On 26 November 2021, after the beneficiaries were vested with the right to receive the performance shares, a total of 2,302,838 shares were awarded, to which 83,960 shares awarded on 25 February should be added, all of these shares being treasury shares; on 15 December 2021, the right to 63,229 shares were forfeited.

Starting on 30 June 2022, in connection with the variable remuneration for financial year 2022, a total of 2,001,456 performance shares were awarded at a figurative cost of €11.6m, as part of the variable remuneration component only. These shares, the award of which is conditional upon performance objectives being achieved over a five-year period, will be made available in tranches as follows: November 2023 (up to 894,267), November 2024 (up to 267,234), November 2025 (up to 455,742), November 2026 (up to 193,552), and November 2027 (up to 190,661).

In addition, other Group companies have equipped themselves with incentive plans based on equity instruments:

Messier et Associés has approved a free-shares scheme of up to 10% of the company capital reserved to employees, which are often distributed in moments of career improvements and/or for retention purposes. After the vesting period (not longer than 2 years), a further holding period of one year has been set, after which holders have the possibility to sell these shares to the parent company, receiving shares in the company itself in return. During the year under review, a total of 3,650 shares were recovered and two other schemes were approved. The total number of shares awarded is therefore currently equal to 22,225 shares, of which 12,000 shares with a vesting period of one year and the remaining of two years.

QUANTITATIVE INFORMATION

1. Changes in performance share schemes during the year

Items/Performance shares	30/6/2022		30/6/2021	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Opening balance	4,916,003	6.48	5,255,453	6.98
B. Increases	1,665,114		1,475,290	
B.1 New issues	1,665,114	7.96	1,475,290	5.95
B.2 Other additions	—	—	—	—
C. Decreases	2,450,027		1,814,740	
C.1 Performance shares cancelled	—	—	—	—
C.2 Performance shares made available	2,386,798	6.98	1,747,747	6.77
C.3 Performance shares expired	—	—	—	—
C.4 Other reductions	63,229	4.33	66,993	6.41
D. Closing balance	4,131,090	7.03	4,916,003	6.48

Part L – Segment Reporting

INTRODUCTION

Under IFRS 8, an entity must disclose information to enable users of its financial statements to evaluate the nature and financial effects of the different business activities in which it engages and the different economic environments in which it operates.

Disclosure is therefore required regarding the contribution of the different "operating segments" to the formation of the Mediobanca Group's earnings results.

The aggregation of the "operating segments" illustrated in this section is consistent with the means adopted by the Group's management to take business decisions, and is based on the internal reporting used in order to allocate resources to the various segments, and to analyse their respective performances as described in the Review of Operations, to which reference is made for detailed and exhaustive analysis of the individual business lines' earnings and financial performances.

A. PRIMARY SEGMENT REPORTING

At Group level the following business lines have been identified:

Wealth Management (WM): This division brings together all portfolio management services offered to the various client segments, plus asset management. It includes CheBanca!, which targets the Premier client bracket; the MBPB and CMB Monaco private banking networks, and the Asset Management companies (Cairn Capital, Mediobanca SGR, Mediobanca Management Company, and RAM Active Investment), plus Spafid;

Consumer Banking (CB): This division provides retail customers with a full range of consumer credit products: personal loans, special-purpose loans, salary-backed loans, credit cards, in addition to the buy-now-pay-later solution called "Pagolight". The division also includes Compass RE, which reinsures risks linked to insurance policies sold to clients, Compass Rent, which operates in second-hand vehicle and car hire, and the newly-incorporated Compass Link, which distributes Compass products and services via external collaborators.

Corporate and Investment Banking (CIB): This division includes investment banking (lending, advisory, capital markets activities) and proprietary trading (activities performed by Mediobanca and Mediobanca International, Mediobanca Securities and Messier et Associés); and Specialty Finance, which in turn consists of Factoring and Credit Management (including NPL portfolio acquisitions and management) performed by MBFACTA and MBCredit Solutions;

Insurance - Principal Investing (PI): This division includes the Group's portfolio of equity investments and shares, in particular the 12.8% stake in Assicurazioni Generali. The latter company has been the main component of the division for years and stands out for the solidity and consistency of its results, high profitability and contribution in terms of diversification and stabilization to the Mediobanca Group's revenues;

Holding Functions: This division comprises Selma BPM Leasing, MIS and other minor companies, Group treasury and ALM[1] (with the aim of minimizing the cost of funding and optimizing liquidity management on a consolidated basis, including the securities held as part of the banking book), all costs relating to central Group departments, including Operations, support units (such as Planning and Control, Corporate Affairs, Investor Relations, etc.), senior management and control units (Risk Management, Internal Audit and Compliance Unit) for the part that cannot be allocated to the business lines.

A.1 Profit-and-loss figures by business segment

A list of the main points requiring attention with regard to the allocation of earnings results is provided below:

– Net interest income[2] is obtained by applying the internal funds transfer pricing (FTP) rates consistent with the financial characteristics of the products concerned. Notional interest is allocated using a centralized FTP model which assigns volumes, costs and revenues of liquidity based on durations, without distinction between lending and funding (referred to as "bid-ask" difference) with the same maturity;

[1] Group Treasury finances the individual business areas by applying funds transfer prices (based on the FTP curve) with different spreads depending on the expiry dates of the funds' usage.

[2] The Mediobanca Group only reports net interest income based on the requirements of IFRS 8, which specifies that an institution must record interest income and interest expense separately for each reporting segment, unless the majority of the revenue generated by that segment derives from interest and unless management bases itself primarily on net interest income in order to assess the segment's results and take decisions regarding the resources to be allocated to the segment. In this case an institution may refer to the segment's interest revenue net of interest expense, provided it specifies this [IFRS 8.23].

- The costs incurred by the service units[3], plus a part of the central function costs, are charged back by the relevant corporate centre (the Holding Functions division) to the operating segments that use the services. The 797 staff resources employed by the Holding Functions are divided up as follows: 98 in Selma BPM; 34 in Group Treasury and ALM; 138 in MIS; 209 in Operations; 163 in support units; 149 in control units; plus 6 in senior management (senior management and assistants), out of which the cost of the approx. 236 FTEs is reallocated to the business lines;
- Intercompany items are netted out only if they involve companies belonging to the same segment; items involving different segments are cross-checked and recorded as adjustments, along with the consolidation entries regarding companies belonging to different segments.

A.1 Profit-and-loss figures by business segment

(€m)

Profit-and-loss figures	Wealth Management	Consumer Banking	Corporate and Investment Banking	Principal Investing	Holding Functions	Writeoffs[1]	Group
Net interest income	294.6	934.3	281.1	(7.1)	(50.6)	26.9	1,479.2
Net trading income	10.3	0.4	80.4	20.1	48.0	2.6	161.8
Net fee and commission income	421.6	123.5	346.1	(0.7)	5.5	(45.5)	850.5
Share in profits earned by equity-accounted companies	—	—	—	359.3	—	—	359.3
Total income	**726.5**	**1,058.2**	**707.6**	**371.6**	**2.9**	**(16.0)**	**2,850.8**
Personnel costs	(265.7)	(105.9)	(172.8)	(4.0)	(123.0)	(0.1)	(671.5)
Administrative expenses	(251.0)	(208.9)	(160.4)	(1.0)	(35.6)	16.3	(640.6)
Operating costs	**(516.7)**	**(314.8)**	**(333.2)**	**(5.0)**	**(158.6)**	**16.2**	**(1,312.1)**
Gains (losses) from equity investments sale	—	—	—	—	—	—	—
Loan loss provisions	(14.0)	(190.1)	(21.8)	—	(16.7)	—	(242.6)
Provisions for other financial assets	(0.1)	—	(3.7)	(32.4)	(1.2)	—	(37.4)
Other income (losses)	(4.7)	—	(0.4)	—	(86.3)	1.3	(90.1)
Profit before tax	**191.0**	**553.3**	**348.5**	**334.2**	**(259.9)**	**1.5**	**1,168.6**
Income tax for the period	(55.9)	(182.9)	(114.9)	(14.5)	118.5	(0.6)	(250.3)
Minority interest	(0.9)	—	(8.6)	—	(1.8)	—	(11.3)
Net profit	**134.2**	**370.4**	**225.0**	**319.7**	**(143.2)**	**0.9**	**907.0**
Cost/income ratio (%)	*71.1*	*29.7*	*47.1*	*n.m.*	*n.m.*	*n.m.*	*46.0*

[1] Sum of divisional data differs from Group total due to adjustment/differences arising on consolidation between business areas.

[3] At 30 June 2021, the 792 staff resources were divided as follows: 104 in Selma BPM and 7 in the other non-core companies; 32 in group Treasury and ALM; 130 in MIS; 205 in operations, 164 in support functions; 143 in control functions and 7 in management (senior management and their assistants), with the cost of approximately 233 FTE charged back to the business lines.

A.2 Balance-sheet data by business segment

The balance-sheet items shown below represent each business area's contribution to the consolidated balance sheet, hence no adjustments have been made between the sum of the components and the Group total.

(€m)

Balance-sheet data	**Wealth Management**	**Consumer Banking**	**Corporate & Investment Banking**	**Principal Investing**	**Holding Functions**	**Group**
Financial assets held for trading	—	—	9,530.9	—	—	9,530.9
Treasury funds	—	—	950.0	—	11,850.8	12,800.8
Banking book debt securities	333.7	276.5	892.6	—	7,074.5	8,577.3
Loans and advances to customers	15,297.9	13,750.1	21,085.0	—	1,568.4	51,704.4
Equity investments	46.7	1.4	74.1	3,899.0	25.0	4,046.2
Tangible and intangible assets	489.3	432.4	182.2	—	246.3	1,350.2
Other assets	409.2	559.1	158.3	—	1,435.0	2,561.6
Total assets	**16,576.7**	**15,019.6**	**32,873.1**	**3,899.0**	**22,199.9**	**90,568.4**
Funding	28,762.5	2,176.6	—	—	30,230.3	61,169.4
Treasury funding	—	—	939.6	—	4,966.2	5,905.8
Financial liabilities held for trading	—	—	9,206.7	—	—	9,206.7

The following in particular should be noted:

– Debt securities, loans and treasury deposits are allocated almost entirely to treasury operations (Holding Functions);

– Tangible and intangible assets are allocated to the respective business lines.

B. SECONDARY SEGMENTAL REPORTING

B.1 Profit-and-loss figures by business segment

(€m)

Profit-and-loss figures	**Italy**	**International**[1]	**Group**
Net interest income	1,419.9	59.3	1,479.2
Net trading income	149.5	12.3	161.8
Net fee and commission income	611.9	238.6	850.5
Share in profits earned by equity-accounted companies	359.3	—	359.3
Total income	**2,540.6**	**310.2**	**2,850.8**
Personnel costs	(529.0)	(142.5)	(671.5)
Administrative expenses	(567.9)	(72.7)	(640.6)
Operating costs	**(1,096.9)**	**(215.2)**	**(1,312.1)**
Net loss provisions	(288.4)	8.4	(280.0)
Other income (losses)	(85.0)	(5.1)	(90.1)
Profit before tax	**1,070.3**	**98.3**	**1,168.6**
Income tax for the period	(219.3)	(31.0)	(250.3)
Minority interest	(2.7)	(8.6)	(11.3)
Net profit	**848.3**	**58.7**	**907.0**
Cost/Income (%)	*43.2%*	*69.4%*	*46.0%*

[1] This item includes the P&L data of the companies Mediobanca International, CMB Monaco, Compass RE, MB USA, Cairn Capital, Mediobanca Management Company, RAM Active Investments and Messier et Associés, in addition to the foreign branches (Paris, Madrid and London).

B.2 Balance-sheet data by business segment

(€m)

Balance-sheet data	**Italy**	**International**[1]	**Group**
Financial assets held for trading	9,306.3	224.6	9,530.9
Treasury funds	6,815.0	5,985.8	12,800.8
Banking book debt securities	7,987.3	590.0	8,577.3
Loans and advances to customers	43,759.1	7,942.3	51,701.4
Equity investments	3,986.5	59.8	4,046.3
Tangible and intangible assets	1,182.2	168.0	1,350.2
Other assets	2,291.2	270.4	2,561.6
Total assets	**75,327.6**	**15,240.9**	**90,568.5**
Funding	(48,192.2)	(12,977.2)	(61,169.4)

[1] This item includes the balance sheet closing amounts of the companies Mediobanca International, CMB Monaco, Compass RE, MB USA, Cairn Capital, Mediobanca Management Company, RAM Active Investments and Messier et Associés, in addition to the foreign branches (Paris, Madrid and London); in particular, the item Funding includes intercompany transactions of €10.6bn.

Information required under letters a), b) and c) of Annex A, First Part, Title III, Section 2 of Bank of Italy circular 285/13
Situation at 30 June 2022

Business Line	Composition	Heading 120 Total income*			Heading 290 Gain (loss) before taxes			Heading 300 Taxes on ordinary activity			Full Time Employees[1]		
		Italy	International	Group	Italy	International	Group	Italy	International	Group	Italy	International	Group
Wholesale Banking	Includes Client Business (lending, advisory, capital markets activities) and proprietary trading (businesses performed by Mediobanca S.p.A., Mediobanca International, MB USA and Messier & Associés)	418	143	561	352	(10)	342	(103)	(9)	(112)	252	145	397
Specialty Finance	Comprises factoring and credit management activities (including the NPLs portfolio) headed up by MBFACTA and MBCredit Solutions	87	—	87	6	—	6	(3)	—	(3)	250	—	250
Consumer Banking	Provides retail clients with the full range of consumer credit products, ranging from personal loans to salary-backed finance (Compass and Compass RE, a reinsurance company)	946	3	949	520	33	553	(174)	(9)	(183)	1,381	1	1,382
Affluent & Premier	Comprises deposit-taking, mortgage lending and retail banking services addressed by CheBanca!	385	—	385	93	—	93	(32)	—	(32)	1,424	—	1,424
Private & High Net Worth Individual	Includes asset management activities, addressed in Italy by the new division Mediobanca Private Banking and Spafid and in Monaco by CMB Monaco and CMB Assets Management; it includes also (for what regards Alternative Asset Management activities) Cairn Capital, CMG Monaco and RAM Active Investment	150	183	333	53	45	98	(18)	(18)	(36)	249	349	598
Principal Investing	Brings together the Group's portfolio of equity investments and holdings	(20)	—	(20)	334	—	334	(15)	—	(15)	11	—	11
Holding Functions	Houses the Group's Treasury and ALM activities (as part of Mediobanca S.p.A.); and continues to include the leasing operations (headed up by SelmaBipiemme) and the services and minor companies.	(38)	—	(38)	(260)	—	(260)	118	—	118	763	23	786
Adjustments[2]		6	8	14	(34)	30	(4)	6	5	11	—	—	—
Group total		1,934	337	2,271	1,064	98	1,162	(221)	(31)	(252)	4,330	518	4,848

* This refers to P&L heading 120 pursuant to Bank of Italy Circular No. 262/05. The figure here differs from the amount stated as "Total revenues" in the statements found on pages 379 and 381, which provide a more accurate reflection of the Group's operations. P&L heading 120 "Total revenues" pursuant to Bank of Italy circular 262/05 does not include net premiums earned, other income from insurance activities or other operating income.

[1] Full Time Employees at Group level.

[2] The column headed "Adjustments" includes various adjustments in connection with differences arising on consolidation (e.g. inter-company elisions) between the different business segments.

Situation as at 30 June 2021

Business Line	Composition	Heading 120 Total income*			Heading 290 Gain (loss) before taxes			Heading 300 Taxes on ordinary activity			Full Time Employees[1]		
		Italy	International	Group	Italy	International	Group	Italy	International	Group	Italy	International	Group
Wholesale Banking	Includes Client Business (lending, advisory, capital markets activities) and proprietary trading (businesses performed by Mediobanca S.p.A., Mediobanca International, MB USA and Messier & Associés)	520	114	634	424	(17)	407	(132)	(7)	(139)	233	141	374
Specialty Finance	Comprises factoring and credit management activities (including the NPLs portfolio) headed up by MBFACTA and MBCredit Solutions	96	—	96	24	—	24	(8)	—	(8)	257	—	257
Consumer Banking	Provides retail clients with the full range of consumer credit products, ranging from personal loans to salary-backed finance (Compass and Compass RE, a reinsurance company)	879	2	881	373	38	411	(122)	(10)	(132)	1,376	1	1,377
Affluent & Premier	Comprises deposit-taking, mortgage lending and retail banking services addressed by CheBanca!	358	—	358	74	—	74	(24)	—	(24)	1,394	—	1,394
Private & High Net Worth Individual	Includes asset management activities, addressed in Italy by the new division Mediobanca Private Banking and Spafid and in Monaco by CMB Monaco and CMB Assets Management; it includes also (for what regards Alternative Asset Management activities) Cairn Capital, CMG Monaco and RAM Active Investment	119	148	267	33	37	70	(12)	(6)	(18)	239	324	563
Principal Investing	Brings together the Group's portfolio of equity investments and holdings	75	—	75	342	—	342	(34)	—	(34)	11	—	11
Holding Functions	Houses the Group's Treasury and ALM activities (as part of Mediobanca S.p.A.); and continues to include the leasing operations (headed up by SelmaBipiemme) and the services and minor companies.	19	—	19	(247)	(1)	(248)	86	(3)	83	755	23	778
Adjustments[2]		10	(28)	(18)	(7)	8	1	1	(1)	(0)	—	—	—
Group total		2,076	236	2,312	1,016	65	1,081	(245)	(27)	(272)	4,265	489	4,754

* This refers to P&L heading 120 pursuant to Bank of Italy Circular No. 262/05. The figure here differs from the amount stated as "Total revenues" in the statements found on pages 379 and 381, which provide a more accurate reflection of the Group's operations. P&L heading 120 "Total revenues" pursuant to Bank of Italy circular 262/05 does not include net premiums earned, other income from insurance activities or other operating income.

[1] Full-time employees at Group level.

[2] The column headed "Adjustments" includes various adjustments in connection with differences arising on consolidation (e.g. inter-company elisions) between the different business segments.

Part M – Disclosure on leases

SECTION 1

Lessee

QUALITATIVE INFORMATION

With reference to the transactions governed by IFRS 16 and the contracts which fall within its scope of application, virtually the only leases the Mediobanca Group has in place in this connection are for properties and company cars, plus some hardware leases for only a residual amount. The property leases mostly involve premises used as offices. Such leases normally have durations of more than twelve months, and typically contain renewal or termination clauses which both lessor and lessee can exercise in accordance with the provisions of law and/or specific contractual arrangements, if any. Generally, such leases do not contain an option to buy at expiry or entail substantial reinstatement costs for the Group. As for the car leases, these are long-term agreements for the fleet of company cars available for use by staff members for work-related purposes in accordance with Group policy in this area.

Some simplifications were used upon first-time adoption of the standard, as applied to date. In particular, contracts with a duration of twelve months or less (referred to as “short-term leases”), contracts involving amounts of less than €5,000 (referred to as “low-value leases”), and contracts relating to intangible fixed assets were excluded. It has also been decided not to strip out the service component from the lease proper; hence the full contract was recognized as a lease. The discount rate used has been derived from the Funds Transfer Pricing curve used in treasury management by the Group Treasury unit.

In cases where the original lease has been replicated with another counterparty (i.e., sub-leased), the related lease liability is matched by an amount receivable from the counterparty at the date rather than by its value in use. Sub-leasing arrangements involve only negligible amounts.

QUANTITATIVE INFORMATION

For quantitative information on the impact on the Group's financial and earnings situation, reference is made to the contents of the following sections of the Notes to the Accounts:

– Information on rights of use acquired, in "Part B Notes to the consolidated balance sheet - Assets - Section 9";
– Information on amounts due under leases, in "Part B Notes to the consolidated balance sheet - Liabilities - Section 1";
– For the effects on earnings, "Part C Notes to the consolidated income statement", in particular the headings for interest income and expense and net adjustments to tangible assets.

The value in use recorded in the balance sheet at 30 June 2022 was €222.7m, broken down as follows:

– Value in use of properties: €216.9m;
– Value in use of vehicles: €9.2m;
– Value in use of other assets: €0.2m.

SECTION 2

Lessor

QUALITATIVE INFORMATION

The Group has finance lease agreements in place through its subsidiary Selma BPM Leasing. These mostly involve leases of real property, core goods and registered moveable assets. The contracts are represented in the accounts by the amount receivable under the finance lease being recorded under Heading 40, Financial assets measured at amortized cost, the income received under Heading 10, Interest and similar income, the related proceeds determined by accrual and, under Heading 130, Net write-offs (write-backs) for credit risk, provisions for expected loan losses.

QUANTITATIVE INFORMATION

In relation to quantitative information regarding the impact on the Group's financial position and earnings, reference should be made to the contents of the relevant sections in the Notes to the Accounts. In particular, the book value of leases is found in Part B - Notes to the consolidated balance sheet - Assets - Section 4 – Heading 40: Financial assets measured at amortized cost. During the year under review, these leases generated interest income as shown in Part C - Notes to the consolidated income statement - Section 1 - Headings 10 and 20: Net interest income and Section 14 - Heading 210: Net adjustments to tangible assets of the Notes to the Consolidated Accounts.

1. Balance-sheet and earnings data

2. Finance leases

2.1 Maturity analysis of lease payments receivable by timing bracket and reconciliation of undiscounted lease payments to the net investment in the lease

Time Bands	30/6/22 Lease payment to be received	30/6/21 Lease payment to be received
Up to 1 year	372,977	378,597
Between 1 and 2 years	299,989	317,906
Between 2 and 3 years	231,486	246,857
Between 3 and 4 years	221,170	278,115
Between 4 and 5 years	104,248	121,574
Over 5 years	228,772	294,541
Total lease payments to be received	**1,458,642**	**1,637,590**
Reconciliation with loans	**92,264**	**104,026**
Not accrued gains (-)	(126,070)	(140,060)
Unguaranteed residual value (-)	218,334	244,086
Loans for leases	**1,550,906**	**1,741,616**

The table provides a maturity analysis of the lease payments receivable, and a reconciliation of the undiscounted lease payments to the net investment in the lease, as required by IFRS 16, paragraph 94. In particular, it should be noted that the payments receivable under the lease, which consist of the sum of minimum payments due by way of principal and interest, are stated net of any provisions and the discounted unguaranteed residual value due to the lessor.

These are reconciled with the net investment in the lease, recognized in the balance sheet under financial assets measured at amortized cost, by subtracting financial profits not accrued and adding the unguaranteed residual value. Non-performing leases acquired are not included.

2.4 Other Information

In finance lease transactions, the credit risk associated with the contract is managed in accordance with the principles described in Part E – Information on risks and related hedging policies - Section 2 – Prudential consolidated risk - 1.1. Credit quality in the Notes to the Consolidated Accounts to which reference is made.

Contracts are classified as finance leases based on whether the risks and benefits associated with ownership of the asset in question are transferred to the lessee throughout the duration of the contract, whether the contract itself contains a final option to acquire the asset on terms that would make its failure to exercise such an option uneconomic, and whether the contract has a duration which is basically the same as the economic lifetime of the asset itself. The same may also apply in cases where the contracts do not contain options to buy or have a duration which is significantly shorter than the asset's economic lifetime, but are accompanied by arrangements with third party buyers that guarantee the asset will be bought when the lease expires.

3. Operating leases

The Group currently has no operating leases in place in the capacity of lessor.

ACCOUNTS OF THE BANK

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

Overview

Mediobanca S.p.A. delivered a net profit of €513.1m in the twelve months, representing a decrease compared to last year (€578.4m), despite gross operating profit remaining stable, while the good performance in terms of revenues (up 5.2%) and the cost/income ratio flattening to 42% were fully absorbed by the lower writebacks of €48.3m (30/6/21: €75.4m). GOP was also affected by writedowns to holdings in investment funds, which totalled €34m (compared with positive adjustments of €53m last year), and higher extraordinary expenses (which rose from €29.4m to €56m).

Revenues were up 5.2%, from €1,019.9m to €1,073.4m, on dividends of €488m (€310.2m of which from Assicurazioni Generali), with the main income items performing as follows:

– **Net interest income** decreased by 5.5%, from €121m to €114.4m, due to the absence of positive non-recurring items after last year's Burgo reclassification;

– **Net treasury income** was down 14%, from €179.4m to €154.2m, despite a good result being posted by client business (up from €58.5m to €79.2m), which was offset by the reduced contribution from the proprietary portfolio (from €92.6m to €37.6m);

– **Net fee and commission income** rose by 4.5%, from €303.1m to €316.8m, with positive contributions from M&A Advisory (which rose from €77.6m to €95.3m, €25.3m of which from the Mid Corporate segment), Private Banking (fees up from €81.4m to €101.5m), and Lending (fees up from €45.8m to €54.5m);

– **Dividends** from equity investments totalled €488m, an increase compared to the €416.4m reported last year, due to higher contributions from Assicurazioni Generali (up from €205m to €310m) and Messier et Associés (from €9.5m to €24.2m), whereas dividends collected from Compass Banca decreased from €200m to €150m.

E-MARKET SDIR CERTIFIED

- **Operating costs** rose by 6.9%, from €421.8m to €450.9m, due to higher labour costs (up 5.6%, from €249.8m to €263.9m) and administrative expenses (up 8.7% from €172m to €187m). The former were affected by retention initiatives, including the performance-related variable component, which remained high; while administrative expenses reflected the increase in project activities, higher IT costs and the resumption of commercial activities.

- At the **loan loss provisions** level, the loan book reflected a natural reduction in writebacks, from €75.4m to €48.3m. Compared to last year, there were fewer UTP positions returning to performing status (€35m, compared with €110m), and the difference was only in part offset by an extremely positive performance by the rest of the loan book.

- **Provisions for other financial assets** totalled €31.7m, due mainly to downward adjustments for valuations of holdings in funds and other positions mandatorily measured at fair value (down €34m, compared with €52.8m last year), only marginally offset by €3.2m in writebacks to banking book securities (compared with negative €8.7m last year).

- As for **other income (losses)**, a loss of €56m was recorded (compared with €29.4m last year); in addition to €42.8m in payments to the Resolution Funds (€45.6m), this item includes provisions of €12.3m for a set of derivative contracts guaranteeing the financial performance of pension funds subscribed to between 2010 and 2014, which now have exited the scope of trading operations as the intention is for them to be gradually run down; charitable donations (€1.5m) and contingent liabilities (€1.3m). Last year the balance reflected gains of €16.2m deriving from the Patent Box process for the Mediobanca brand and tax relief on tangible assets.

- **Income tax** amounted to €69.1m, including higher taxes of €11.6m due to contingent taxation on the potential distribution of extraordinary dividends by the Group's non-Italian Legal Entities outside the scope of the participation exemption regime. Ordinary tax therefore amounted to €57.5m, with a tax burden of 10%, significantly lower than last year (15.8%) due to a higher contribution from dividends on shareholdings subject to a subsidized rate.

– On the **balance sheet** side, total assets rose from €72.7bn to €79.7bn, on higher net treasury assets (up 38.7%), banking book loans (up 15.6%), and growth in customer loans (up 7.7%), mostly matched by higher customer deposits (up 6.5%).

– Mediobanca's **capital ratios**, albeit lower than last year due to the proposed dividend and share buyback scheme that ended in June 2022, remained at high levels. The Common Equity Ratio phase-in was 13.26%, down some 130 bps compared to last year (30/6/21: 14.60%). The profit for the year (adding 160 bps) was more than offset by the proposed dividend (down 195 bps), which was calculated based on the consolidated result, the buyback (which accounted for down 75 bps), and the decrease in the valuation reserve (down 20 bps).

The total capital ratio also decreased from 17.87% to 15.84%. Fully loaded the ratios, i.e. without weighting the equity investment in Assicurazioni Generali at 370%, and applying the IFRS 9 FTA effect in full, stood at 12.23% (CET1 ratio) and 15.06% (Total Capital Ratio), lower than last year (13.36% and 16.96%, respectively).

In December 2021, a total of 22,600,000 treasury shares were cancelled following implementation of the new buyback scheme, which ended in June 2022 with a total of 25,900,000 shares acquired for an outlay of €241.4m. A further 16,500,000 treasury shares held by the Bank were cancelled in September 2022, and only those for use in the performance share schemes and for other commitments will be kept.

* * *

Earnings/financial data

The profit and loss account and balance sheet have been restated to provide the most accurate reflection of the Bank's operations. The results are also presented in the format recommended by the Bank of Italy in the annex.

RESTATED PROFIT AND LOSS ACCOUNT

(€m)

Profit-and-loss data	30/6/22	30/6/21	Chg. (%)
Net interest income	114.4	121.0	-5.5%
Net treasury income	154.2	179.4	-14.0%
Net fee and commission income	316.8	303.1	4.5%
Dividends on investments	488.0	416.4	17.2%
Total income	**1,073.4**	**1,019.9**	**5.2%**
Labour costs	(263.9)	(249.8)	5.6%
Administrative expenses	(187.0)	(172.0)	8.7%
Operating costs	**(450.9)**	**(421.8)**	**6.9%**
Loan loss provisions	48.3	75.4	-35.9%
Provisions for other financial assets	(31.7)	44.1	n.m.
Impairment on investments	(0.9)	(1.6)	-43.8%
Other income (losses)	(56.0)	(29.4)	90.5%
Profit before tax	**582.2**	**686.6**	**-15.2%**
Income tax for the period	(69.1)	(108.2)	-36.1%
Net profit	**513.1**	**578.4**	**-11.3%**

Key Performance Indicators (KPI)

	30/6/22	30/6/21	Chg. (%)
ROTE[1]	10.5%	11.9%	-11.4%
Cost / Income ratio[2]	42%	41%	1.6%
CoR (bps)[3]	12.5	22.3	-43.9%
DPS[4]	0.75	0.66	13.6%

[1] *Return On Tangible Equity.*

[2] *Cost/Income.*

[3] *Cost of Risk.*

[4] *Dividend Per Share.*

RESTATED BALANCE SHEET

(€m)

Balance sheet data	**30/6/22**	**30/6/21**
Assets		
Financial assets held for trading	10,160.3	11,336.8
Treasury financial assets	14,038.6	10,122.1
Banking book debt securities	10,072.6	8,716.0
Customer loans	39,955.0	37,103.6
Equity Investments	4,645.3	4,475.1
Tangible and intangible assets	169.4	167.1
Other assets	624.4	782.8
Total assets	**79,665.6**	**72,703.5**
Liabilities and net equity		
Funding	55,408.6	52,045.0
Treasury financial liabilities	6,994.1	3,826.5
Financial liabilities held for trading	10,026.5	10,342.4
Other liabilities	2,053.7	937.6
Provisions	119.9	136.5
Net equity	4,549.7	4,837.1
Profit of the period	513.1	578.4
Total liabilities and net equity	**79,665.6**	**72,703.5**

Key Performance Indicators (KPI)

(€m)

	30/6/22	**30/6/21**
Tier 1 capital	4,160.2	4,658.3
Regulatory capital	4,968.9	5,702.5
RWA[1]	31,376.2	31,911.9
CET1 ratio[2]	13.26%	14.60%
CET1 ratio (fully loaded)[3]	12.23%	13.36%
RWA density[4]	39.4%	43.9%
Regulatory capital / risk-weightes assets	15.84%	17.87%
Leverage ratio[5]	6.3%	7.9%
Gross NPL/ Gross loans ratio[6]	0.2%	0.4%
Net NPL / Net loans ratio[7]	0.05%	0.20%
No. of shares in issue (million)	864.7	887.3

[1] Risk-weighted assets

[2] Tier 1 capital/risk-weighted assets.

[3] Tier 1 capital/risk-weighted assets (calculated including the overall impact of IFRS 9 and deducting the equity investment in Assicurazioni Generali).

[4] Risk-weighted assets/Total assets.

[5] Tier 1 capital/Total leverage exposures.

[6] Net non-performing loans (net of acquisitions by MBCredit Solutions)/Gross loans.

[7] Net non-performing loans (net of acquisitions by MBCredit Solutions)/Net loans.

Review of key items

Funding – The increase from €52bn to €55.4bn is due to Private Banking deposits, which grew by 60% (from €4bn to €6.5bn), and to increased use of the T-LTRO programme (up from €7.4bn to €8.4bn), to which the exposure was increased in September 2021 in view of the ongoing favourable interest rate terms. Debt securities remained basically stable, decreasing from €16.4bn to €16.3bn; issues falling due (€2.3bn) were refinanced by new issues, confirming the Bank's ability to tap markets even in a difficult environment such as that seen in 2022. New issues include a senior non-preferred bond (€500m, seven-year duration, at a fixed rate of 0.75%) and a covered bond of €500m (five-year duration at a fixed rate of 2.375%).

	30/6/22		30/6/21		Chg.
	(€m)	%	(€m)	%	
Debt securities	16,334.2	29%	16,430.3	32%	-0.6%
Interbank funding	5,291.6	10%	5,524.3	11%	-4.2%
ECB (T-LTRO / LTRO)	8,442.2	15%	7,445.4	14%	13.4%
Other funding	25,340.6	46%	22,645.0	43%	11.9%
- of which: CheBanca! intercompany	*16,744.5*	*30%*	*16,752.5*	*32%*	*0.0%*
- of which: private banking	*6,471.0*	*12%*	*4,038.9*	*8%*	*60.2%*
Total funding	**55,408.6**	**100%**	**52.045.0**	**100%**	**6.5%**

Loans and advances to customers – the €2.9bn increase in customer loans (up 7.7%, from €37.1bn to €40bn) mainly involved amounts lent to the Group Legal Entities (which rose from €23.5bn to €25bn). Corporate loans increased from €12.3bn to €13.5bn, due to some large Lending and Structured Finance transactions, while the Private Banking share grew less steeply, from €1.3bn to €1.4bn.

	30/6/22		30/6/21		Chg.
	(€m)	%	(€m)	%	
Corporate customers	13,543.2	34%	12,303.5	33%	10.1%
Private customers	1,411.1	3%	1,250.4	3%	12.9%
Group companies	25,000.7	63%	23,549.7	64%	6.2%
Total loans and advances to customers	**39,955.0**	**100%**	**37,103.6**	**100%**	**7.7%**
- of which: impaired assets	*19.6*		*74.3*		*-73.5%*

	30/06/22		30/06/21		Chg.
	(€m)	%	(€m)	%	
Italy	9,751.3	65%	9,366.9	69%	4.1%
France	2,056.5	14%	1,422.5	10%	44.6%
Spain	1,289.6	9%	1,051.9	8%	22.6%
Germany	813.3	5%	913.7	7%	-11.0%
UK	500.0	3%	500.0	4%	0.0%
Other non-resident	543.6	4%	298.9	2%	81.9%
Total loans and advances to customers	**14,954.3**	**100%**	**13,553.9**	**100%**	**10.3%**

	30/06/22		30/06/21		Chg.
	(€m)	%	(€m)	%	
Compass Banca	7,297.5	29%	7,202.6	31%	1.3%
CheBanca!	11,062.8	44%	10,732.5	46%	3.1%
CMB	1,004.5	4%	559.5	4%	79.5%
Mediobanca International	3,882.8	16%	3,560.0	15%	9.1%
Others	1,753.1	7%	1,495.1	4%	17.3%
Total loans and advances to Group companies	**25,000.7**	**100%**	**23,549.7**	**100%**	**6.2%**

Non-performing loans fell from €144.9m to €68.9m. The decrease was attributable to just one Corporate position and five Private Banking positions. Gross NPLs represent 0.46% of total loans (1.07%); while on a net basis, NPLs totalled €19.6m, i.e. 0.13% of total loans, with the coverage ratio increasing from 48.7% to 71.5%. Gross bad loans totalled €10.3m, all of which were attributable to the Private Banking segment, and were written off in full. It should also be noted that there was one non-performing exposure, in an amount of €4.6m, involving a position fully secured by an intercompany guarantee issued to Mediobanca International.

The net balance of positions classified as Stage 2 decreased from €334.3m to €214.3m (0.5% of net total customer loans), and mainly concerned the Large Corporate segment (€189.1m, €63.5m of which relating to one UTP counterparty that returned to performing status). The decrease in Stage 2 Large Corporate positions (from €287.1m last year) is attributable to redemptions of €190.8m and returns to Stage 1 amounting to €26.6m. The coverage ratio for performing loans decreased from 0.22% to 0.16%, due mainly to the reduced use of overlays compared to the last year, at €18.3m (€35.2m).

Equity investments – this item includes controlling interests, interests in associates, other equity instruments issued by the Group Legal Entities, shares held as part of the banking book (FVOCI), and holdings in funds which, under IFRS 9, must compulsorily be measured at fair value through profit or loss.

(€m)

	30/06/22		30/06/21	
	Book value	**HTC&S reserve**	**Book value**	**HTC&S reserve**
Associates and subsidiaries	3,563.0	n.m.	3,457.4	n.m.
Other listed shares	114.6	56.3	130.2	71.9
Other unlisted shares	144.6	117.1	88.8	62.5
Other equity assets	242.0	(18.0)	169.6	9.6
Seed capital	364.5	—	418.6	—
Private equity	96.9	—	79.4	—
Other funds	119.7	—	131.1	—
Total equities	**4,645.3**	**155.4**	**4,475.1**	**144.0**

Investments in associates increased to €1,185.5m, due to two new positions originally classified in other categories, namely CLI Holding (a company incorporated under English law operating in the CLO business), booked at €43.3m following the increase in the commitment resulting in the Bank acquiring the status of "Qualified Noteholder", and Bisazza, a company which specializes in the production and sale of glass mosaic, booked at €6.9m after the Bank's investment in the company increased from 6% to 22.67% as a result of parent company GB Holding going into liquidation and the Bank acquiring the shares held by it. The other equity investments remained unchanged: Assicurazioni Generali (12.8% of the company's ordinary share capital), carried at €1,096.3m; and Istituto Europeo di Oncologia (25.4% of the company's ordinary share capital), booked at €39m.

Investments in Group Legal Entities increased from €2,322.1m to €2,377.5m and mainly concerned:

– Subscription to the capital increase implemented by Cairn Capital in connection with the acquisition of Bybrook, in an amount of £13.2m: Group Legal Entity Cairn Capital acquired Bybrook, an English operator in the distressed asset sector with approx. £2bn in assets under management, for a total outlay of £66.9m. To finance the acquisition Cairn has carried out three capital increases in the last two years, for a total of £69.9m, £36m of which subscribed to directly by the parent company Mediobanca S.p.A. (£13.2m in the year under review, £22.8m last year). The share currently held in Cairn Capital is 64.58% (85.13%).
– Subscription to 40% of the capital of CMB Real Estate for €30m (the other 60% was subscribed to by CMB itself); the company has been set up to manage the construction of CMB's new head offices;

Equities (listed and unlisted) and other equity instruments rose from €388.6m to €501.2m, following the subscription to the AT1 loan issued by MB International (€100m), and adjustments to reflect fair value as at the year-end (adding €8.7m, recognized among net equity reserves), the latter representing the balance between the revaluation of the Burgo equity-like instrument (adding €55m, with the whole investment carried at €110m) and writedowns to the AT1s issued by CheBanca! and MB International (down €27.6m).

Investments in funds fell from €629.1m to €581.1m, reflecting the transfer of CLI Holdings (€32.7m) and the reductions to reflect fair value (€33.1m). Some two-thirds of this portfolio involves funds managed by the Group (seed capital), the value of which fell from €418.6m to €364.5m, other funds stood at €216.6m (€210.5m) after purchases of €14.3m, sales of €5.6m and writedowns of €2.7m.

	Percentage shareholding	30/06/22	30/06/21
Associates			
Assicurazioni Generali	12.80	1,096.3	1,096.3
Istituto Europeo di Oncologia	25.37	39.0	39.0
Bisazza	22.67	6.9	
CLI Holdings	42.68	43.3	
Total associates		**1,185.5**	**1,135.3**
Total subsidiaries		2.377.5	2,322.1
Total equity investments		**3,563.0**	**3,457.4**

Banking book debt securities – this item includes securities measured at amortized cost (referred to as Hold to Collect, or HTC) and securities measured at fair value through net equity reserves (referred to as Hold to Collect and Sell, or HTC&S). Debt securities that fail to pass the SPPI test pursuant to IFRS 9 must mandatorily be measured at fair value through profit or loss.

	30/06/22		30/06/21	
	(€m)	%	(€m)	%
Hold to Collect	6,199.0	61.5%	4,316.8	49.5%
Hold to Collect & Sell	3,873.1	38.5%	4,346.9	49.9%
Other (mandatorily measured at FV)	0.5	0.0%	52.3	0.6%
Total banking book securities	**10,072.6**	**100%**	**8,716.0**	**100%**

This segment reflects a value of €10.1bn, higher than last year (€8.7bn), €6.2bn of which in relation to the Hold to Collect portfolio (€4.3bn) and €3.9bn to the Hold to Collect & Sell portfolio (€4.3bn). The increase in the HTC portfolio was mainly due to acquisitions of Italian government bonds in order to leverage the increase in interest rates and the return to attractive yields which should benefit net interest income going forward. Unrealized gains on Hold to Collect securities (which are recognized at cost) amounted to €17.6m.

The HTC&S portfolio decreased, following sales of €2.3bn, repayments of €434m, and negative valuations totalling €110.6m, matched by higher investments totalling €2.3bn.

The government securities portfolio amounted to €5.9bn, split equally between fixed assets (HTC) and assets available for sale (HTC&S); the share of Italian government securities stood at €3.7bn (64% of the total) with a duration of approx. 3 years.

	30/06/22			30/06/21		
	Book value		OCI reserve	Book value		OCI reserve
	HTC	HTC&S		HTC	HTC&S	
Italian government securities	2,022.8	1,698.4	1.5	1,053.0	2,229.3	41.6
Other government securities	931.9	1,198.5	(5.7)	483.5	1,366.5	(1.3)
Bonds issued by financial institutions	3,165.9	734.1	(30.7)	2,691.8	468.6	20.5
- of which: Consumer Banking ABS securities	1,951.8	275.6	(3.6)	1,196.7	—	—
Corporate bonds	78.4	242.1	(26.1)	88.5	282.5	12.2
Total banking book securities	**6,199.0**	**3,873.1**	**(61.0)**	**4,316.8**	**4,346.9**	**73.0**

During the year under review, the Bank also subscribed to the senior tranche, rated A2 by Moody's and Alow DBRS, of a non-performing loan securitization originated by one of the leading Italian banking groups and fully guaranteed by the state (GACS) in an amount of €675m.

Net treasury assets – these stood at €7.2bn, in line with the figure for last year (€7.3bn), but with higher liquidity in view of the change in the geopolitical and financial scenario, and the major debt security issues due to expire in the autumn. There has been a gradual disposal of equities and bonds over the last six months, and a pre-funding programme has been launched to take advantage of the market windows. As at 30 June 2022, cash and cash equivalents with the ECB amounted to €7.7bn (versus €2.7bn last year).

	30/06/22	30/06/21	Chg.
	(€m)	(€m)	%
Financial assets held for trading	10,160.3	11,336.8	-10.4%
Treasury funds	14,038.6	10,122.1	38.7%
Financial liabilities held for trading	(10,026.5)	(10,342.4)	-3.1%
Treasury funding	(6,994.1)	(3,826.5)	82.8%
Total Net treasury assets	**7,178.3**	**7,290.0**	**-1.5%**

	30/06/22	30/06/21	Chg.
	(€m)	(€m)	%
Loan trading	3.7	4.0	-8.0%
Derivatives contract valuations	(463.8)	(236.1)	96.0%
Certificates	(1,815.4)	(1,882.9)	-4.0%
Equities	1,895.7	2,238.5	-15.0%
Bond securities	513.7	870.9	-41.0%
Financial instruments held for trading	**133.9**	**994.4**	**-86.5%**

	30/06/22	30/06/21	Chg.
	(€m)	(€m)	%
Cash and current accounts	1,346.3	1,194.1	13.0%
Cash available at BCE	6,334.1	1,554.1	308.0%
Deposits	(636.0)	3,547.4	-118.0%
Net treasury	**7,044.4**	**6,295.6**	**11.9%**

(€m)

	30/06/22		30/06/21	
	Assets	Liabilities	Assets	Liabilities
Italian government securities	1,435.6	(1,544.1)	1,758.3	(1,741.4)
Other government securities	636.9	(1,945.3)	1,120.0	(2,059.4)
Bonds issued by financial institutions	1,402.5	(8.3)	1,201.6	—
Corporate bonds	338.3	—	537.3	(0.9)
Asset Backet Securities (ABS)	197.9	—	55.4	—
Shares	2,127.7	(232.0)	2,499.2	(260.7)
Total banking book securities	**6,139.0**	**(3,729.6)**	**7,171.8**	**(4,062.4)**

(€m)

	30/06/22		30/06/21	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	1,089.3	(1,211.4)	702.4	(744.6)
Foreign exchange	699.0	(634.2)	210.8	(303.2)
Interest rate options/futures	11.9	(14.9)	5.5	(20.1)
Equity swaps e options	1,985.1	(2,323.7)	2,922.8	(2,973.6)
Credit derivaties	232.3	(297.2)	319.6	(355.7)
Pricing derivates	**4,017.6**	**(4,481.4)**	**4,161.1**	**(4,397.2)**

(€m)

	30/06/22		30/06/21	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Deposits for securities lending/PCT	2,400.9	(4,419.6)	3,009.5	(1,548.9)
Depositsper stock lending	227.1	(523.6)	407.1	(449.5)
Other Deposit	3,730.1	(2,050.9)	3,957.3	(1,828.1)
Deposits	**6,358.1**	**(6,994.1)**	**7,373.9**	**(3,826.5)**

Tangible and intangible assets – this item stood at €169.4m, slightly higher than last year (€167.1m) due to the increase in the right of use under IFRS 16 (item Buildings and land) for the lease of the Paris branch office. Tangible and intangible assets were basically unchanged.

	30/06/22		30/06/21		Chg.
	(€m)	**%**	**(€m)**	**%**	
Land and properties	131.1	77%	129.0	77%	2%
- of which: core	*85.6*	*51%*	*86.2*	*52%*	*-1%*
buildings RoU ex IFRS16	*21.7*	*13%*	*18.6*	*11%*	*17%*
Other tangible assets	9.6	6%	9.3	6%	4%
- of which: RoU ex IFRS16	*3.4*	*2%*	*3.4*	*2%*	*1%*
Other intangible assets	28.7	17%	28.8	17%	0%
- Of which: goodwill	*12.5*	*7%*	*12.5*	*7%*	*0%*
- Of which: brand	*15.5*	*9%*	*15.5*	*9%*	*0%*
Total tangible and intangible assets	**169.4**	**100%**	**167.1**	**100%**	**1%**

A list of core properties owned by the Bank is provided below:

	Sqm.	**Book value (€m)**	**30/6/22 Book value per sqm (€/000)**
Milan:			
– Piazzetta Enrico Cuccia n. 1	9,318	14.1	1.5
– Via Filodrammatici n. 1, 3, 5, 7 - Piazzetta Bossi n. 1 - Piazza Paolo Ferrari n. 6	13,390	*62.3*	4.7
– Foro Buonaparte n. 10	2,926	*9.1*	3.1
Total core properties	**25,634**	**85.5**	

Provisions – provisions totalled €119.9m, lower than last year (€136.5m), mainly due to the lower provisions for loan commitments and guarantees issued (which decreased from €60.2m to €46.7m). The staff severance indemnity provision declined from €7.4m to €5.4m, following the reduction in the discounting reserve in line with the increase in interest rates. Other provisions for risks and charges also fell, from €68.9m to €67.8m, after net withdrawals of approx. €1m; releases of €5.5m were matched by new provisions.

	30/06/22		30/06/21		Chg.
	(€m)	%	(€m)	%	
Commitments and financial guarantees given	46.7	39%	60.2	44%	-22.4%
Provisions for risks and charges	67.8	56%	68.9	51%	-1.6%
Staff severance provision	5.4	5%	7.4	5%	-27.0%
of which: staff severance provision discount	*—*	*—*	*0.8*	*—*	*n.m.*
Total provisions	**119.9**	**100%**	**136.5**	**100%**	**-12.2%**

Net equity – the reduction in net equity, from €5,415.5m to €5,062.8m, reflects the lower valuation reserves, which reduced from €184m to €118.4m, being impacted by the performance of financial assets measured at FVOCI and the reserve for treasury shares following the new buyback scheme (€241.4m). As at 30 June 2022, the Bank held a total of 25,812,945 treasury shares. The share capital was unchanged at €443.6m, despite the cancellation of 22,581,461 treasury shares in November 2021.

(€m)

	30/06/22	30/06/21	Chg.
Share capital	443.6	443.6	0.0%
Other reserves	3,987.7	4,209.5	-5.3%
Valuation reserves	118.4	184.0	*-35.7%*
-of which: OCI	*110.1*	*183.8*	*-40.1%*
cash flow hedge	*0.5*	*—*	*n.m.*
Profit for the period	513.1	578.4	*-11.3%*
Total net equity	**5,062.8**	**5,415.5**	**-6.5%**

The OCI reserve totalled €110.1m, lower than last year (€183.8m) but still positive; whereas reserves for bonds closed in negative territory, at €61m, due to a sharp reduction in the valuations of corporate and financial issuers, while the reserve for Italian state bonds remained positive at €1.5m. Conversely, the reserve for equities increased from €144m to €155.4m, following the writeback of the Burgo equity-like instrument (adding €55m), which comfortably offset the other movements. The tax effect was positive, adding €15.7m.

(€m)

	30/06/22	30/06/21	Chg.
Equity shares	155.4	144.0	7.9%
Bonds	(61.0)	73.0	n.m.
of which: Italian government bonds	*1.5*	*41.6*	*n.m.*
Tax effect	15.7	(33.2)	n.m.
Total OCI reserve	**110.1**	**183.8**	**-40.1%**

Income Statement

Net interest income – net interest income fell by 5.5%, from €121m to €114.4m. The reduction in interest income (from €524.7m to €495.5m) was offset by the upward trend in interest expense (which increased from €403.7m to €381.1m). Compared to last year, the result was impacted by the absence of extraordinary items linked to the Burgo reclassification, the pressure on credit spreads (which absorbed the increased lending volumes), and the high amount of liquidity, combined with the T-LTRO interest impact being smoothed.

(€m)

	30/06/22	30/06/21	Chg.
Interest income	495.5	524.7	-5.6%
Interest expense	(381.1)	(403.7)	-5.6%
Interest margin	**114.4**	**121.0**	**-5.5%**

Net treasury income totalled €154.2m, down 14% on last year (€179.4m); the good performance in client business (which increased from €58.5m to €79.2m) was more than offset by the losses made on the proprietary trading portfolio (€3.5m, compared with profits of €32m last year) and the reduced contribution from the banking book (down from €60.2m to €51.3m, impacted by the lower gains realized on disposal of securities, down €25m) plus charges in relation to the Assicurazioni Generali securities lending transaction totalling €10.2m (including €3.7m in cost of collateral). Conversely, dividends and other income on funds increased from €28.4m to €37.4m.

(€m)

	30/06/22	30/06/21	Chg.
Dividends	37.4	28.4	31.7%
Fixed-income trading profit	67.2	121.2	-44.6%
Equity trading profit	49.6	29.8	66.4%
Net trading income	**154.2**	**179.4**	**-14.0%**

Net fee and commission income grew by 4.5%, from €303.1m to €316.8m, on a good performance by M&A Advisory business (where fees rose from €77.6m to €95.3m), with a balanced contribution from the various units, particularly the Mid Corporate segment (fees up from €19.3m to €25.3m) and Lending (from €45.8m to €54.5m), which were boosted by some significant acquisition finance transactions. Fees earned from Private Banking operations rose from €81.4m to €101.5m, due to the increase in the upfront component (from €14.7m to €28.8m, €14.5m of which due to the sale of private equity funds in conjunction with BlackRock). Conversely, contributions from both Capital Markets activities and the Markets division decreased, the former from €62.5m to €42.7m, the latter from €35.8m to €22.8m.

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg.
Lending	54.5	45.8	19.1%
Advisory M&A	95.3	77.6	22.9%
Capital Market	42.7	62.5	-31.7%
Private Banking	101.5	81.4	24.7%
of which perfomance fees	5.6	2.1	166.7%
Other income	22.8	35.8	-36.5%
Net fee and commission income	**316.8**	**303.1**	**4.5%**

Dividends from equity investments and Group Legal Entities – these stood at €488m, an increase on last year (€416.4m), due to higher contributions from both Assicurazioni Generali (up from €204.7m to €310.2m) and Messier et Associés (up from €9.5m to €24.2m), which more than offset the decline by Compass Banca (down from €200m to €150m). This item also includes the dividends collected from CLI Holding and Bisazza.

Operating costs – these rose by 6.9%, from €421.8m to €450.9m, with increases in both the main components: personnel costs up 5.6% (from €249.8m to €263.9m) and administrative expenses up 8.7% (from €172m to €187m). The former reflect the Bank's retention activities in a highly competitive environment, and the higher variable component, consistent with the Bank's results; the other costs are attributable to the extensive project activities (80% of which business promotion activities, which includes the related regulatory components), IT costs, which were again the main expense item (connections to databases/info-providers and costs incurred by MIS accounted for 50% of administrative expenses), and the resumption of travel and advertising expenses (which almost doubled).

			(€m)
	12 mths ended 30/6/22	**12 mths ended 30/6/21**	**Chg.**
Labour costs	263.9	249.8	5.6%
of which: directors	*4.0*	*3.4*	*17.6%*
stock options and performance shares schemes	*9.8*	*12.8*	*-23.4%*
Sundry operating costs and expenses	187.0	172.0	8.7%
of which: depreciations and amortizations	*9.2*	*9.1*	*1.8%*
administrative expenses	*180.1*	*162.6*	*10.8%*
Operating costs	**450.9**	**421.8**	**6.9%**

The following table shows a breakdown of the other administrative expenses by type.

			(€m)
	12 mths ended 30/6/22	**12 mths ended 30/6/21**	**Chg.**
Legal, tax and professional services	11.0	9.9	11.1%
Other consultancy expenses	18.8	19.8	-5.1%
Marketing and communication	4.1	3.1	32.3%
Rent and property maintenance	4.8	4.0	20.0%
EDP	80.2	71.9	11.5%
Financial information subscription	24.4	21.6	13.0%
Bank services, collection and payment commissions	1.4	1.2	16.7%
Operating expenses	4.9	6.1	-19.7%
Other labour costs	3.9	1.3	200.0%
Other costs	18.1	17.8	1.7%
Direct and indirect taxes	8.5	5.9	44.1%
Total administrative expenses	**180.1**	**162.6**	**10.8%**

Loan loss provisions – writebacks decreased from €75.4m to €48.3m: the result was boosted by writebacks to loans which were reclassified from UTP to performing status, but for significantly lower amounts than last year (€35m, versus to €110m). The closing balance also reflects the reduction in overlays applied to performing positions (down from €63m to €35m).

Provisions for other financial assets – net provisions of €31.7m were posted for the twelve months, compared with net writebacks of €44.1m last year, representing the balance between the negative valuation of financial assets mandatorily measured at fair value (investments in the Group's funds and other private equity and real estate funds), totalling €34.9m, and movements in the provisioning for banking book assets (up €3.2m) due to adaptation to the IFRS 9 models.

(€m)

	12 mths ended 30/6/22	12 mths ended 30/6/21	Chg.
Hold-to-Collect securities	5.5	(2.5)	-320.0%
Hold-to-Collect & Sell securities	(2.3)	(6.1)	-62.3%
Other	(34.9)	52.7	-166.2%
Total	**(31.7)**	**44.1**	**-171.9%**

Other gains (losses) – this item reflects a loss of €56m, representing a marked deterioration on last year, when a loss of €29.4m was recorded (€45.6m before extraordinary income related to tax items). This item includes:

– Payments of €42.8m to Resolution Funds, €3.2m of which was the collateral share for the first payment made, €39m payable as the annual contribution to the European Single Resolution Fund (14% higher than the €34.1m last year), and €0.6m as the payment to the national Deposit Guarantee Scheme (€0.4m);

– €12.3m in provisions for a set of derivative contracts to guarantee the financial performance of pension funds subscribed to between 2010 and 2014 which have now exited the scope of trading operations pending their gradual expiry (across several years).

Income tax decreased from €108.2m to €69.1m, including an extraordinary provision of €11.6m for contingent taxation of the potential distribution of dividends by the Group's non-Italian Legal Entities outside the scope of the participation exemption regime[1]. Net of these extraordinary items, the ordinary contribution was therefore equal to €57.5m, at a tax rate of 10%, which represents an improvement on last year (16%) due to the higher income component benefiting from partial exemption (dividends on equity investments).

Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass Banca, SelmaBipiemme Leasing, MIS, CheBanca!, MBCredit Solutions, Spafid Connect, Compass Link and Compass Rent. Transactions between the consolidating and consolidated entities are governed by bilateral agreements regulating cash flows, exchanges of information and the individual companies' responsibilities vis-à-vis the revenue authorities.

* * *

[1] Article 87 of the Italian Consolidated Income Tax Act (Presidential Decree No. 917 of 22 December 1986).

Related-party disclosure

Financial accounts outstanding as at 30 June 2022 between companies forming part of the Mediobanca Group and related parties, and transactions undertaken between such parties during the financial year, are illustrated in Part H of the Notes to the Accounts, along with all the information required in terms of transparency pursuant to Consob resolution no. 17221 issued on 12 March 2010 (amended most recently by resolution no. 21264 of 10 December 2020).

All such accounts form part of Group companies' ordinary operations, are maintained on an arm's length basis, and are entered into solely in the interests of the companies concerned. No atypical or irregular transactions have been entered into with such counterparties.

Other information

As part of the Bank's securities transactions on behalf of customers, a total of 28,800,000 Mediobanca shares were bought and sold for a value of €279.8m.

The information on corporate governance and ownership structures pursuant to Article 123-bis of Italian Legislative Decree No. 58/98 is included in the Report on Corporate Governance, attached hereto and available on the Bank's website (Governance section).

The assets for which monetary revaluations were made, as recognized in the financial statements, are detailed in Table A.

Further information on Ricerche e Studi can be found on page 78 of the Consolidated Review of Operations.

Information on the most important litigation and tax disputes pending involving the Bank is also provided in Section 10, Liabilities.

* * *

Outlook

The macroeconomic scenario, defined in conjunction with the Group's budget, factors in central bank measures to dampen the inflationary pressure and a stabilization of the Russia/Ukraine conflict, resulting in a rise in interest rates and a moderate widening of the BTP/Bund spread. Growth in Italian GDP is expected to slow in 2023.

In this scenario, Mediobanca expects to continue to reach the objectives set in the Strategic Plan for 2023, on stable customer loans and growing AUM in Private Banking, supported by ongoing investments in technology and product innovation. Revenues should be boosted by higher fees and commissions, given the growing volumes of assets under management, and by higher net interest income due to the repricing of assets and availability of retail funding.

The cost trend reflects the continuation of the investment plan in resources and technologies, plus the effects of inflation; while the cost of risk, despite the solid business performance, will be impacted by the end of the release of provisions due to assets being reclassified from UTP to performing status.

Any further deterioration in the macroeconomic scenario would impact on the growth of TFAs and hence of revenues. Even if this were so, the impact would be mitigated by the Assicurazioni Generali dividend (the company's results have historically been decoupled from the trend in GDP) and by investment banking, which, despite being a cyclical business, has excellent asset quality and a unique market position.

Milan, 22 September 2022

THE BOARD OF DIRECTORS

Financial year ended 30 June 2022: proposal to approve financial statements and allocation of profit

Dear shareholders,

The net profit for the year was €513,087,171.38 to be allocated as follows:

€	0.00	To the *Legal reserve*, which accordingly would amount to €88,728,001.30, or 20% of the Bank's share capital;
€	51,308,717.14	To the *Statutory reserve*;
€	461,778,454.24	Profit remaining

We therefore propose to distribute a €0.75 dividend on each of the 838,885,607 shares in issue entitling their holders to such rights, taking account of the redistribution of treasury shares attributable, for a total amount of €629,164,205.25, consisting of the remaining profit plus €167,385,751.01 taken from the Statutory Reserve, as shown in the table below.

Accordingly, you are invited to approve the financial statements for the year ended 30 June 2022, including the balance sheet, profit and loss account and accompanying schedules, plus the following profit allocation:

Net profit for the year	513,087,171.38
To the *Legal Reserve*	0.0
To the *Statutory Reserve*	51,308,717.14
Remaining profit	461,778,454.24
From the *Statutory Reserve*	167,385,751.01
Dividend of €0.75 per share on 838,885,607 shares	629,164,205.25

The dividend of €0.75 per share will be paid on 23 November 2022, with the shares going ex-rights on 21 November 2022.

Milan, 22 September 2022

THE BOARD OF DIRECTORS

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

DECLARATION IN RESPECT OF THE INDIVIDUAL FINANCIAL STATEMENTS

as required by Article 81-ter of Consob resolution No. 11971 issued on 14 May 1999 as amended

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1. The undersigned Alberto Nagel and Emanuele Flappini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby declare, and in view *inter alia* of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58/98, that the administrative and accounting procedures used in the preparation of the separate financial statements:
   - were adequate in view of the company's characteristics;
   - were effectively applied in the year ended 30 June 2022.

2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the individual financial statements as at 30 June 2022 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at international level (CoSO and CobiT frameworks).

3. It is further hereby declared that

   3.1 the individual financial statements:
   - has been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to EC regulation no. 1606/02 issued by the European Parliament and Council on 19 July 2002;
   - corresponds to the data recorded in the company's books and account ledgers;
   - is adequate for the purpose of providing a truthful and accurate representation of the capital, earnings and financial situation of the issuer.

   3.2 the review of operations contains reliable analysis of the Mediobanca's operating performance and results, and of its situation, along with a description of the main risks and uncertainties to which it is exposed.

Milan, 22 September 2022

Chief Executive Officer	Head of Company Financial Reporting
Alberto Nagel	*Emanuele Flappini*

AUDITORS' REPORT

Mediobanca S.p.A.

Financial statements as at 30 June 2022

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

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E-MARKET SDIR CERTIFIED

Independent auditor's report pursuant to article 14 of Legislative Decree no. 39/2010 and article 10 of Regulation (EU) no. 537/2014

(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Mediobanca S.p.A. (the "Bank"), which comprise the balance sheet as at 30 June 2022, the income statement, statement of comprehensive income, the statement of changes to net equity and cash flows statement for the year then ended, and notes to the accounts.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 30 June 2022, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n.38, dated 28 February 2005 and article 43 of Legislative Decree n. 136, dated 18 August 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Key Audit Matters	Audit Response
Classification and measurement of loans to customers represented by loans measured at amortised cost	
Loans to customers (loans) recorded amongst financial assets measured at amortised cost, included in line item 40. b) of the balance sheet, amount to Euro 19.632 million as at 30 June 2022, and represent approximately 25% of total assets. The composition of such loans is included in tables 4.2 and 4.3 in Part B, section 4, of the notes to the accounts. Net impairment reversal for credit risk on the loans to customers (loans) measured at amortised cost are included in line item 130. a) of the income statement; the composition of such net impairment reversal is included in table 8.1 in Part C, section 8, of the notes to the accounts. The disclosures regarding the changes in the credit quality of the loans to customers (loans), the classification and measurement criteria adopted and the related income statement effects are provided in *Part A – Accounting policies*, in *Part B – Notes to the balance sheet*, in *Part C – Notes to the income statement* and in *Part E Information on risks and related hedging policies* of the notes to the accounts. The classification and measurement of the loans to customers (loans) measured at amortised cost in the appropriate risk staging is relevant for the audit because the amount of loans is significant to the financial statements as a whole and because the amount of the related impairment losses is determined by the directors through the use of estimates that have a high degree of complexity and subjectivity. For classification purposes of the loans to customers (loans), the directors carry out complex analyses, which involve using internally developed models, as well as subjective elements, in order to identify exposures that show evidence of a significant increase in credit risk since the date of initial recognition or specifically identified impairment. The processes for the classification of such loans considers both	In relation to this aspect, our audit procedures, which were performed also with the support of our risk management and information technology specialists, included amongst others: • an understanding of the policies, processes and controls applied by the Bank in relation to the classification and measurement of loans to customers (loans); • an assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls in order to assess their operational effectiveness; • an understanding of the methodology used in relation to the statistical evaluations and the reasonableness of the hypotheses adopted as well as the execution of tests of controls and substantive procedures aimed at verifying the accuracy of the determination of the relevant parameters for the purposes of determining the impairment losses; • an analysis of the changes in the composition of loans to customers (loans) compared to the previous year and a discussion of the results with management; • performing substantive procedures in order to verify, on a sample basis, the correct classification and measurement of credit exposures; • an assessment of the adequacy of the disclosures provided in the notes to the accounts.

internal information about the historical performance of exposures and external information about the referenced sector.

Measuring loans to customers (loans) is a complex activity, with a high degree of uncertainty and subjectivity, in respect of which the directors also apply internally developed valuation models and make estimates that consider many quantitative and qualitative factors, including historical collections, expected cash flows and related estimates on collection timing, an assessment of any guarantees, the impact of macroeconomic variables and future scenarios and risks of the sectors in which the Bank's customers operate.

Moreover, the classification and measurement processes of the loans to customers (loans) involve considering specific factors aimed at reflecting the current uncertainty on the evolution of the macroeconomic scenario.

Measurement of financial instruments not quoted in active markets and measured at fair value at on a recurring basis

As at 30 June 2022 financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy as established by the relevant international accounting standard, amount to a total asset balance of Euro 6.024 million and a total liability balance of Euro 7.445 million. The composition of financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy, is included in table A.4.5.1, Part A of the notes to the accounts.

The disclosures on the classification and measurement of financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy are provided in *Part A - Accounting policies*, in *Part B – Notes to the balance sheet*, in *Part C – Notes to the income statement* and in *Part E - Information on risks and related hedging policies* of the notes to the accounts.

In relation to this aspect, our audit procedures, which were performed also with the support of our risk management and information technology specialists, included amongst others:

- an understanding of the policies, processes and controls applied by the Bank in relation to the classification and measurement of financial instruments measured at fair value on a recurring basis within the level 2 and level 3 fair value hierarchy categories;
- an assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls in order to assess their operational effectiveness;
- an understanding of the valuation models used for the measurement of the financial instruments as well as the methods used for determining the fair value hierarchy

The measurement of these financial instruments is performed by the directors through the use of complex models, accepted by the prevailing valuation practices, which make use of directly or indirectly observable inputs and internal estimates based on qualitative and quantitative assumptions.

The measurement of such financial instruments is relevant to the audit because the amount of such financial instruments is significant to the financial statements as a whole and because of the multiplicity and complexity of the valuation models and parameters used as well as the subjective elements considered for the purposes of the estimates.

classification;

- an analysis of the changes in the composition of the financial instruments' portfolio compared to the previous year and the discussion of the results with management;
- performing substantive procedures in order to verify, on a sample basis, the fair value of financial instruments through the analysis of the valuation models, the reasonableness of the qualitative and quantitative assumptions formulated, and input parameters used as well as the appropriate fair value level classification;
- an assessment of the adequacy of the disclosures provided in the notes to the accounts.

Measurement of equity investments in subsidiary and associated entities

As at 30 June 2022 the carrying amount of equity investments amount to Euro 3.563 million of which Euro 2.378 million related to subsidiaries controlled pursuant to the international accounting standard IFRS 10 and Euro 1.185 million related to associates pursuant to the international accounting standard IAS 28. The composition of equity investments is included in the table 7.2 in Part B, section 7, of the notes to the accounts.

The disclosures on the methods used for the measurement of equity investments are provided in *Part A – Accounting policies*, in *Part B – Notes to the balance sheet* and in *Part C – Notes to the income statement* of the notes to the accounts.

The directors perform an evaluation of the recoverable amount of equity investments recognised in the financial statements at least annually (impairment test), or more frequently, if indicators are found during the year that suggest the existence of a loss in value. Such evaluation, in accordance with the international accounting standard IAS 36, is based on the comparison between the carrying amount in the financial statements and the higher of the fair value less

In relation to this aspect, our audit procedures, which were performed also with the support of our business valuation specialists, included amongst others:

- an understanding of the methods for determining the recoverable amount used by the directors in the impairment test process and the related key controls;
- verifying the consistency of the valuation methodologies used with the requirements of the international accounting standard IAS 36, taking into account of the market practice and the distinctive characteristics of the single equity investments;
- verifying the mathematical accuracy and the correctness of the calculations underlying the valuation models used;
- an assessment of the differences between the historical results and forecast data in order to verify the reasonableness of the assumptions used by the directors;
- an analysis of the reasonableness of the assumptions and parameters used by the

costs to sell and the value in use.

The estimate of the recoverable amount of each equity investment was performed by the directors, also with the support of third-party consultants, through an impairment process based on complex models using information, parameters and assumptions characterised by a high level of subjectivity such as expected cash flows, nominal growth rates and the cost of capital. The elements described above implicate a high level of complexity and subjectivity in the estimation processes.

For the year ending as at 30 June 2022, the estimation process resulted complex also considering the persisting uncertainty of macroeconomic scenario.

For the reasons described above, we have considered the measurement of equity investments in subsidiary and associated entities a key audit matter for the audit of the financial statements of the Bank as at 30 June 2022.

directors for the impairment test who were assisted with the support of third-party consultants, and of the forecast used in the same, also considering the uncertainty of macroeconomic scenario as well as the related sensitivity analyses;

- an assessment of the adequacy of the disclosures provided in the notes to the accounts.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005 and article 43 of Legislative Decree no. 136/2015 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Bank's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Bank or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("*Collegio Sindacale*") is responsible, within the terms provided by the law, for overseeing the Bank's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by international standards on auditing (ISA Italia), regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor’s report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Mediobanca S.p.A., in the general meeting held on 28 October 2020, engaged us to perform the audits of the separate and consolidated financial statements for each of the years ending 30 June 2022 to 30 June 2030.

We declare that we have not provided prohibited non-audit services, referred to article 5, paragraph 1, of EU Regulation n. 537/2014, and that we have remained independent of the of the Bank in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (*Collegio Sindacale*) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Mediobanca S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements of the Bank have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Mediobanca S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of the Bank as at 30 June 2022, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Mediobanca S.p.A. as at 30 June 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above-mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Mediobanca S.p.A. as at 30 June 2022 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Mediobanca S.p.A. are responsible for the preparation of the consolidated non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that consolidated non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such consolidated non-financial information is subject to a separate compliance report signed by us.

Milan, 29 September 2022

EY S.p.A.
Signed by: Davide Lisi, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

INDIVIDUAL FINANCIAL STATEMENTS*

* Figures in Euros

Mediobanca S.p.A. Balance Sheet

Assets	30/06/22	30/06/21*
10. Cash and cash equivalents	7,783,484,100	3,202,179,869
20. Financial assets at fair value with impact taken to profit and loss	11,262,575,796	12,662,968,472
a) Financial assets held for trading	*10,160,298,943*	*11,336,788,624*
b) Financial assets designated at fair value	*516,482,970*	*680,538,985*
c) Other financial assets mandatorily at fair value	*585,793,883*	*645,640,863*
30. Financial assets at fair value with impact taken to comprehensive income	4,374,269,928	4,735,494,473
40. Financial assets at amortized cost	51,888,458,033	47,695,597,468
a) Due from banks	*27,070,039,318*	*26,689,245,818*
b) Due from customers	*24,818,418,715*	*21,006,351,650*
50. Hedging derivatives	157,119,705	312,815,688
60. Adjustment of hedging financial assets (+/-)	—	—
70. Equity investments	3,563,039,187	3,457,429,555
80. Property, plant and equipments	140,734,419	138,281,356
90. Intangible assets	28,693,202	28,798,558
of which:		
goodwill	*12,514,145*	*12,514,145*
100. Tax assets	259,317,000	238,836,244
a) current	*153,824,241*	*146,147,058*
b) deferred	*105,492,759*	*92,689,186*
110. Assets classified as held for sale	—	—
120. Other assets	207,941,431	231,106,963
Total assets	**79,665,632,801**	**72,703,508,646**

* Figures at 30 June 2021 include the reclassification of sight current accounts within Heading 10 – Cash and cash equivalents, pursuant to the provisions of the VII[th] update of 262/2005 Bank of Italy Circular.

Liabilities and net equity	30/06/22	30/06/21
10. Financial liabilities at amortized cost	61,793,306,327	55,065,537,343
a) Due to banks	*35,171,128,505*	*32,773,567,316*
b) Due to customers	*11,388,129,818*	*6,476,195,441*
c) Debt securities in issue	*15,234,048,004*	*15,815,774,586*
20. Trading financial liabilities	10,026,502,228	10,342,380,244
30. Financial liabilities designated at fair value	637,589,428	833,047,735
40. Hedging derivatives	1,385,980,889	154,184,382
50. Adjustment of hedging financial liabilities (+/-)	—	—
60. Tax liabilities	361,394,113	397,191,236
a) current	*134,042,994*	*154,893,438*
b) deferred	*227,351,119*	*242,297,798*
70. Liabilities included in disposal groups classified as held for sale	—	—
80. Other liabilities	278,170,067	359,153,968
90. Staff severance indemnity provision	5,400,129	7,385,987
100. Provisions	114,548,703	129,119,565
a) commitments and financial guarantees	*46,692,459*	*60,243,189*
b) post-employment and similar benefits	—	—
c) other provisions	*67,856,244*	*68,876,376*
110. Revaluation reserves	118,414,457	184,048,374
120. Redeemable shares repayable on demand	—	—
130. Equity instruments repayable on demand	—	—
140. Reserves	2,032,800,953	2,230,584,380
150. Share premium reserve	2,195,605,653	2,195,605,653
160. Share capital	443,640,007	443,640,007
170. Treasury share (-)	(240,807,324)	(216,736,473)
180. Profit/(loss) for the period (+/-)	513,087,171	578,366,245
Total liabilities and net equity	**79,665,632,801**	**72,703,508,646**

Mediobanca S.p.A. Profit and Loss Account

Items		30/06/22	30/06/21
10.	Interest and similar income	651,092,014	664,917,409
	of which: interest income calculated according to the effective interest method	*460,413,273*	*500,699,479*
20.	Interest expense and similar charges	(543,206,066)	(564,184,243)
30.	**Net interest income**	**107,885,948**	**100,733,166**
40.	Fee and commission income	361,798,728	324,594,654
50.	Fee and commission expense	(72,217,500)	(40,513,925)
60.	**Net fee and commission income**	**289,581,228**	**284,080,729**
70.	Dividends and similar incomes	612,705,477	520,857,477
80.	Net trading income	(80,452,852)	85,030,462
90.	Net hedging income (expense)	(714,152)	1,528,878
100.	Gain (loss) on disposal/repurchase:	96,705,851	21,487,022
	a) financial assets measured at amortized cost	*28,727,482*	*(1,271,048)*
	b) financial assets valued at fair value with impact taken to comprehensive income	*69,000,083*	*24,051,527*
	c) financial liabilities	*(1,021,714)*	*(1,293,457)*
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	(21,863,002)	105,884,720
	a) financial assets and liabilities designated at fair value	*13,133,799*	*(7,166,683)*
	b) other financial assets mandatorily valued at fair value	*(34,996,801)*	*113,051,403*
120.	**Total income**	**1,003,848,498**	**1,119,602,454**
130.	Net write-offs (write-backs) for credit risk:	42,486,846	25,336,114
	a) financial assets measured at amortized cost	*44,792,012*	*31,483,095*
	b) financial assets valued at fair value with impact taken to comprehensive income	*(2,305,166)*	*(6,146,981)*
140.	Gains (losses) from contractual modifications without derecognition	—	—
150.	**Net income from financial operations**	**1,046,335,344**	**1,144,938,568**
160.	Administrative expenses:	(502,192,028)	(473,574,111)
	a) personnel costs	*(263,944,924)*	*(249,829,415)*
	b) other administrative expenses	*(238,247,104)*	*(223,744,696)*
170.	Net transfers to provisions:	8,675,190	(19,289,989)
	a) commitments and financial guarantees	*9,081,759*	*(18,939,989)*
	b) other sums set aside (net)	*(406,569)*	*(350,000)*
180.	Net adjustments to tangible assets	(8,748,483)	(8,127,130)
190.	Net adjustments to intangible assets	(484,777)	(946,474)
200.	Other operating income (expense)	38,356,514	42,850,528
210.	**Operating costs**	**(464,393,584)**	**(459,087,176)**
220.	Gain (loss) on equity investments	(854,619)	(15,485,187)
230.	Net result from fair value valuation of tangible and intangible assets	—	—
240.	Goodwill write-offs	—	—
250.	Gain (loss) on disposal of investments	30	40
260.	**Profit (loss) on ordinary activity before tax**	**581,087,171**	**670,366,245**
270.	Income tax for the year on ordinary activities	(68,000,000)	(92,000,000)
280.	**Profit (loss) on ordinary activities after tax**	**513,087,171**	**578,366,245**
290.	Gain (loss) of ceded operating assets, net of tax	—	—
300.	**Net profit (loss) for the period**	**513,087,171**	**578,366,245**

Mediobanca S.p.A. Comprehensive Profit and Loss Account

Items		30/06/22	30/06/21
10,	Profit (Loss) for the period	513,087,171	578,366,245
	Other income items net of tax without passing through profit and loss	**21,777,154**	**68,942,627**
20,	Equity securities designated at fair value with impact taken to comprehensive income	16,995,756	73,200,359
30,	Financial liabilities at fair value with impact taken to profit and loss (variation of own credit risk)	4,345,695	(5,729,820)
40,	Hedging of equity securities designated at fair value with impact taken to comprehensive income	—	—
50,	Property, plant and equipments	—	—
60,	Intangible assets	—	—
70,	Defined benefit schemes	435,703	1,472,088
80,	Non-current assets held for sale	—	—
90,	Share of valuation reserves attributable to equity-accounted companies	—	—
	Other income items net of tax passing through profit and loss	**(89,181,825)**	**40,082,510**
100,	Foreign investments hedges	—	—
110,	Exchange rate differences	—	—
120,	Cash flow hedges	462,516	—
130,	Hedging instruments (non-designated elements)	—	—
140,	Financial assets (other than equity securities) valued at fair value with impact taken to comprehensive income	(89,644,341)	40,082,510
150,	Non-current assets held for sale	—	—
160,	Share of valuation reserves attributable to equity-accounted companies	—	—
170,	**Total other income items, net of tax**	**(67,404,671)**	**109,025,137**
180,	**Comprehensive income (Heading 10 +170)**	**445,682,500**	**687,391,382**

Statement of Changes to Mediobanca Net Equity

	Previously reported balance at 30/06/21	Allocation of profit for previous period		Changes during the reference period								Total net equity at 30/06/22
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity						Overall consolidated profit for the 12 mths ended 30/06/22	
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options[1]		
Share capital:	443,640,007	—	—	—	—	—	—	—	—	—	—	443,640,007
a) ordinary shares	443,640,007	—	—	—	—	—	—	—	—	—	—	443,640,007
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,195,605,653	—	—	—	—	—	—	—	—	—	—	2,195,605,653
Reserves:	2,230,584,380	578,366,245	(569,164,138)	(1,770,754)	—	(217,360,414)	—	—	—	12,145,634	—	2,032,800,953
a) retained earnings	2,093,311,532	578,366,245	(569,164,138)	—	—	—	—	—	—	—	—	2,102,513,639
b) others	137,272,848	—	—	(1,770,754)	—	(217,360,414)	—	—	—	12,145,634	—	(69,712,686)
Valuation reserves	184,048,374	—	—	1,770,754	—	—	—	—	—	—	(67,404,671)	118,414,457
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(216,736,473)	—	—	—	—	(24,070,851)	—	—	—	—	—	(240,807,324)
Profit (loss) for the period	578,366,245	(578,366,245)	—	—	—	—	—	—	—	—	513,087,171	513,087,171
Total net equity	5,415,508,186	—	(569,164,138)	—	—	(241,431,265)	—	—	—	12,145,634	445,682,500	5,062,740,917

[1] Represents the effects of performance shares related to the ESOP schemes.

Statement of Changes to Mediobanca Net Equity

	Previously reported balance at 30/6/20	Allocation of profit for previous period		Changes during the reference period								Total net equity at 30/06/21
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity						Overall consolidated profit for the 12 mths ended 30/06/21	
					New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options[1]		
Share capital:	443,616,724	—	—	—	23,283	—	—	—	—	—	—	443,640,007
a) ordinary shares	443,616,724	—	—	—	23,283	—	—	—	—	—	—	443,640,007
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,195,605,653	—	—	—	—	—	—	—	—	—	—	2,195,605,653
Reserves:	2,192,791,978	39,358,758	—	(1,040,765)	(23,283)	(15,037,517)	—	—	—	14,535,209	—	2,230,584,380
a) retained earnings	2,053,976,057	39,358,758	—	—	(23,283)	—	—	—	—	—	—	2,093,311,532
b) others	138,815,921	—	—	(1,040,765)	—	(15,037,517)	—	—	—	14,535,209	—	137,272,848
Valuation reserves	73,982,473	—	—	1,040,765	—	—	—	—	—	—	109,025,137	184,048,374
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(231,538,013)	—	—	—	—	14,801,540	—	—	—	—	—	(216,736,473)
Profit (loss) for the period	39,358,758	(39,358,758)	—	—	—	—	—	—	—	—	578,366,245	578,366,245
Total net equity	4,713,817,572	—	—	—	—	(235,977)	—	—	—	14,535,209	687,391,382	5,415,508,186

[1] Represents the effects of performance shares related to the ESOP schemes.

Mediobanca Cash Flow Statement Direct Method

	Amount	
	30/06/22	30/06/21
A. CASH FLOWS FROM OPERATING ACTIVITY		
1. Operating activity	**(144,693,462)**	**(96,491,573)**
- interest received	147,025,110	232,852,125
- interest paid	(219,837,968)	(327,606,655)
- dividends and similar income	125,282,674	97,925,184
- net fees and commission income	60,319,542	97,265,595
- cash payments to employees	(190,846,219)	(176,713,941)
- other expenses paid	(61,084,935)	(69,531,515)
- other income received	68,275,135	73,549,507
- income taxes paid	(73,826,801)	(24,231,873)
- expenses/income from group of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**200,695,064**	**(2,993,237,511)**
- financial assets held for trading	1,209,061,958	94,558,446
- financial assets valued at fair value	63,529,373	(597,000,000)
- financial assets mandatorily valued at fair value	(1,996,427)	118,161,307
- financial assets valued at fair value with impact taken to profit and loss	306,218,461	(754,912,189)
- financial assets valued at amortized cost	(3,118,257,040)	(2,263,663,259)
- other assets	1,742,138,739	409,618,184
3. Cash generated/absorbed by financial liabilities	**4,903,982,044**	**3,101,186,768**
- financial liabilities valued at amortized cost	5,682,207,950	3,352,745,168
- financial liabilities held for trading	222,345,417	20,208,765
- financial liabilities designated at fair value	(56,418,609)	580,250,000
- other liabilities	(944,152,714)	(852,017,165)
Net cash flow (outflow) from operating activities	**4,959,983,646**	**(11,457,684)**
B. CASH FLOWS FROM INVESTMENT ACTIVITY		
1. Cash generated from:	**491,070,884**	**416,621,033**
- disposal of shareholdings	2,899,906	136,004
- dividends received in respect of equity investments	487,991,978	416,428,029
- disposals of tangible assets	179,000	57,000
- disposals of intangible assets	—	—
- disposals of subsidiaries or business units	—	—
2. Cash absorbed by:	**(59,223,399)**	**(326,151,474)**
- purchases of shareholdings	(56,009,399)	(322,630,474)
- purchases of tangible assets	(2,835,000)	(3,015,000)
- purchases of intangible assets	(379,000)	(506,000)
- purchases of subsidiaries or business units	—	—
Net cash flow (outflow) from investment activity	**431,847,485**	**90,469,559**
C. CASH FLOWS FROM FUNDING ACTIVITY	**(810,526,903)**	**(1,697,693)**
- issuance/acquisition of treasury shares	(241,431,265)	—
- issuance/acquisition of capital instruments	—	—
- distribution of dividends and other purposes	(569,095,638)	(1,697,693)
Net cash flow (outflow) from funding activities	**(810,526,903)**	**(1,697,693)**
NET CASH FLOW (OUTFLOW) DURING THE PERIOD	**4,581,304,228**	**(100,229,550)**

Reconciliation of Movements in Cash Flow During the Period

Accounting items	Amount	
	30/06/22	30/06/21
Cash and cash equivalents: balance at start of period	3,202,179,870	3,101,950,320
Total cash flow (ouflow) during the period	4,581,304,228	(100,229,550)
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	7,783,484,098	3,202,179,870*

* Figures at 30 June 2021 include the reclassification of sight current accounts, pursuant to the provisions of the VIIth update of 262/2005 bank of Italy Circular.

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Accounting Policies

A.1 - General Part

SECTION 1

Statement of conformity with IAS/IFRS

The financial situation and the profit and loss account at 30 June 2022, as required by Italian Legislative Decree 38/05, were drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and the respective interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of Regulation (EC) No. 1606/02 issued by the European Parliament and Council on 19 July 2002. In particular, account was taken of the "Instructions on preparing statutory and consolidated financial statements for banks and financial companies which control banking groups" issued by the Bank of Italy under Circular No. 262 of 22 December 2005 - seventh update of 29 October 2021[1], as subsequently amended - which define the structure to be used in compiling and preparing the financial statements and the contents of the notes to the accounts[2]. This report was drawn up in accordance with the provisions of Article 154-ter of Legislative Decree No. 58 of 24 February 1998 (Italian Consolidated Law on Finance).

[1] Following entry into force of the seventh update to Circular No. 262, it was necessary to reclassify "On-demand loans to banks and central banks" from item 40 a) "Financial assets at amortized cost - loans to banks" to item 10 "Cash and cash equivalents" in the balance sheet and the corresponding adjustment in the Cash Flow Statement. No changes were required in the income statement. Furthermore, some tables of the notes to the accounts were remade as specified in the relevant sections (detailed information on commission income and expense; separate statement of contributions to the resolution fund and to the deposit guarantee schemes in Administrative expenses; separate entry of software that is not an integral part of hardware pursuant to IAS 38 in the tables of intangible fixed assets).

[2] On 4 August 2022, the consultation for the eighth update of the Circular ended. This update is mainly aimed at adopting the new international accounting standard IFRS 17 "Insurance contracts" starting on 1 January 2023 and the resulting amendments introduced in other international accounting standards, including IAS 1 "Presentation of Financial Statements" and IFRS 7 "Financial Instruments: Disclosures".

SECTION 2

General basis of preparation

These financial statements comprise:

- Balance Sheet;
- Profit and Loss Account;
- Comprehensive Income Statement;
- Statement of Changes in Net Equity;
- Cash Flow Statement;
- Notes to the accounts.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in part A.2, and show data for the period under review compared with that for the previous financial year in the case of balance-sheet figures or the corresponding period of the previous financial year for profit-and-loss data.

During the twelve months under review, the European Commission approved the following three regulations, which include certain changes to accounting standards already in force: 2021/1421 of 30 August 2021, 2021/2036 of 19 November 2021 and 2022/357 of 2 March 2022. Details are as follows:

- Regulation (EU) 2021/1421 adopted the amendments to IFRS 16 proposed by the IASB in the document "Amendments to IFRS 16 Leases: Covid-19-Related Rent concessions beyond 30 June 2021" published 31 March 2021. Under this Regulation amendments to the standard were extended to payments contractually due up to 30 June 2022 included. These amendments are valid for the Group starting from 1 July 2021.
- Regulation (EU) 2021/2036 of 19 November 2021 adopted the accounting standard "IFRS 17 Insurance Contracts" and at the same time amended the following standards: IFRS 1, IFRS 3, IFRS 5, IFRS 7, IFRS 9, IFRS 15, IAS 1, IAS 7, IAS 16, IAS 19, IAS 28, IAS 32, IAS 36, IAS 37, IAS 38 and IAS 40. These amendments are valid for the Group starting from 1 July 2023[3].

[3] No changes to the Group's principles are expected.

– Regulation (EU) 2022/357 of 2 March 2022 adopted the amendments to IAS 1 and IAS 8. These amendments clarify the differences between accounting principles and accounting estimates in order to ensure a consistent adoption of accounting standards and the comparability of financial statements. These amendments are valid for the Group starting from 1 July 2023[4].

The measures and statements published in the last 12 months by the regulatory and supervisory authorities regarding the most suitable way to apply the accounting standards.

– ESMA:
  On 29 October 2021, ESMA published the annual statement "European common enforcement priorities for 2021 annual financial reports" outlining the priorities on which listed companies must focus when preparing the annual reports for December 2021. ESMA in particular recommended that the IFRS 2021 financial statements provide information on the following four topics:

  a) long-term impacts deriving from the Covid-19 pandemic and related recovery phase with a careful evaluation thereof and transparency in accounting;
  b) effects of climate change[5], impacts, estimates and strategies carried out for its mitigation and company's position statement on sustainability goals[6];
  c) measurement of expected credit losses (ECL) including a sensitivity analysis and details concerning the management of (allocated and used) overlays, the assessments made (material adjustments) and any significant increase in credit risk (SICR)[7];
  d) information on the taxonomy and communication for the alignment of economic activities pursuant to Article 8 of Regulation (EU) 2020/852 [8].

[4] No changes to the Group's principles are expected.

[5] ESMA expects the impact of climate issues to be taken into account by entities within the scope of IFRS standards, in particular within the scope of IAS 16, IAS 36 and IAS 38.

[6] Please refer to Part E - ESG and climate change risk.

[7] Please refer to Part E - Section 2.3 - Methods for measuring expected losses

[8] Please refer to the contents of the consolidated Non-Financial Report published on www.mediobanca.com.

On 13 May, ESMA published the recommendation "Implications of Russia's invasion of Ukraine on half-yearly financial reports" to promote the transparency of information provided on the Russian invasion of Ukraine in half-yearly financial reports. ESMA in particular emphasized the need for issuers to provide useful information to users and adequately reflect both the current and, as far as possible, the expected impact of the Russian invasion of Ukraine on the issuers' financial position, performance and cash flow. ESMA also stressed the importance of providing information on identifying the main risks and uncertainties to which issuers are exposed. Previously, in its Public Statement of 14 March 2022, "ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets", ESMA listed the different ways in which the Agency had taken action to support the markets and European investors[9].

– EBA:
  On 24 November 2021, the European Banking Authority (EBA) published a Report[10] summarizing the results deriving from monitoring activities concerning the implementation of the International Financial Reporting Standard (IFRS 9) by the European Union institutions in the context of the current pandemic. The results of the analyses conducted by the EBA are meant to assist the supervisory authorities in assessing the quality and adequacy of the adoption of the IFRS 9 framework, also considering the high expert-judgment levels adopted by the banks under review in terms of provisioning (and overlay) level and stage 2 and stage 3 classification.
  The EBA recalled that the application of overlays should be understood as a temporary measure, necessary in case the models are unable to cope with a specific situation, and should not be used in the long term; it is therefore essential that adjustments to provisions be accompanied by appropriate governance measures in order to ensure that credit risk is correctly reflected in the final impairment metrics and incorporated into the ECL models.

[9] Please refer to Part E - Section 1 - Consolidated prudential risks; especially the paragraph on Impacts caused by the war in Ukraine.
[10] EBA/Rep/2021/35 IFRS 9 Implementation by EU Institutions – Monitoring Report.

– CONSOB:
On 19 May 2022, CONSOB published Warning Notice No. 3/22, which makes reference to the Public Statement "Implications of Russia's invasion of Ukraine on half-yearly financial reports" of ESMA and pays particular attention to the need to incorporate qualitative and quantitative information in the financial reports regarding any impacts of the conflict in Ukraine on the issuers' financial position, performance and cash flow[11].

Going-concern statement

With reference to the requirements of the Bank of Italy, CONSOB and ISVAP under Joint Document No. 4 of 3 March 2010, the Group's consolidated financial statements at 30 June 2022 were prepared on a going-concern basis: the Directors believe that no risks and uncertainties have arisen such as to raise doubts on the Group's going-concern assumption. The Directors consider that the Group has a reasonable expectation of continuing to operate in the foreseeable future; therefore, the consolidated financial statements were prepared on a going-concern basis.

For information on the Group's risks and related safeguards, please refer to the contents of "Part E - Information on risks and related hedging policies" in these Notes to the Accounts and in the Group's Review of Operations.

Risks and uncertainties linked to the use of estimates

In compliance with IFRS, senior management are required formulate assessments, estimates and assumptions that may influence the adoption of the accounting standards and the amounts of assets, liabilities, costs and revenues recognized in the financial statements, as well as the disclosure relating to contingent assets and liabilities.

The assumptions underlying such estimates take into account all the information available at the date of preparation of the financial statements, as well as assumptions considered reasonable, including in light of past experience.

[11] Please refer to Part E - Section 1 - Consolidated prudential risks; especially the paragraph on Impacts caused by the war in Ukraine.

In this regard, it should be noted that financial estimates may, due to their very nature and insofar as reasonable, need to be revised as a result of changes in the circumstances on which they have been based, of the availability of new information or of greater experience accrued.

The main cases requiring the use of subjective assessments by senior management are as follows:

a) quantification of losses due to the impairment of receivables and, in general, of other financial assets[12];
b) assessment of the fair value of equity investments and other non-financial assets (goodwill, tangible assets, including the value in use of assets acquired under lease, and intangible assets)[13];
c) use of valuation models to measure the fair value of financial instruments not listed on active markets[14];
d) estimates of liabilities deriving from company defined benefit retirement plans[15];
e) quantification of legal and fiscal provisions for risks and charges[16].

The above list of valuation processes is provided for the sole purpose of allowing the reader to better understand the main areas of uncertainty, but it should not be understood in any way to suggest that alternative assumptions may, at present, be more appropriate. For the most relevant items being estimated, information on the main hypotheses and assumptions used in the estimate is provided in the specific sections of the Notes to the Accounts, including a sensitivity analysis with respect to alternative hypotheses.

[12] Please refer to Part E - section 1 - consolidated accounting risks (A. Credit quality) - section 3 - consolidated prudential risks (1.1 Credit risk).

[13] Please refer to section 7, section 9 and section 10 of Part B - Asset.

[14] Please refer to section 3 of Part B - Asset.

[15] Please refer to section 10 of Part B - Liability (10.5 Defined benefit company retirement pension schemes).

[16] Please refer to section 10 of Part B - Liability (templates from 10.1 to 10.4).

Group Project on Interbank Benchmark Rate Transition

After the end of activities necessary to complete the transition to the new interbank rates that took place during the year under review for rates denominated in GBP, CHF and JPY, the Bank started the preparatory activities for the discontinuation of the Libor USD rate - scheduled for June 2023 - and introduction of fall-back clauses in line with the 2021 ECB recommendations relating to contracts and products indexed to the Euribor rate, although the discontinuation of the latter has not been scheduled for the time being. Preliminary activities have also been started for the operational management of the Term SOFR rate, in line with market practice that is progressively emerging.

It is also to be noted that, in light of the new regulatory provisions[17] and of activities carried out by the Group, no critical aspects have emerged so far in completing the transition by deadlines set neither are they forecast for the future discontinuation of the Libor USD rate.

It is also to taken in mind that the Group has already applied the EU Regulation 2020/34 of 15th January 2020 ("Regulation 34"), which endorses the amendments approved by the IASB Board in September 2019, in order to avoid that the lack of a single reference parameter for the whole market could bring to the discontinuing of an hedging relation. Specifically, operations of this kind are IRS contracts having as underlying the USD Libor rate, carried out by the parent company and hedging bond issues and deposits with a notional amount of $2,011m.

Targeted Longer-Term Refinancing Operations – T-LTRO

The T-LTRO III refinancing operation consists in a disbursement plan, for up to 10 operations, each with a three-year maturity, starting from September 2019 on a quarterly basis.

During 2020, with the intention of further supporting the granting of credit to households and businesses, an additional discount (50 bps bonus) was introduced for transactions in place between 24 June 2020 and 23 June 2021, subsequently renewed also for those in place between 24 June 2021 and

[17] As at 1 July 2021, Regulation no. 25/2021 of January 13, 2021 applies, which acknowledges the document "Reform of the reference indices for determining interest rates - phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ", published by the IASB on 27 August 2020, regarding the issues relating to the second phase of the project on the revision of rates (Interest Rate Benchmark Reform - IBOR Reform). The main changes introduced concerns the possible impacts deriving from the application of the new rates and in particular the accounting representation of the changes in existing contracts and the accounting coverage. The changes introduced did not have any impact on the Group.

23 June 2022. Such bonus will be granted at the expiry of each transaction subject to compliance with a certain level of loans to households and businesses (referred to as "eligibility criteria"). In addition to the contents reported in the documentation regarding the discount, the program calculates the final interest at maturity based on the average quarterly refinancing rate on bank deposits

In light of the ECB's new monetary policy, the effective interest rate at maturity of the loan (under IFRS 9) has been modified to take into account the expected rise in rates and non-renewal of the additional bonus in the third year. In this sense, the estimate was re-measured (with an impact of approximately €27 million) and the June 22 facility reformulated (€37 million) until maturity rather than just in the current year. These amounts were posted on an accrual basis as a decrease in Heading 10 "Interest income and similar income" of the Profit and Loss Account.

Group's hedge accounting manual

The drafting of the Group's hedge accounting manual was completed during the year under review. It details the methodological and procedural choices for hedge accounting and the testing methods to verify its economic relationship. Moreover, the use of a behavioural model for CheBanca! accounts, to increase the efficiency of hedge accounting, made it possible to reduce the Group's exposure to interest rate risk with a benefit on interest income in light of the extension of the duration of deposits.

New ESEF Regulation

Directive (EU) 2013/50, amending Directive (EC) 2004/109 (Transparency Directive), established that all annual financial reports of issuers whose securities are admitted to trading on a regulated market should be drawn up in a single electronic communication format. The European Commission implemented these rules in Delegated Regulation 2019/815 of 17 December 2018 (ESEF Regulation - European Single Electronic Format). The Regulation requires issuers who prepare consolidated financial statements in accordance with IFRS to prepare and publish their annual financial report in the XHTML (eXtensible HyperText Markup Language) format, using the "Inline Extensible Business Reporting Language (iXBRL)" for the markup of Consolidated Financial Statements (Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Statement of

Changes in Equity, Cash Flow Statement) starting, for the Mediobanca Group, from the Financial Statements as at 30 June 2022. Starting from the subsequent financial statements (30 June 2023), Mediobanca will also be required to mark up the information contained in the notes to the accounts.

The combination of the XHTML format with i-XBRL markups aims to:

– make annual financial reports readable both by human users and by automatic devices;
– improve the accessibility, analysis and comparability of the information included in annual financial reports.

However, issuers may still continue to publish their Financial Statements in other formats (i.e. PDF).

In compliance with the specifications of the ESEF Regulation, this document is presented with i-XBRL markups of the numerical values in the financial statement templates and master data and in XHTML format for the other parts of the annual report. The final phase of the project for markups in block of the Notes to the Accounts has started.

SECTION 3

Events subsequent to the reporting date

No events took place that may cause the results presented in the individual financial statements for the year ended 30 June 2022 to be changed.

SECTION 4

Other aspects

The Group’s consolidated financial statements and the parent company’s individual financial statements were audited by the auditing firm EY S.p.A., pursuant to Legislative Decree No. 39 of 27 January 2010, and in execution of the shareholders' meeting resolution of 27 October 2012 concerning financial years from 2013 to 2021.

A.2 – Significant Accounting Policies

Financial assets measured at fair value through profit or loss

These include financial assets held for trading and other financial assets mandatorily measured at fair value.

Financial assets held for trading are assets which have been acquired principally for the purpose of being traded. This category comprises debt securities, equities, loans held for trading purposes, and the positive value of derivatives held for trading, including those embedded in complex instruments (such as structured bonds), which are recorded separately.

Assets not held for trading will be mandatorily measured at fair value through profit or loss if they do not meet the requirements to be measured at amortized cost or at fair value through other comprehensive income. In particular, as clarified by the IFRS Interpretation Committee, this category includes units in mutual investment funds[18].

Initial recognition occurs at the settlement date for securities and at the subscription date for derivatives. At initial recognition, such financial assets are booked at fair value not including any transaction expenses or income directly attributable to the asset concerned, which are taken through the profit and loss account. Following their initial recognition they will continue to be measured at fair value, and any changes in fair value will be recognized in the profit and loss account. Interest on instruments mandatorily measured at fair value will be recognized according to the interest rate stipulated contractually. Dividends paid on equity instruments will be measured through profit or loss when the right to collect them becomes effective.

[18] The IFRS Interpretation Committee's clarification rules out any possibility of such instruments being treated as equities.

Equities and linked derivatives whose fair value may not be reliably measured using the methods described above are stated at cost (these too qualify as Level 3 assets). If the assets suffer impairment, they are written down to their current value.

Gains and losses upon disposal and/or redemption and the positive and negative effects of changes in fair value over time are reflected in the profit and loss account under the respective headings.

Assets held for trading mandatorily to be measured at fair value also include loans which do not guarantee full repayment of principal in the event of the counterparty's financial difficulties and which have therefore failed the SPPI test. The process followed to write down these positions is aligned with that used for other loans, on the grounds that the exposure is basically attributable to credit risk, with both the gross exposure and related provisioning stated.

The heading also includes financial assets measured at fair value upon initial recognition. In such cases, financial assets are recognized irrevocably at fair value through profit or loss if, and only if, their being included in this category eliminates or significantly reduces a measurement inconsistency.

Financial assets measured at fair value through other comprehensive income

These are financial instruments, mostly debt securities, which meet both the following conditions:

- The instruments are held on the basis of a business model whose objective is the collection of contractual cash flows and of proceeds deriving from the sale of such instruments;
- The contractual terms have passed the SPPI test.

Financial assets measured at fair value through other comprehensive income (FVOCI) are recognized at fair value, including transaction costs and income directly attributable to them. Thereafter, they will continue to be measured at fair value. Changes in fair value are measured through other comprehensive income, while interest and currency exchange gains/losses are recorded in the profit and loss account (in the same way as financial instruments measured at amortized cost).

Expected losses of financial assets measured at fair value through other comprehensive income (debt securities and equities) are calculated (as per the impairment process) in the same way as those of financial assets measured at amortized cost, with the resulting value adjustment recorded in the profit and loss account.

Retained earnings and accumulated losses recorded in other comprehensive income will be measured through profit or loss when the instrument is removed from the balance sheet.

The category also includes equities not held for trading which meet the definition provided by IAS 32, and which the Group decided to classify irrevocably in this category at the initial recognition stage. As the instruments in question are equities, they are not subject to impairment and no gains/losses on equities will be measured through profit or loss, including following the sale of the instrument. Conversely, dividends on the instruments will be measured through profit or loss when the right of collection takes effect.

Financial assets measured at amortised cost

These include loans and advances to customers and banks, debt securities and repo transactions which meet the following conditions:

– The financial instrument is held and managed according to the hold-to-collect business model, i.e. with the objective of holding it in order to collect the cash flows provided for in the contract;

– Such contractual cash flows consist entirely of payment of principal amount and interest (and therefore meet the requirements set by the SPPI test).

This heading also includes receivables originated from finance leases, the valuation and classification rules for which are governed by IAS 16 (cf. below), even though the impairment rules introduced by IFRS 9 apply for valuation purposes.

The Bank business model should reflect the ways in which financial assets are managed at a portfolio level and not at instrument level, on the basis of factors observable at a portfolio level and not at instrument level, such as the following:

– Operating procedure adopted by management in the performance evaluation process;
– Risk type and procedure for managing risks taken, including indicators for portfolio rotation;
– Means for determining remuneration mechanisms for risk-takers.

The business model is based on expected reasonable scenarios (without considering "worst case" and "best case" scenarios). In the event of cash flows differing from those estimated at initial recognition, the Group is not bound to change the classification of financial instruments forming part of the portfolio, but uses the information for deciding the classification of new financial instruments[19].

At initial recognition, the Bank analyses contractual cash flows for the instruments to check whether the instrument, product or sub-product has passed the SPPI test. In this connection, the Bank has developed a standardized process for performing the test, which involves analysing the loans using a specific tool, developed internally, which is structured on the basis of decision-making trees, at the level of the individual financial instrument or product based on their different degrees of customization. If the test is not passed, the tool will show that the assets should be measured at fair value through profit or loss (FVTPL). The method by which loans are tested differs according to whether or not the asset is a retail or corporate loan: at product level for retail loans, individually for corporate loans. An external info-provider is used to test debt securities; if, however, no test results are available, the instrument is analysed using the SPPI tool. When contractual cash flows for the instrument do not represent solely payments of principal and interest on the outstanding amount, the Bank mandatorily classifies the instrument at fair value through profit or loss.

At the initial recognition date, financial assets are measured at fair value, including any costs or income directly attributable to individual transactions that can be established from the outset even if they are actually settled at later stages. The recognition value does not, however, factor in costs with the above characteristics which are repaid separately by the borrower, or may be classified as ordinary internal administrative expenses.

[19] These considerations are stated in the internal management policies, which reiterate the link between business model and accounting treatment and introduce frequency and materiality thresholds for changes in portfolios of assets measured at amortized cost.

The instrument is measured at amortized cost, i.e. the initial value less/plus the repayments of principal made, write-downs/write-ups, and amortization – calculated using the effective interest rate method – of the difference between the amount disbursed and the amount repayable at maturity, adjusted to reflect expected losses.

The amortized cost method is not used for short-term receivables, as the discounting effect is negligible; for this reason, such receivables are recognized at historical cost. The original effective interest rate is defined as the rate of interest which renders the discounted value of future cash flows deriving from the loan or receivable by way of principal and interest equal to the initial recognition value of the loan or receivable.

The original effective interest rate for each loan will remain unchanged in subsequent years, even if new terms are negotiated leading to a reduction to below market rates, including non-interest-bearing loans. The relevant value adjustment is recognized in the profit and loss account.

In accordance with the provisions of IFRS 9, the impairment model involves financial assets being classified at one of three different risk stages (Stage 1, Stage 2 and Stage 3), depending on developments in the borrower's credit standing, to which different criteria for measuring expected losses apply. Accordingly, financial assets are split into the following categories:

- Stage 1: this includes exposures at their initial recognition date for as long as there is no significant impairment to their credit standing; for such instruments, the expected loss should be calculated depending on default events which may occur within twelve months of the reporting date;
- Stage 2: this includes exposures which, while not classified as impaired as such, have nonetheless experienced significant impairment to their credit standing since the initial recognition date; in the transition from stage 1 to stage 2, the expected loss will be calculated for the outstanding life of the instrument;
- Stage 3: this category consists of impaired exposures according to the definition provided in the regulations. In the transition to stage 3, exposures are valued individually, that is, the value adjustment is calculated as the difference between the carrying value at the reference date (amortized cost) and the discounted value of the expected cash flows, which are calculated by applying the original effective interest rate. The expected cash flows

consider the anticipated collection times, the probable net realizable value of any guarantees, and the costs which are likely to be incurred for the recovery of the credit exposure from a forward-looking perspective which factors in alternative recovery scenarios and developments in the economic cycle.

In the model for calculating expected losses applied by the Group, forward-looking information was taken into consideration by referring to three possible macroeconomic scenarios (baseline, mild-positive and mild-negative) that may have an impact on PD and LGD, including any sales scenarios where the Group's NPL strategy considers that such assets should be recovered through sale on the market.

The Bank's policy to establish a significant increase in credit risk is based on qualitative and quantitative criteria and uses the 30-day past due loans or their classification as forborne as conditions to be otherwise included in Stage 2 (referred to as backstop indicators). Cases of low-risk instruments at the recording date are identified, compatible with classification as Stage 1 (low credit risk exemption), where there is a BBB- rating on the Standard & Poor's scale, or a corresponding internal PD estimate.

Purchased or originated credit impaired items (POCIs) are receivables that are already impaired at the point in time when they are acquired or disbursed. At the initial recognition date they are measured at amortized cost on the basis of an internal rate of return which is calculated using an estimate of the recovery flows expected for the item; recovery flows are periodically updated in light of new evidence and discounted using the above-mentioned internal rate of return.

Following initial recognition, all financial assets measured at amortized cost are subject to the impairment model based on the expected loss, i.e. performing as well as non-performing exposures.

Impairment regards losses which are expected to materialize in the twelve months following the reporting date, or losses which are expected to materialize throughout the rest of the instrument's lifetime in the event of a significant increase in credit risk. Both the twelve-month and lifetime expected losses can be calculated on an individual or collective basis according to the nature of the underlying portfolio.

Expected credit losses[20] are recorded and released only to the extent that changes have occurred. For financial instruments considered to be in default, the Bank records an expected loss on the residual lifetime of the instrument (similar to Stage 2 above); value adjustments are determined for all the exposures of the different categories considering forecast information reflecting macro-economic factors (forward-looking approach).

Derecognition of assets

A financial asset must be derecognized from the balance sheet if, and only if, the contractual rights to the cash flows deriving from it have expired, or if the asset has been transferred in accordance with the circumstances permitted under IFRS 9. In such cases the Group checks if the contractual rights to receive the cash flows in respect of the asset have been transferred, or if they have been maintained while a contractual obligation to pay the cash flows to one or more beneficiaries continues to exist. It is necessary to check that basically all risks and benefits have been transferred, and any right or obligation originated or maintained as a result of the transfer is recorded separately as an asset or liability where appropriate. If the Group retains virtually all risks and benefits, the financial asset must continue to be recorded.

If the Group has neither transferred nor maintained all risks and benefits, but at the same time has retained control of the financial asset, this continues to be recognized up to the residual interest retained in that asset.

The main forms of activity currently carried out by the Group which do not require underlying assets to be derecognized are the securitization of receivables, repo trading and securities lending. Conversely, items received as part of deposit bank activity, the return on which is collected in the form of a commission, are not recorded, as the related risks and benefits continue to accrue entirely to the end-investor.

When a financial asset measured at amortized cost is renegotiated, the Bank derecognizes it only if the renegotiation entails a change of such magnitude

[20] Please refer to the specific section on Credit Quality in Part E of the Notes to the Accounts for an exhaustive analysis of the staging criteria and application of the forward-looking approach, including the adjustments made as a result of the Covid-19 situation.

that the initial instrument effectively becomes a new one. In such cases, the difference between the original instrument's carrying value and the fair value of the new instrument is measured through profit or loss, taking due account of any previous write-downs. The new instrument is classified as stage 1 for the purpose of calculating the expected loss (save in cases where the new instrument is classified as a POCI).

In cases where the renegotiation does not result in substantially different cash flows, the Bank does not derecognize the instrument, but the difference between the original carrying value and the estimated cash flows discounted using the original internal rate of return must be measured through profit or loss (taking due account of any provisions already set aside to cover it).

Leases (IFRS 16)

An agreement is classified as a lease[21] (or contains a lease) based on the substance of the agreement at the execution date. An agreement is, or contains, a lease if its performance depends on the use of a specific good (or goods) and confers the right to use such good (goods) – the "Right of Use" (RoU) – for an agreed period of time and in return for payment of a fee. This definition of leasing therefore also includes long-term rentals or hires.

Right-of-use assets are recognized among "Tangible assets", and calculated as the sum of the current value of future payments (which corresponds to the current value of the recognized liability), the initial direct costs, any instalments received in advance or on the effective date of the lease (down payment), any incentives received from the lessor, and estimates of any costs for removing or restoring the asset underlying the lease.

The lease liability, which is booked under "Financial liabilities measured at amortized cost", is equal to the discounted value of payments due in respect of the lease discounted, as required by the Standard, to the marginal financing rate, equal for the Group to the Funds Transfer Pricing rate (FTP) as at the date concerned.

[21] Leases in which the Group is a lessor may be divided into finance leases and operating leases. A lease is defined as a finance lease if all risks and benefits typically associated with ownership are transferred to the lessee. Such leases are accounted for by using the financial method, which involves a receivable being booked as an asset for an amount equal to the amount of the lease, after any expired instalments on principal paid by the lessee, and the interest receivable being taken through the profit and loss account.

The duration of the lease agreement must not only consider the non-cancellable period established by contract, but also the extension options if their use is considered reasonably certain; in particular, the counterparty's past behaviour, the existence of corporate plans for the disposal of the leased business and any other circumstances indicative of the reasonable certainty of renewal must be considered when providing for automatic renewal.

After initial recognition, right-of-use assets are amortized over the lease duration and written down as appropriate. The liability will be increased by the interest expense accrued and progressively reduced as a result of the payment of fees; in the event of a change in payments, the liability will be recalculated against the right-of-use asset.

For sub-leases, i.e. when an original lease has been replicated with a counterparty, and there are grounds for classifying it as a finance lease, the liability in respect of the original lease is matched by an amount receivable from the sub-lessee rather than the value in use.

Hedging

For hedging transactions, the Group has adopted the provisions of IFRS 9 since 1 July 2018 and has chosen not to avail itself of the exemption provided to continue applying the rules of IAS 39 to this type of operation, with the exception of the specific cases set forth in IFRS 9 (para. 6.1.3[22]) and not governed by the same.

The types of hedge adopted by the Bank, or managed centrally by the Parent Company if they concerned individual Group Legal Entities, were the following:

– Fair value hedges, which aim to offset the Bank's exposure to changes in the fair value of a financial item or homogenous group of assets in terms of risk profile;
– Cash flow hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in future cash flows attributable to specific risks relating to the items concerned;

[22] IFRS 9 par 6.1.3: "For a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities (and only for such a hedge), an entity may apply the hedge accounting requirements in IAS 39 instead of those in this Standard. In that case, the entity must also apply the specific requirements for the fair value hedge accounting for a portfolio hedge of interest rate risk and designate as the hedged item a portion that is a currency amount (see paragraphs 81A, 89A and AG114–AG132 of IAS 39)".

- Hedges of foreign investments in currencies other than the Euro: these refer to the hedging of risks in an investment in a non-Italian company denominated in a foreign currency.

For the process to be effective, the item must be hedged with a counterparty from outside the Bank.

Hedge derivatives are measured at fair value as follows:

- For fair value hedges, a change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument, both of which recognized in the profit and loss account, should a difference emerge as a result of the partial ineffectiveness of the hedge;
- For cash flow hedges, a change in fair value is recognized in net equity for the effective portion of the hedge and in the profit and loss account only when, with reference to the hedged item, the change in the cash flows to be offset actually occurs.

Hedge accounting is permitted for derivatives where the hedging relationship is formally designated and documented and provided that the hedge is effective at its inception and is expected to be so for its entire life.

At inception, the Group formally designates and documents the hedging relationship, with an indication of the risk management objectives and strategy for the hedge. The documentation includes identification of the hedging instrument, the item hedged, the nature of the risk hedged and how the entity intends to assess if the hedging relationship meets the requisites for the hedge to be considered effective (including analysis of the sources of any ineffectiveness and how this affects the hedging relationship). The hedging relationship meets the eligibility criteria for accounting treatment reserved for hedges if, and only if, the following conditions are met:

- The effect of the credit risk does not prevail over the changes in value resulting from the economic relationship;
- The coverage provided by the hedging relationship is the same as the coverage which results from the quantity of the item hedged which the entity effectively hedges, and the quantity of the hedge instrument which the Group actually uses to hedge the same quantity of the item hedged.

Fair value hedges

As long as the fair value hedge meets the qualifying criteria, the gain or loss on the hedging instrument must be recognized in the profit and loss account or under one of the other comprehensive income headings if the hedging instrument hedges another equity instrument for which the Bank has chosen to measure changes in fair value through OCI. The hedge profit or loss on the hedged item is recorded as an adjustment to the book value of the hedge with a matching entry through profit or loss, including in case the hedged item is a financial asset (or one of its components) measured at fair value through OCI. However, if the hedged item is an equity instrument for which the entity has opted to measure changes in fair value through OCI, the amounts will remain in the statement of other comprehensive income.

If the hedged item is an unrecognized irrevocable commitment (or a component thereof), the cumulative change in fair value of the hedged item resulting from its designation is recognized as an asset or liability with a corresponding gain or loss recorded in the profit (loss) for the period.

Cash flow hedges

As long as the cash flow hedge meets the qualifying criteria, it is accounted for as follows:

- The gain or loss on the hedging instrument in relation to the effective portion of the hedge is measured through OCI in the cash flow reserve, whereas the ineffective part is measured through profit or loss.
- The cash flow reserve is adjusted to the lower of:
  - The cumulative gain or loss on the hedge instrument since the hedge's inception; and
  - The cumulative change in fair value (at the present value) of the hedged item (i.e. the present value of the cumulative change in the estimated future cash flows hedged) since the hedge's inception.

The cumulative amount in the cash flow hedge reserve will be reclassified from the cash flow hedge reserve to profit (loss) for the period as a reclassification adjustment in the same period or periods in which the estimated future cash flows being hedged have an impact on the profit (loss) for the period (e.g. in periods when interest receivable or payable are recorded, or when the planned sale takes place). However, if the amount constitutes a loss and the entity does not expect to recover the whole loss or part of it in one or more future periods, the entity must classify the amount it does not expect to recover in the profit (loss) for the period (as an adjustment due to reclassification) immediately.

Foreign currency investments hedges

Hedged items consisted in investments in foreign entities whose reference currency was not the Euro. The goal is to hedge currency risk.

As long as the hedge met the eligibility criteria, any changes in fair value of the hedging instrument due to fluctuations in the exchange rate and any changes in value due to having modified the hedged asset (equity investment) were recognized in the profit and loss account.

Equity investments

This heading includes investments in:

- Subsidiary companies;
- Affiliated companies. These are defined as companies in which an entity holds at least 20% of voting rights and companies in which the size of the investment is sufficient to ensure an influence in the investee's governance;
- Jointly-controlled companies;
- Other investments of negligible value.

These are valued at cost if there is evidence that the value of an equity investment may have decreased. The updated value is estimated, where possible, taking into account market prices and the present value of the future cash flows that the investment may generate, including the closing value. If the value thus determined is lower than the book value, the difference is recognized in the profit and loss account.

Tangible assets

This heading comprises land, core and investment properties, plant, furniture, fittings and equipment of all kinds. It also includes the R-o-U assets acquired under leases and related use of tangible assets (for lessees) and assets used under the terms of finance leases, despite the fact that such assets remain the legal property of the lessor rather than the lessee.

Assets held for investment purposes refer to investments in real estate, if any (whether owned or acquired under leases), which are not core to the Bank's main activities and/or are chiefly leased out to third parties.

The heading also includes tangible assets classified pursuant to IAS 2 – Inventories, namely assets deriving from guarantees being enforced or acquired at an auction which the firm has the intention of selling in the near future, without carrying out any major refurbishment work and which do not fall into any of the previous categories.

Such assets are recognized at historical cost, which, in addition to the purchase price, includes any ancillary charges directly attributable to the purchase and/or commissioning of the asset. Extraordinary maintenance charges are accounted for by increasing the asset's value, while ordinary maintenance charges are recorded in the profit and loss account.

Fixed assets are depreciated over the length of their useful life on a straight-line basis, with the exception of land, which is not depreciated on the grounds that it has unlimited useful life. Properties built on land owned by the Bank are recorded separately on the basis of valuations prepared by independent experts.

At annual and interim reporting dates, where there is objective evidence that the value of an asset may be impaired, its carrying amount is compared to its current value, which is the higher of its fair value after any costs to sell and its related value in use. Adjustments, if any, are recognized in the profit and loss account. If the reasons for recognizing a loss in value no longer apply, the adjustment will be written back, with the proviso that the amount credited may not exceed the value which the asset would have had after depreciation, which is calculated assuming no impairment took place.

Intangible assets

These chiefly comprise goodwill, long-term computer software applications and other intangible assets deriving from business combinations subject to IFRS 3.

Goodwill may be recognized where this is representative of the investee company's ability to generate future income. At annual and interim reporting dates, goodwill recorded as an asset is tested for impairment[23]. Any reduction in value due to impairment is calculated as the difference between the initial recognition value of goodwill and its realizable value, the latter being equal to the higher of the fair value of the related cash-generating unit after any costs to sell and its value in use, if any. Any adjustments will be recognized in the profit and loss account.

Other intangible assets are measured at cost, adjusted to reflect ancillary charges only where it is likely that future earnings will derive from the asset and the cost of the asset itself may be reliably determined. Otherwise, the cost of the intangible asset is booked through the profit and loss account in the year in which the expense was incurred.

The cost of intangible assets is amortized on a straight-line basis over the useful life of the related asset. If its useful life is indefinite the cost of the asset is not amortized, but the value at which it is initially recognized is tested for impairment on a regular basis.

At annual and interim reporting dates, if there is evidence of impairment the realizable value of the asset is estimated[24]. The impairment is recognized in the profit and loss account as the difference between the carrying amount and the recoverable value of the asset concerned.

[23] The Group has adopted a policy for the impairment testing process in line with the provisions of Organismo Italiano di Valutazione (OIV), "Impairment test dell'avviamento in contesti di crisi finanziaria" (Impairment test of goodwill during financial crises) of 14 June 2012, Principi Italiani di Valutazione (PIV, Italian Valuation Standards) published in 2015, Discussion Paper of 22 January 2019, Discussion Paper no. 01/2021 issued on 16 March 2021 by Organismo Italiano di Valutazione (O.I.V.) "L'uso di informazione finanziaria prospettica nella valutazione d'azienda" (Use of forward-looking financial information in company valuation), Discussion Paper no. 02/2021 issued on 16 March 2021 by Organismo Italiano di Valutazione (O.I.V.) "Linee Guida per l'Impairment Test dopo gli effetti della pandemia da Covid-19" (Guidelines for Impairment Tests after the effects of the Covid-19 pandemic), with suggestions published by ESMA, the guidelines of the joint document Bank of Italy, Consob, IVASS (document no.4 of 3 March 2010 and no.8 of 21 December 2018) and various Consob communications and warning notices.

[24] Under IAS 36, impairment testing, i.e. tests to ascertain whether or not there has been a loss in the value of individual tangible and intangible assets, must be carried out at least once a year, in conjunction with preparation of the financial statements, or more frequently if events have taken place or materialized that would indicate there has been a reduction in the value of such assets (known as "impairment indicators").

Tax assets and liabilities

Income taxes are recorded through the profit and loss account, with the exception of tax payable on items debited or credited directly to net equity. Provisions for income tax are calculated on the basis of current, advance and deferred obligations. In particular, prepaid and deferred taxes are calculated on the basis of temporary differences – without time limits – between the value attributed to an asset or liability according to (Italian) statutory regulations and the corresponding values used for tax purposes.

Advance tax assets are recognized in the balance sheet based on the likelihood of their being recovered.

Deferred tax liabilities are recognized with the exception of tax-suspended reserves, if the size of available reserves previously subjected to taxation is such that it may be reasonably assumed that no transactions will be carried out on the Bank's own initiative that might lead to their being taxed.

Deferred taxes arising upon business combinations are recognized when this is likely to result in a charge for one of the companies concerned.

Tax assets and liabilities are adjusted as and when changes occur in the regulatory framework or in applicable tax rates, inter alia to cover charges that might arise in connection with inspections by or disputes with the tax revenue authorities, in accordance with IAS 12 and consistent with IFRIC 12.

Contributions to Deposits Guarantee Schemes and resolution funds are accounted for in accordance with IFRIC 23.

Non-current assets held for sale and disposal groups (IFRS 5)

Under assets heading "Non-current assets held for sale and disposal groups" and under liability heading "Liabilities associated to disposal groups" the Group classifies non-current assets or groups of assets/liabilities whose booking value will be presumably recovered by mean of a sale process. To be classified in this Heading, assets or liabilities (or disposal groups) should be readily available for sale and selling plans should be identified, which are active and realistic in a way that their completion is considered highly probable. After the classification in the identified Heading, these assets are valued at the lower of the booking value and the fair value after costs to sell, with the exception of some categories of assets (i.e. assets falling under the scope of standard IFRS 9) for which IFRS 5 requires specifically that the valuation provisions of the applicable standard should be used. In case of held-for-sale assets to be still depreciated, this process ends when assets are classified in the mentioned Heading.

In case of discontinued operations, i.e. the sale of operating assets relating to an important business sector or geographical area, the standard requires gains and losses related thereto to be grouped together, after any tax effect, in the profit and loss Heading "320. Gains (losses) of discontinued financial assets, after tax".

If the fair value of assets and liabilities held for sale, after costs to sell, is lower than their book value, a write-off will be calculated and booked through profit or loss.

Non-current assets held for sale and disposal groups are derecognized from the balance sheet when the sale occurs.

Provisions for risks and charges

These regard risks linked to loan commitments and guarantees issued, and to the Group's operations which could lead to expenses in the future (cf. below).

In the first case (provisions for risks and charges to cover loan commitments and financial guarantees issued), the amounts set aside are quantified in accordance with the impairment rules of financial assets measured at amortized cost.

In the other cases the rules of IAS 37 apply, i.e. the potential charge must be estimated reliably; if the time effect is material, provisions are discounted using current market rates; and the provision is recognized in the profit and loss account.

Provisions are reviewed on a regular basis, and where the charges that gave rise to them are deemed unlikely to crystallize, the amounts involved are written back to the profit and loss account in part or in full.

Withdrawals are only made from provisions to cover the expenses for which the provision was originally set aside.

As permitted by IAS 37, paragraph 92, no precise indication has been given of any potential liabilities where this could compromise the company in any way.

Staff severance indemnity provision and post-retirement schemes

Employee severance indemnities qualify as a defined-contribution retirement plan for units accruing from 1 January 2007 (the date on which the reform of supplemental retirement plans came into force under Legislative Decree No. 252/05), for cases where the employee opts into a supplemental retirement plan, and also for cases where contributions are paid into the treasury fund held with Istituto Nazionale di Previdenza Sociale (INPS, Italian national social security institution). For such payments, the amount accounted for under labour costs is determined on the basis of the contributions due without using actuarial calculation methods.

Severance indemnities accrued up to 1 January 2007 qualify as defined benefit retirement plans, and as such will be recorded depending on the actuarial value calculated in line with the projected unit method. Therefore, future payments will be estimated based on past statistical analyses (for example turnover and retirements) and on the demographic curve; these flows will then be discounted according to a market interest rate that takes the market yield of bonds of leading companies as a benchmark taking into account the average residual duration of the liability weighted on the basis of the percentage of the amount paid or advanced for each maturity with respect to the total amount to be paid or advanced until the final settlement of the entire obligation.

Post-retirement plan provisions have been set aside under company agreements and also qualify as defined benefit plans. In this case, the current value of the liability is adjusted by the fair value of any assets to be used under the terms of such plan.

Actuarial gains and/or losses are recorded in the Other Comprehensive Income statement, while the interest component is recognized in the profit and loss account.

Financial liabilities recognized at amortized cost

These include the items Due to banks, Due to customers and Debt securities in issue less any amounts bought back. The heading also includes amounts receivable in respect of finance lease transactions, whose valuation and classification rules are governed by IFRS 16, but which are also affected by the impairment rules under IFRS 9. For a description of the rules for valuing and classifying lease receivables, see the relevant section.

Initial recognition takes place when funds raised are collected or debt securities are issued, and occurs at fair value, which is equal to the amount collected after transaction costs incurred directly or indirectly in connection with the liability concerned. After initial recognition, liabilities are measured at amortized cost on the basis of the original effective interest rate, with the exception of short-term liabilities which will continue to be stated at the original amount collected.

Derivatives embedded in structured debt instruments are stripped out from the underlying contract and recognized at fair value when they are not closely correlated to the host instrument. Subsequent changes in fair value are recognized through the profit and loss account.

Financial liabilities are derecognized upon expiry or repayment, even if buybacks of previously issued bonds are involved. The difference between the liabilities' carrying value and the amount paid to repurchase them is recognized through the profit and loss account.

The sale of treasury shares over the market following a buyback (even in the form of repos and securities lending transactions) is treated as a new issue. The new sale price is recorded as a liability without passing through the profit and loss account.

Financial liabilities held for trading

This item includes the negative value of trading derivatives and any derivatives embedded in complex instruments. Liabilities in respect of technical shortfalls deriving from securities trading activity are also included. All trading liabilities are measured at fair value and changes are taken through the profit and loss account.

Financial liabilities designated at fair value

These include the value of financial liabilities designated at fair value through profit or loss based on the fair value option permitted under IFRS 9 and in accordance with the cases permitted under the regulation itself.

Such liabilities are measured at fair value and the earnings accounted for based on the following rules provided by IFRS 9:

- Changes in fair value attributable to changes in one's credit quality must be recognized in the Statement of Other Comprehensive Income (Net Equity);
- Other changes in fair value must be recognized through profit or loss;

Amounts stated in other comprehensive income will not flow through profit or loss. This method cannot be adopted, however, if the recognition of the effects of the issuer's own credit standing in net equity generates or accentuates an accounting mismatch in profit and loss. In such cases, the profits or losses related to the liability, including those caused as the effect of the change in the issuer's credit standing, must be measured through profit or loss.

Financial liabilities recognized at present value of redemption amount

These consist of financial liabilities originating from agreements to buy out minorities in connection with acquisitions of controlling interests. These items, accounted for in heading "80. Other liabilities" of Balance Sheet, must be recognized at the present value of the redemption amount.

Foreign currency transactions

Transactions in foreign currencies are recorded by applying the exchange rates as at the date of the transaction to the amount in the foreign currency concerned.

Assets and liabilities denominated in currencies other than the Euro are translated into Euros using exchange rates prevailing at the transaction dates. Differences on cash items due to translation are recorded through the profit and loss account, whereas those on non-cash items are recorded according to the valuation criteria used in respect of the category they belong to (i.e. at cost, through profit or loss or on an equity basis).

The assets and liabilities of non-Italian entities consolidated on a line-by-line basis have been converted at the exchange rate prevailing at the reporting date, whereas the profit-and-loss items have been converted using the average of the average monthly exchange rate readings for the period; any differences emerging after the conversion are recognized among the Net Equity valuation reserves.

Stock Options, Performance Shares and Long-Term Incentives

Stock option, performance share and long-term incentive (LTI) schemes operated on behalf of Bank staff members and collaborators are treated as a component of labour costs.

Schemes which involve payment through the award of shares are measured through profit or loss, with a corresponding increase in net equity, based on the fair value of the financial instruments allocated at the award date, thus spreading the cost of the scheme throughout the period of time in which the requirements in terms of service have been met and the performance targets, if any, have been achieved.

The overall cost of the scheme is recorded in each financial year up to the date on which the plan vests, so as to reflect the best possible estimate of the number of shares that will actually vest. Requirements in terms of service and performance targets are not considered in determining the fair value of the instruments awarded, but the probability of such targets being reached is estimated by the Bank and this is factored into the decision as to the number of instruments that will vest. Conversely, market conditions will be included in establishing the fair value, whereas conditions unrelated to the requirements in terms of service are considered "non-vesting conditions" and are reflected in the fair value established for the instruments, and result in the full cost of the scheme being recorded in the profit and loss account immediately in the event that no service requirement and/or performance conditions have been met.

In the event of performance or service conditions not being met and the benefit failing to be allocated as a result, the cost of the scheme is written back. However, if any market conditions fail to be reached, the cost must be recorded in full if the other conditions have been met.

In the event of changes to the scheme, the minimum cost to be recorded is the fair value at the scheme award date prior to the change, if the original conditions for vesting have been met. An additional cost, established at the date on which the change is made to the scheme, must be recorded if the change has entailed an increase in the overall fair value of the scheme for the beneficiary.

For schemes which will involve payments in cash upon expiry, the Bank records an amount payable equal to the fair value of the scheme measured at the award date of the scheme and at every reporting date thereafter, up to and including the settlement date, with any changes recorded as labour costs.

Treasury shares

These are deducted from net equity, Any gains/losses realized on disposal are recognized in net equity.

Fees and commissions receivable in respect of services

This heading includes all revenues deriving from the provision of services to customers with the exception of those relating to financial instruments, leases and insurance contracts.

Revenues from contracts with customers are measured through profit or loss when control over the service is transferred to the customer, in an amount that reflects the fee to which the Bank considers to be entitled in return for the service rendered.

For revenue recognition purposes, the Bank analyses the contracts to establish whether they contain more than one obligation to provide services to which the price of the transaction should be allocated. The revenues are then recorded throughout the time horizon over which the service is rendered, using suitable methods to recognize the measurement in which the service is provided. The Bank also takes into consideration the effects of any variable commissions, and whether or not a significant financial component is involved.

In the event of additional costs being incurred to perform or execute the contract, where such costs meet the requirements of IFRS 15, the Group will assess whether to capitalize them and then amortize them throughout the life of the contract, or to make use of the exemption provided by IFRS 15 to expense the costs immediately in cases where their amortization period would be complete within twelve months.

Dividends

Dividends are recognized through profit or loss during the financial year in which their distribution is approved; they concern distributions from equity securities that are not part of affiliated investments and/or joint ventures measured according to the provisions of IAS 28.

Recognition of costs

Costs are measured through profit or loss in accordance with the revenues to which they refer, except in case their capitalization requirements apply and where provided in order to determine amortized cost. Any other costs which cannot be associated with revenues are accounted for immediately in the profit and loss account.

Related parties

Related parties are defined, inter alia in accordance with IAS 24, as follows:

a) Individuals or entities which, directly ùor indirectly, exercise significant influence over the Bank;

b) Shareholders with stakes of 3% or more in the Bank's share capital[25];

c) The legal entities controlled by the Bank;

d) Associated companies, joint ventures and entities controlled by them;

e) Key management personnel, that is, individuals with powers and responsibilities, directly or indirectly, for the planning, direction and control of the Parent Company's activities, including the members of the Board of Directors and Statutory Audit Committee;

f) Entities controlled or jointly controlled by one or more of the entities listed under the foregoing letters a) and e) and the joint ventures of entities referred to under letter a);

g) Close family members of the individuals referred to in letters a) and e) above, that is, individuals who may be expected to influence them or be influenced by them in their relations with Mediobanca (this category includes children, spouses and their children, partners and their children, dependents, spouses' dependents and their partners' dependents), as well as any entities controlled, jointly controlled or otherwise associated with such individuals.

[25] Excluding Italian and international market-makers and asset managers, which, in the exercise of their collective fund management activity, undertake not to take an active part in the management of the companies in which they are investing.

A.3 – Information on transfers between financial asset portfolios

A.3.1 Reclassification of financial assets: changes to the business model, book value and interest income

There are no data to report at 30 June 2022.

A.4 – Information on fair value

QUALITATIVE INFORMATION

Introduction

IFRS 13 paragraph 24 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date.

The fair value of financial instruments listed in active markets is determined using the quoted price in the principal market, or alternatively in the most advantageous market where the Group has access; such instruments are said to be priced at Marked to Market. A market is defined as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For instruments not listed in an active market or if the market does not function properly (i.e. no sufficient and continuous number of transactions, or low bid-ask spreads or volatility), different valuation techniques populated by market data are used:

– Valuations of listed instruments with similar characteristics or values recorded in recent comparable transactions;

– Discounted cash flow method;

– Derivative price calculation models, prudentially adjusted to reflect the illiquid nature of some market data and other risks associated with specific transactions. These valuation models, the related inputs and the Fair Value or Independent Price Verification Adjustment are mapped in the Product Catalogue and in the Group's official Fair Value and Independent Price Verification operating procedures.

If no market data are available, valuation techniques based on internal estimates are used.

As a further guarantee of the objectivity of the valuations, the Group performs independent price verification processes (Independent Price Verification or IPV): a unit unrelated to the unit assuming the risk, checks the prices of the financial instruments on a daily basis, using data provided by independent third parties.

Macroeconomic scenario

The second half of the year was characterized by an economic slowdown and uncertainties in both the equity and fixed income financial markets, which consisted in extraordinary levels of volatility generating an increase in the uncertainty of input parameters with an adverse impact on the fair value measurement process.

Remediation activities

During the year under review, work continued on improving the fair value measurement framework following the first On-Site Inspection on Valuation Risk that ended in February 2020 and a second on-site inspection that ended in March 2022 specifically focusing on three types of products, in regard of which the Bank is awaiting the relevant recommendation letter.

During the year under review, various project-based activities were launched to address the JST recommendation letter following the first on-site inspection, involving the extensive use of benchmarking analyses and best practices at a European level with the aim of further refining internal processes and data quality relating to:

– fair value hierarchy and adoption of the day-one profit rule;

– methods for calculating and verifying fair value for accounting purposes (fair value adjustment and independent price verification, IPV);

– effects on capital (prudent valuation).

The planned actions should not have significant effects on the profit and loss account since the related impacts were largely acknowledged during the course of prior financial years.

IPV Process and Prudent Valuation Adjustments (PVA)

The Independent Price Verification (IPV) process for financial instruments involves defining the control, escalation and reporting methodologies used to verify the valuations of positions measured at fair value, for both owned instruments and those received as collateral.

This is governed by the "Group Independent Price Verification Policy", which illustrates the structure of the certification process from an operating and accounting viewpoint. As part of this process, "regulatory technical standards for Prudent Valuation"[26] were identified in line with the Community legislation[27] to ensure the right degree of certainty for the valuation of positions accounted for at fair value (of the banking book with impacts on equity and on the trading book). Lastly, a manual was drawn up stating the valuation method and the necessary inputs for each existing product.

Based on the internal regulation, the necessary inputs for the valuation of financial instruments must be validated by independent units, with the objective of ensuring that such valuations are as much as possible aligned with the market and the required prudential criteria[28].

The entire IPV and Prudent Valuation process is subject to audit by the Internal Audit of the Group.

[26] The valuation for prudential purposes involves the use of some market parameters and Fair Value adjustments exclusively affecting Regulatory Capital and capital ratios.

[27] Under Article 105 of the Capital Requirements Regulation adopted in Regulation (EU) 575/2013 and referred to in Commission Delegated Regulation (EU) 2016/101.

[28] CRR Article 105(2), (8).

Fair value hierarchy

The fair value of financial assets and liabilities is reported according to a hierarchy based on the quality of the input parameter used for its computation, as required by IFRS 13 and Circular No. 262 of the Bank of Italy.

In particular, financial assets and liabilities measured at fair value must be classified into levels that give decreasing priority to measurements based on different market parameters: the highest priority (Level 1) is assigned to measurements based on quoted (unadjusted) prices on an active market for identical assets or liabilities; the lowest priority (Level 3) to those significantly deriving from unobservable parameters.

Specifically, the levels are identified as follows:

- Level 1: valuations based on quoted prices (univocal and without adjustments) in active markets for the financial instrument being valued.
- Level 2: valuations based on measurement techniques using inputs that are observable on the market either directly (prices) or indirectly (derived from prices). In this case fair value is measured via a comparable approach, or by a pricing model commonly used by other financial operators, with inputs observable on the market or estimated internally but having a limited impact on fair value.
- Level 3: valuations based on measurement techniques using significant unobservable inputs and/or complex and uncertain pricing models. In this case fair value is determined on the basis of assumptions on future cash flows, which could lead to different estimates by different valuers for the same financial instrument.

If the input used to measure the fair value of an asset or liability is categorized within different levels, the fair value level is determined by the significance of the input.

As part of the Bank's process improvement activities, more stringent criteria were introduced during the year for the classification of the hierarchy (referred to as fair value levels) based on the effective liquidity of the listed prices and of the inputs used for mark-to-model valuations. In particular, for equity products, the hierarchy is now based on the observability of market share prices (supplied by info-providers and market consensus services) for the individual underlying risk factors.

Fair Value Adjustment

Fair value adjustment is defined as the difference to be added to, or subtracted from, the price observed on the market or the theoretical price generated by the model, to ensure that fair value reflects the price of a possible market transaction.

Fair value adjustments through profit or loss, as governed by IFRS 13, are fundamental in order to align the individual financial instrument's valuation with its actual exit price, in view of the level of market liquidity, the uncertainty of the valuation parameters, the cost of funding, and the complexity of the value measurement models used in the absence of shared market practices.

The accounting taxonomy is perfectly aligned with prudent valuation (Article 105 of the CRR - "Prudent Valuation" with an impact on equity) and therefore the scope of fair value adjustments includes the following categories:

– Close-Out Costs: this refers to the uncertainty of a valuation of the exit price that the Group might incur in the event of the, partial or total, disposal, of a position recognized at fair value;
– Investing and Funding Costs: this reflects the costs of financing or refinancing a position recognized at fair value;
– Market Price Uncertainty: this refers to the uncertainty of a valuation based on market prices;
– Concentrated Positions: this refers to the uncertainty of a valuation of the exit price for positions defined as concentrated;
– Model Risk: this refers to adjustments to mitigate the risk of misalignment with market practices in the valuation of a product for the choice and implementation of the related pricing model.

The improvements implemented during the year under review concerned the adjustments to credit curves and interest rate curves and the introduction of a new model risk framework concerning auto-callable options on underlying multi-assets: compared to last year's (expert-based) approach, no significant impacts were recorded. On the other hand, the analysis of the volatility rate of listed products remains to be completed, although no significant impact is expected.

Credit/Debt Value Adjustments and Funding Cost Adjustments (CVA/DVA/FCA)

Credit Value Adjustments (CVA)) and Debt Value Adjustments (DVA) are incorporated into the valuation of derivatives to reflect the impact on fair value of the counterparty's credit risk and the Group's credit quality, respectively, as follows:

- CVA is a negative quantity which takes account of scenarios in which the counterparty may go bankrupt before the Bank does in case of amounts receivable (positive MTM) from the counterparty;
- DVA is a positive quantity which takes account of scenarios in which the Group may go bankrupt before the counterparty does in case of amounts payable (negative MTM) to the counterparty.

CVA and DVA are calculated taking into consideration any counterparty risk mitigation agreements that have been entered into, in particular collateral and netting agreements for each counterparty.

The CVA/DVA methodology used by Mediobanca is based on the following inputs:

- Expected positive exposure (EPE) and expected negative exposure (ENE) of the valuation of the derivative contracts, arising from simulation techniques;
- Probability of default (PD), arising from the historical or implicit probability of default in the market prices for Credit Default Swaps or bond securities;
- Loss given default (LGD) based on the estimated value of expected recovery in the event of bankruptcy of the counterparty, as defined by specific analysis conducted by the Group or by the recovery rates conventionally used for the Credit Default Swap quotations.

To take account of this aspect, some adjustments are calculated to reflect the different cost of funding (Funding Value Adjustments), using a discount curve representative of the average funding level of banks participating in the European corporate derivatives market.

A.4.1 Fair value levels 2 and 3: measurement techniques and inputs

As a rule the Group uses market prices (Level 1) or models based on observable inputs (Level 2).

However, all instruments whose fair value measurement is primarily determined by unobservable inputs (such as, for example, the volatility above certain thresholds, or the equity and credit correlation, etc.), or contains adjustments that significantly alter the most liquid inputs used, are classified as Level 3[29].

All level 3 instruments are subject to additional price verification procedures, which include: revision of relevant historical data, analysis of gains and losses, individual measurement of each single component of a structured product and benchmarking. This approach involves the use of subjective parameters and judgements based on experience and, consequently, adjustments to valuations taking into account the bid-ask spread, the liquidity or counterparty risk, and the type of measurement model adopted, may be required. In any case, all valuation models, including those developed internally, are verified independently and validated by different Group units, thus ensuring an independent control structure.

Furthermore, the Independent Price Verification unit performs independent checks of the parameters used, comparing them with similar inputs from different sources.

[29] Under paras. 73 and 75 IFRS 13. Reference should be made to Section A.5 for further information.

Inputs for determining the fair value level

The Group has further refined the classification processes in the different fair value levels, increasingly focusing on the analysis of inputs used to measure fair value when a price is not listed on an active market.

A description of the main inputs for determining the fair value level is provided below:

- Prices: instruments traded on a regulated market or for which prices for bilateral exchanges are available, are valued using prices obtained from info-providers;
- Interest rates/inflation swap rates: these are inputs used for the valuation of the derivative instruments involving the exchange of flows between two counterparties. Interest rate is the market's expectation regarding future trends in rates and is quoted for different maturities. The inflation swap rate is the market's expectation regarding the future trend in inflation. The illiquidity of these inputs has a direct impact on the valuation of a debt security or a derivative;
- Repo rates: interest rates applied to repurchase agreements on securities;
- Volatility: measurement of the expectations about the variability of market prices with respect to certain benchmarks. These may be quoted directly or taken from the prices of listed instruments. Volatilities may, among other things, refer to different types of underlying instruments (shares/indexes, interest rates: cap/floor or swaptions, exchange rates, inflation);
- Correlation: this measures the relationship between changes in two variables and is an input for the valuation of a derivative product where the payoff is determined by multiple risk factors / underlyings;

- Dividends: dividend yields on equity instruments are an estimate of the possible returns that such instruments will offer in the future in terms of cash flows. The yield and frequency of dividends paid are the most significant parameters for determining the fair value of instruments that are sensitive to the forward price of a share;
- Credit spreads: these represent an estimate of the risk of default of a counterparty and are quoted against a benchmark; they refer to a wide variety of underlying instruments (indexes and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad spectrum covered by this category is the reason why the range of unobservable inputs is so extensive.

Assets and liabilities measured at Fair Value on a recurring basis

This section provides disclosure on the measurement techniques and inputs used for assets and liabilities measured at fair value on a recurring basis, by fair value level.

Levels 1

This hierarchy level comprises all instruments traded on active markets or whose quotations are available on an ongoing basis. The former instance includes cash equity instruments, funds and listed derivatives[30] (futures and options with equity, interest rates and sovereign debt as the underlying) traded on regulated markets for which an official closing price is available. The second category includes liquid debt securities (including Asset-Backed Securities and CLOs) for which prices are therefore available on a continuous basis and are executable at the reporting date.

Levels 2

- Bond securities: securities traded on less liquid markets showing bid/ask spreads above adequate levels are classified as Level 2; likewise instruments not traded in active markets and valued at Mark to Model using the implied

[30] Provided that the quotation, following the IPV process, is considered to be effectively liquid.

credit spread curves obtained from Level 1 or Level 2 instruments, and adding a further spread to reflect their illiquidity are classified as Level 2. The model makes maximum use of observable inputs and minimum use of non-observable inputs. In this way, only if the credit spread curve applied is representative, will the bonds be categorized as Level 2. Fair value adjustments may be used to address the measurement uncertainty inherent in the use of alternative valuation techniques other than the use of market prices (Mark to Market);

– Derivatives: the fair value of derivatives not traded on an active market derives from applying Mark to Model measurement techniques. The Group prefers using models that maximize the use of observable inputs, rather than those where the use of unobservable inputs is predominant[31]. When the inputs used for the valuation model of different components of a derivative have an active market, fair value is measured on the basis of their market quotations. Therefore an OTC derivative that mainly uses observable Level 1 inputs (quoted prices)[32] or Level 2 inputs (e.g. interest rate curves, implicit volatilities and credit spreads)[33] is classified as Level 2. These classes of derivatives include:

– Plain vanilla instruments, such as options with equity or exchange rates, interest rate swaps, cap & floor, credit default swaps and credit default indexes as underlyings;

– Exotic instruments which use more complex models such as exotic equity options, structured forex including derivatives embedded in notes issued by the Group whose characteristics replicate those referred to above. A model risk fair value adjustment may still be applied to these instruments to take into account potential adverse impacts due to the valuation of these characteristics;

– Certificate issues with credit derivatives or shares as underlying (equity index or single-name baskets), including the issuer's credit risk which is part of the overall fair value measurement.

All instruments classified as Level 2 must in any case show a majority of observable inputs used for the fair value measurement. If the IPV process reveals

[31] As defined in paragraphs 3, 61 and 67 of IFRS 13.

[32] As stated in paragraphs 76-80 of IFRS 13.

[33] As described in paragraph 82 of IFRS 13.

a high level of uncertainty due to the inputs used, these products are classified as Level 3 (such uncertainty usually concerns the correlation[34], volatility or future dividends).

The observability of an input depends not only on the type of product, but also on the availability of quotes and on the expiry date.

Levels 3

- Bonds: all instruments whose fair value is determined by using non-executable prices, i.e. those valued using implicit credit spread curves derived from Level 1 or Level 2 instruments to which a spread is added to take into account their unobservable illiquidity (referred to as Mark To Model), are classified at Level 3;
- Asset-Backed Securities, CLOs and loans: with the exception of those for which a bid / ask contribution with the related quantities is continuously recorded or which are listed on a liquid market (which fall within Level 1) even if a price from an info-provider exists;
- Financial instruments, often loans, that have failed the IFRS 9 SPPI (Solely Payments of Principal and Interests) test and for which specific measurement methods are applied that take into account the characteristics of the individual exposure;
- Equity securities other than those for which a quotation is available on an active market considered liquid (Level 1) and for which an internal model is used to determine fair value. Some residual equity securities whose fair value cannot be measured reliably using the methods described above are valued at cost verifying that it can represent a proxy;
- Investment funds (mutual funds, private equity funds, hedge funds and real estate funds): the latest Net Asset Value (NAV) available (for most funds, it is set quarterly) and no older than six months (for a few real estate funds), is used for the valuation, adjusted by the latest recorded transactions (payments, investments and distributions) and considering any items aiming to seize the risk factors to which asset management is subject. In the event that a price on an active market (daily NAV) is available, the fund may be classified at Level 1;

[34] For example, in the case of certified issues with underlying auto-callable derivatives on a basket of equity securities. These instruments show a degree of uncertainty in terms of correlation between the share basket components with an impact deemed significant on the fair value of the instrument.

- Derivatives: when the valuation of an OTC instrument has been materially affected by unobservable inputs. These classes of derivatives include:
  - Plain vanilla instruments, such as options with equity with long maturity or dividends without a market consensus or options on equity basket (indexes and single name) as underlyings;
  - Issues of Certificates that have a degree of uncertainty in the parameters such as to affect the entire fair value of the instrument, as for example the correlation between equity basket of the components underlying the auto-callable instruments on a basket of equity instruments;
  - Exotic instruments that use complex models (exotic options) or certain pay-offs on types of risks such as exchange rates, whose valuation inputs are not directly observable, including derivatives embedded in bonds issued. These instruments also include put options sold to secure the financial return of pension funds within insurance products under Austrian legislation;
  - Bespoke CDO tranches, for which no market prices for the valuation of the correlation data are available.

Fair value adjustments may be used to address the measurement uncertainty inherent in the use of alternative valuation techniques other than the use of market prices.

Assets and liabilities measured at Fair Value on a non-recurring basis

The fair value of the financial assets and liabilities measured at amortized cost and classified as “Financial assets measured at amortized cost” (loans to banks and customers) or as “Financial liabilities measured at amortized cost” (payables to banks and customers and debt securities in issue) is relevant only for information purposes in line with IFRS 7 requirements.

In such cases the fair value is calculated only for the purpose of meeting the Bank’s responsibilities in terms of providing market disclosure, and has no impact on the book value of the investment, on the profit and loss account or on net equity. Such instruments are not normally traded, and their fair value is thus measured on the basis of internal inputs not directly observable on the market.

The fair value of corporate loans is measured using the Discounted Cash Flow Method i.e. adjusting, at the measurement date, the value of future cash flows discounted with appropriate rates to reflect the credit risk of the counterparty. The credit spread is determined using industry curves representing the counterparty (rating, geography, industry). For corporate receivables, loans to counterparties with official ratings are categorized as Level 2; in all other cases as Level 3. The same applies to retail loans (i.e. mortgage loans and consumer credit).

The book value of on-demand or short-term receivables and payables is considered a good approximation of their fair value as allowed by IFRS 7. The related fair value, which is conventionally set equal to the book value, is brought back to Level 2.

Bonds issued by Mediobanca are categorized as Level 1 fair value if quoted in an active market (considering the market price as the input); if there are no quoted prices, fair value is categorized as Level 2 and is determined using the discounted cash flow method at a market interest rate adjusted for the Group's issuer risk (with a distinction being made between senior and subordinated risks). The fair value of our naked derivatives is also categorized as Level 2 when the Group proceeds to the split off of the embedded derivatives whose fair value level is determined as described above.

A.4.2 Sensitivity analysis and model evaluation

As required by IFRS 13, quantitative information on the significant non-observable inputs used for the assessment of Level 3 instruments is provided below.

Uncertainties of the inputs and impact on the Mark to Market method for equity products

Non-observable inputs	**Quantification of uncertainty inherent input**	**+/- delta vs MtM (€m) 30/06/22**
Implicit volatility	Defined for each volatility surface point as a standard deviation from the consensus provided by data provider Markit. For underlying instruments for which no data is contributed, a proxy is derived from the underlying instruments for which data is contributed.	(0,0167)
Equity-equity correlation	Defined for each expiry on the correlation curve as a standard deviation from the consensus provided by data provider Markit. For underlying instruments for which no data is contributed, a proxy is derived from the underlying instruments for which data is contributed	(0,2483)

During the year under review, a new monitoring process of equity volatility and correlation was introduced, in particular with regard to auto-callable equity instruments.

Measurement techniques - Equity - receivables and interest rate products

Product	**Measurement technique**	**Non-observable inputs**	***Fair value**** **Assets 30/06/22 (€m)**	***Fair value**** **Liabilities 30/06/22 (€m)**	***Fair value**** **Assets 30/06/22 (€m)**	***Fair value**** **Liabilities 30/06/22 (€m)**
OTC equity single name options, variance swap	Black-Scholes/ Black model	Implicit volatility[1]	10.59	(14.08)	20.29	(20.46)
OTC equity basket options, best of/ worst of, equity auto-callable multi-asset options	Black-Scholes/ Black model, local volatility model	Implicit volatility Equity-equity correlation[2]	13.08	(16.40)	32.28	(18.45)
Put options to secure the financial return of pension funds[3]	*Black-Scholes/ Black model*	*Projection of future premium flows and death rates of policy holders*	0.46	(30.52)		

* The carrying amount shown above is equal to the full fair value of structures and includes fair value adjustments. The instruments were reclassified as Level 3 starting from the last half year; the value as at 30 June amounted to €-19.8m classified at Level 2.

1 Volatility in a financial context is a measurement of how much the price of an underlying instrument may vary over time. The higher the volatility of the underlying instrument, the greater the risk associated with it. In general, long positions in options benefit from increases in volatility, whereas short positions in options lose out from them. For equity derivatives, the implicit volatility area may be obtained from the price of the call and put options, as they have regulated markets. The uncertainty of this input is attributable to one of the following scenarios: illiquidity of quoted prices (wide bid/ask spreads, typical of long maturities or moneyness far from the At-The-Money spot), concentration effects and non-observable market data (again when maturities are considered too long or moneyness far from the At-The-Money spot).

2 Equity-equity correlation is a measurement of the correlation between two equity underlying instruments. Variations in the correlation levels may impact an instrument's fair value positively or negatively, depending on the correlation type. Equity-equity correlations are less observable than volatility, because correlation products are not quoted on any regulated markets. For this reason, correlations are more subject to input uncertainty.

3 The contractual form is structured as a put option with an original duration between 10 and 30 years whose valuation is subject to uncertainty both with regard to the estimated future premiums and with regard to the NAV level of the underlying pension funds.

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A.4.3 Fair value hierarchy

Transitions between fair value hierarchy levels

The main factors contributing to transitions between fair value levels include changes in market conditions and refinements in the measurement models and/ or the non-observable inputs.

Fair value of an instrument may transition from Level 1 to Level 2 or vice versa mainly as a result of the loss (increase) in significance of the price expressed by the active market of the instrument.

Conversely, transfers from Level 2 to Level 3 or vice versa mainly arise as a result of the loss (increase) in significance of inputs, in particular the predominance of non-observable inputs over observable inputs.

A.4.4 Other information

The Group uses the exception provided under IFRS 13, paragraph 48 from measuring fair value of financial assets and liabilities on a net basis by offsetting market and counterparty credit risks.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a non-recurring basis, breakdown by fair value hierarchy

(€'000)

Financial assets/liabilities measured at fair value	30/06/22			30/06/21		
	Level1	Level2	Level3	Level1	Level2	Level3
1. Financial assets measured at fair value with impact taken to profit and loss	6,074,639	3,954,989	1,232,948	7,628,880	3,542,136	1,491,952
a) financial assets held for trading	5,836,934	3,438,506	884,859	7,378,291	2,861,597	1,096,900
b) financial assets designated at fair value	—	516,483	—	—	680,539	—
c) other financial assets mandatorily valued at fair value	237,705	—	348,089	250,589	—	395,052
2. Financial assets measured at fair value with impact taken to other comprehensive income	3,695,081	17,793	661,396	4,421,986	55,892	257,616
3. Hedging derivatives	—	157,120	—	—	312,816	—
4. Tangible assets	—	—	—	—	—	—
5. Intangible assets	—	—	—	—	—	—
Total	9,769,720	4,129,902	1,894,344	12,050,866	3,910,844	1,749,568
1. Financial liabilities held for trading	4,604,875	4,717,651	703,976	4,966,846	4,193,321	1,182,213
2. Financial liabilities valued at fair value	—	634,073	3,516	—	833,048	—
3. Hedging derivatives	—	1,385,981	—	—	154,184	—
Total	4,604,875	6,737,705	707,492	4,966,846	5,180,553	1,182,213

Despite the increase in volatility and uncertainty shown by the markets in recent months and the presence of some transactions showing a greater level of complexity and difficulty for the retrieval of valuation inputs, the Group's trading portfolio is mainly concentrated on liquid transactions with a low level of uncertainty.

Furthermore, assets and liabilities are offset for the same risk parameter in a good number of Level 3 positions, thus not involving volatility for the profit and loss account.

Level 3 instruments held for trading include options traded, i.e. contracts involving the same underlying instrument and uncertainty risk input, amounted to €409.7m in total (30/06/21: €992.9m). After deducting these items, Level 3 assets held for trading increased from €103.9m to €475.1m, taking into account new inflows of €474.6m, mainly attributable to a structured management transaction on unlisted preference shares which will be converted into listed shares (€274.5m) at a certain date and the purchase of €100m in CLO securities whose risk is hedged by financial guarantee transactions. Outflows mainly concerned the conversion of ANHEUSER-BUSCH Class C shares into listed shares originally sold at maturity (€40.2m). During the period, there were redemptions for approximately €30m on hedges of auto-callable certificates, in addition to negative fair value changes of €28.2m.

Level 3 liabilities, after deducting options traded, increased from €189.2m to €294.2m, after new positions of €90.2m in auto-callable certificates on a basket of equity securities, in addition to the entry of put options sold as collateral for the financial return of pension funds within insurance products under Austrian legislation (€30.5m). The other changes concerned transfers for approximately €1.7m, redemptions of €5.3m and positive fair value adjustments of €12.1m.

Financial assets mandatorily measured at fair value dropped from €395m to €348m, after net sales of €30.7m and negative fair value changes of €16.3m, and essentially concerned investments in funds (including seed capital).

Financial assets measured at fair value through other comprehensive income increased substantially from €257.6m to €661.4m, mainly after the entry of a senior tranche of a securitization whose underlying is a portfolio of non-performing loans originated by an Italian bank (A2 Moody's rating and Alow DBRS), for which a Guarantee on the Securitization of Bad Loans was obtained for a net investment of €275.6m and the subscription to the AT1 Bond of the subsidiary Mediobanca International (€90m). Changes in fair value were positive for €23.6m, of which €55m relating to the Burgo equity-like instrument.

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (Level 3 assets)

(€'000)

	Financial assets valued at fair value with impact taken to profit and loss				Financial assets valued at fair value with impact taken to other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading[1]	*of which: b) financial assets designated at fair value*	*of which: c) other financial assets mandatorily valued at fair value*				
1. Opening balance	498,942	103,890	—	395,052	257,616	—	—	—
2. Increases	557,404	524,279	—	33,125	596,140	—	—	—
2.1 Purchases	498,574	474,606	—	23,968	537,400	—	—	—
2.2 Profits recognized in:	18,520	9,368	—	9,152	58,740	—	—	—
2.2.1 profit and loss	18,520	9,368	—	9,152	3,740	—	—	—
- of which, gains	*9,349*	*9,349*	—	—	—	—	—	—
2.2.2 net equity	—	X	X	X	55,000	—	—	—
2.3 Transfers from other levels	732	732	—	—	—	—	—	—
2.4 Other increases	39,578	39,573	—	5	—	—	—	—
3. Decreases	233,177	153,089	—	80,088	192,360	—	—	—
3.1 Disposals	98,325	43,641	—	54,684	11,604	—	—	—
3.2 Redemptions	32,315	32,315	—	—	145,652	—	—	—
3.3 Losses recognized in:	102,537	77,133	—	25,404	34,597	—	—	—
3.3.1 profit and loss	102,537	77,133	—	25,404	176	—	—	—
- of which, losses	*70,021*	*70,021*	—	—	—	—	—	—
3.3.2 net equity	—	X	X	X	34,421	—	—	—
3.4 Transfers to other levels	—	—	—	—	—	—	—	—
3.5 Other decreases	—	—	—	—	507	—	—	—
4. Closing balance	823,169	475,080	—	348,089	661,396	—	—	—

[1] Net of market value of options covering those linked to bonds issued (30/06/22:€0.09m; 30/06/21:€0.15m) and options traded (€409.7m and €992.9m respectively), whose values are recorded for the same amount. as assets and liabilities.

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (Level 3 liabilities)

(€'000)

	Held for trading[1]	Designated at fair value	Hedging derivatives
1. Opening balance	189,207	—	—
2. Increases	124,853	3,516	—
2.1 Issuance	90,193	3,516	—
2.2 Losses recognized in:	2,436	—	—
2.2.1 profit and loss	2,436	—	—
- of which, losses	*2,436*	—	—
2.2.2 net equity	X	—	—
2.3 Transfers from other levels	32,224	—	—
2.4 Other increases	—	—	—
3. Decreases	19,864	—	—
3.1 Redemptions	5,335	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	14,529	—	—
3.3.1 profit and loss	14,529	—	—
- of which, gains	*9,091*	—	—
3.3.2 net equity	X	—	—
3.4 Transfers to other levels	—	—	—
3.5 Other decreass	—	—	—
4. Closing balance	294,196	3,516	—

[1] Net of market value of options covering those linked to bonds issued (30/06/22:€0.09m; 30/06/21:€0.15m) and options traded (€409.7m and €992.9m respectively), whose values are recorded for the same amount. as assets and liabilities.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value hierarchy

(€'000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30/06/22				30/06/21			
	Book value	Level1	Level2	Level3	Book value	Level1	Level2	Level3
1. Financial assets valued at amortised cost	51.888.459	3.387.131	37.916.473	10.318.582	49.343.114	2.080.995	38.790.532	9.114.160
2. Tangible assets held for investment purposes	23.819	—	—	102.213	24.195	—	—	94.467
3. Non-current assets and groups of assets being sold	—	—	—	—	—	—	—	—
Total	51.912.278	3.387.131	37.916.473	10.420.795	49.367.309	2.080.995	38.790.532	9.208.627
1. Financial liabilities valued at amortised cost	61.793.306	—	61.666.438	59.252	55.065.537	—	55.220.128	45.445
2. Liabilities held in respect of assets being sold	—	—	—	—	—	—	—	—
Total	61.793.306	—	61.666.438	59.252	55.065.537	—	55.220.128	45.445

A.5 - Information on day one profit/loss

IFRS 9 specifies that all financial instruments should be initially recognized at fair value. Normally, the fair value of a financial instrument at the initial recognition date is the "transaction price": in other words, it equals the cost or amount disbursed for a financial asset or the amount collected for a financial liability.

Pursuant to IFRS 7, paragraph 28, the "Day-one Profit/Loss" is understood as the difference between the fair value of an instrument at the initial recognition date (transaction price) and the amount determined at that date using a valuation technique.

The positive difference between the fair value of an instrument and its price settled at the transaction date (known as "day-one profit") can be included among the income items through profit or loss only if it is based on market prices and on valuation methods not relying on unobservable inputs. Rather, the fair value must be adjusted by this positive difference, which is released through profit or loss only when the input(s) become(s) certain[35]. If the difference is negative (day-one loss), this is directly recognized through profit or loss for prudential purposes. Therefore, any subsequent changes in fair value will follow the trends of the various risk factors to which the instrument is exposed (interest rate/exchange rate risks, etc.) and recognized directly through profit or loss.

In accordance with established market practice, the Group only applies the Day-One Profit rule to financial instruments classified as Level 3. In case of new structured transactions, the Bank conducts its analysis on a case-by-case basis determining, when the transaction is approved, the fair value hierarchy and whether or not the transaction falls within the scope of day-one profit rules. At this stage, a financial instrument is categorized within Level 3 of the fair value hierarchy if the impact of one or more unobservable inputs on fair value is considered to be significant as defined in IFRS 13, paragraph 73[36].

During the year under review, more stringent rules were introduced for the management of the day-one profit of certificates concerning those with an underlying basket of auto-callable equity securities. The instruments in question showed a fair value of approximately €230m and the day-one profit suspension concerned €3.8m.

The day-one profit rule is also applied to profits deriving from trades in derivatives linked to hedges of M&A transactions: as the derivative becomes effective only if the deal is closed, the profit is suspended until the uncertainty regarding its realized gains has ceased. At 30 June 2022, up-front profits of approximately €1.6m relating to a single transaction were suspended.

[35] IFRS 9, paragraphs B5.1.2A and B5.2.2A.
The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received, see also IFRS 13). If an entity determines that the fair value at initial recognition differs from the transaction price as mentioned in paragraph 5.1.1 A, the entity shall account for that instrument at that date, as follows

a. the measurement required by paragraph 5.1.1 if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. An entity shall recognise the difference between the fair value at initial recognition and the transaction price as a gain or loss;
b. in all other cases, at the measurement required by paragraph 5.1.1, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the entity shall recognise that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

[36] In some cases, data used to measure the fair value of an asset or liability could be categorized in different fair value hierarchy levels. In such cases, the valuation is classified entirely in the same level as the input with the lowest hierarchy level. Assessment of the significance of a specific input for the valuation process takes into account the asset's or liability's characteristics. Adjustments generated by fair value-based measurement, such as costs to sell when the fair value is measured after costs to sell, must not be considered in determining the fair value hierarchy level in which a valuation is classified.

Part B - Notes to the Balance Sheet*

Assets

SECTION 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents: composition

	Total 30/06/22	**Total 30/06/21**
a) Cash	547	603
b) Current accounts and demand deposits with Central Banks	6,334,133	1,554,060
c) Current accounts and demand deposits with banks	1,448,804	1,647,517
Total	7,783,484	3,202,180

* Figures in €'000.

SECTION 2

Heading 20: Financial assets measured at fair value* through profit or loss

*2.1 Financial assets held for trading: composition**

Items/Values	Total 30/06/22			Total 30/06/21		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	3,334,975	500,643	175,678	4,210,242	451,634	10,601
1.1 Structured securities	9,570	8,134	—	10,370	8,412	—
1.2 Others	3,325,405	492,509	175,678	4,199,872	443,222	10,601
2. Equity securities[1]	1,851,609	—	274,971	2,339,261	—	40,398
3. UCITs	802	—	298	119,204	—	323
4. Loans	3,698	—	—	3,981	—	—
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Others	3,698	—	—	3,981	—	—
Total (A)	5,191,084	500,643	450,947	6,672,688	451,634	51,322
B. Derivative instruments						
1. Financial derivatives	645,850	2,705,493	433,912	705,603	2,090,310	1,045,578
1.1 trading	645,850	2,705,405	433,826[2]	705,603	2,088,310	1,045,432
1.2 related to the fair value option	—	—	—	—	—	—
1.3 others	—	88	86[3]	—	2,000	146
2. Credit derivatives	—	232,370	—	—	319,653	—
2.1 trading	—	232,370	—	—	319,653	—
2.2 related to the fair value option	—	—	—	—	—	—
2.3 others	—	—	—	—	—	—
Total (B)	645,850	2,937,863	433,912	705,603	2,409,963	1,045,578
Total (A+B)	5,836,934	3,438,506	884,859	7,378,291	2,861,597	1,096,900

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

[1] Equities include shares committed in securities lending transactions totalling €918.557 (€648.410 at 30/6/21).

[2] Respectively, €409,692 and €992,861 relating to traded options, whose contra-item was recorded among financial liabilities held for trading.

[3] Includes the market value of the options (€0.09m at 30 June 2022 and €0.15m at 30 June 2021) covering those combined with bond issues, whose contra-item was recorded among financial liabilities held for trading.

2.2 Financial assets held for trading: composition by borrower/issuer/counterparty

Items/Values	30/06/22	30/06/21
A. CASH ASSETS		
1. Debt securities	4,011,296	4,672,477
a) Central Banks	—	—
b) Public administrations	2,072,555	2,903,041
c) Banks	1,230,455	1,120,977
d) Other financial companies	369,540	306,622
of which: insurance companies	*69*	*4,132*
e) Non-financial companies	338,746	341,837
2. Equity securities	2,126,580	2,379,659
a) Banks	154,928	271,042
b) Other financial companies	384,051	287,410
of which: Insurance companies	*27,584*	*115,123*
c) Non-financial companies	1,587,601	1,821,207
d) Other issuers	—	—
3. UCITs	1,100	119,527
4. Loans	3,698	3,981
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non-financial companies	3,698	3,981
f) Households	—	—
Total (A)	6,142,674	7,175,644
B. DERIVATIVE INSTRUMENTS		
a) Central Counterparties	1,029,987	202,620
b) Others	2,987,638	3,958,524
Total (B)	4,017,625	4,161,144
Total (A+B)	10,160,299	11,336,788

*2.3 Financial liabilities designated at fair value: composition**

Items/Values	Total 30/06/22			Total 30/06/21		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	—	—	—	—	50,720	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Others	—	—	—	—	50,720	—
2. Loans	—	516,483	—	—	629,819	—
2.1 Structured	—	—	—	—	—	—
2.2 Other[1]	—	516,483	—	—	629,819	—
Total	—	516,483	—	—	680,539	—

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

[1] This item refers to a loan matched on the liability side by the issue of a certificate.

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2.4 Financial assets designated at fair value: by borrower/issuer

Items/Values	30/06/22	30/06/21
1. Debt securities	—	50,720
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	50,720
of which: insurance companies	—	—
e) Non-financial companies	—	—
2. Loans	516,483	629,819
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	516,483	629,819
of which: insurance companies	*516,483*	*629,819*
e) Non-financial companies	—	—
f) Households	—	—
Total	516,483	680,539

2.5 Other financial assets mandatorily measured at fair value: composition

Items/Values	30/06/22			30/06/21		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	74	—	459	288	—	1,321
1.1 Structured securities	—	—	—	—	—	—
1.2 Others	74	—	459	288	—	1,321
2. Equity securities	—	—	2,662	—	—	2,969
3. UCITs	237,631	—	340,776	250,301	—	375,808
4. Loans	—	—	4,192	—	—	14,954
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Others[1]	—	—	4,192	—	—	14,954
Total	237,705	—	348,089	250,589	—	395,052

[1] As of 30 June 2021, this includes €7.5m in respect of the equity partner who departed from Messier et Associés during the year, covered by Mediobanca shares as pledge.

2.6 Other financial assets mandatorily measured at fair value: by borrower/issuer

Items/Values	30/06/22	30/06/21
1. Equity securities	2,662	2,969
of which: banks	—	—
of which: other financial companies	*2,662*	*2,969*
of which: other non-financial companies	—	—
2. Debt securities	533	1,609
a) Central Banks	—	—
b) Public administrations	74	288
c) Banks	—	—
d) Other financial companies	459	1,321
of which: insurance companies	—	—
e) Non-financial companies	—	—
3. UCITs	578,407	626,109
4. Loans	4,192	14,954
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	4,192	4,206
of which: insurance companies	—	—
e) Non-financial companies	—	10,748
f) Households	—	—
Total	585,794	645,641

SECTION 3

Heading 30: Financial assets measured at fair value* through other comprehensive income

*3.1 Financial assets measured at fair value through other comprehensive income: composition**

Items/Valori	30/06/22			30/06/21		
	Level 1	Level 2	Level 3[1]	Level 1	Level 2	Level 3
1. Debt securities	3,579,684	17,793	275,590	4,290,967	55,892	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Others	3,579,684	17,793	275,590	4,290,967	55,892	—
2. Equity securities	115,397	—	385,806 (1)	131,019	—	257,616
3. Loans	—	—	—	—	—	—
Total	3,695,081	17,793	661,396	4,421,986	55,892	257,616

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

[1] These include the AT1 instruments of CheBanca! (€152m) and MB International (€90m), in addition to the Burgo equity-like instrument (€110m).

3.2 Financial assets measured at fair value through other comprehensive income: by borrowers/issuers

Items/Values	30/06/22	30/06/21
1. Debt securities	3,873,067	4,346,859
a) Central Banks	—	—
b) Public administrations	2,896,867	3,595,826
c) Banks	383,030	381,346
d) Other financial companies	394,816	159,577
of which: insurance companies	*38,273*	*50,717*
e) Non-financial companies	198,354	210,110
2. Equity securities	501,203	388,635
a) Banks[1]	242,125	169,709
b) Other issuers:	259,078	218,926
- other financial companies	32,599	31,826
of which: insurance companies	—	—
- Non-financial companies	226,479	187,100
- others	—	—
3. Loans	—	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non-financial companies	—	—
f) Households	—	—
Total	4,374,270	4,735,494

[1] These include the AT1 instruments of CheBanca! (152,000) and MB International (90,000), fully subscribed by the Parent Company (CheBanca! 169,600 at 30 June 2021).

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total accumulated impairments

	Gross value					Cumulative write-downs			Purchased or originated credit impaired assets	Write off partial
	First stage	*of which: Low credit risk instruments (*)*	Second stage	Third stage	Purchased or originated credit impaired assets	First stage	Second stage	Third stage		
Debt securities	3,805,027	—	78,174	—	—	6,787	3,347	—	—	—
Loans	—	—	—	—	—	—	—	—	—	—
Total 30/06/2022	3,805,027	—	78,174	—	—	6,787	3,347	—	—	—
Total 30/06/2021	4,357,062	—	—	—	—	10,203	—	—	—	—

* As required by Bank of Italy circular no. 262, fifth amendment, the column headed "Of which: instruments with low credit risk" must show the gross value of the low credit risk instruments as defined by IFRS 9, paras. B5.5.29. For the Mediobanca Group, the concept of "low credit risk" is equivalent to that of rating, hence low credit risk applies to the case of counterparties rated as investment grade.

SECTION 4

Heading 40: Financial assets measured at amortized cost

4.1 Financial assets measured at amortized cost: composition of amounts due from banks (30/6/22)

Operation Type/Values	Total					
	30/06/22					
	Book value			Fair value*		
	First and second stage	Third stage	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
A. Due from Central Banks	260,370	—	—	—	260,370	—
1. Term deposits	—	—	—	X	X	X
2. Compulsory reserves	260,370	—	—	X	X	X
3. Reverse repos	—	—	—	X	X	X
4. Others	—	—	—	X	X	X
B. Due from banks	26,809,670	—	—	113,529	26,250,032	181,503
1. Loans	25,797,338	—	—	—	25,349,757	181,503
1.1 Current accounts and demand deposits	—	—	—	X	X	X
1.2 Term deposits	299,087	—	—	X	X	X
1.3 Other loans:	25,498,251	—	—	X	X	X
1.4 Reverse repos	1,411,168	—	—	X	X	X
1.5 Finance lease	—	—	—	X	X	X
1.6 Others	24,087,083	—	—	X	X	X
2. Debt securities	1,012,332	—	—	113,529	900,275	—
2.1 Structured securities	—	—	—	—	—	—
2.2 Others	1,012,332	—	—	113,529	900,275	—
Total	27,070,040	—	—	113,529	26,510,402	181,503

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

4.1 Financial assets measured at amortized cost: composition of amounts due from banks (30/6/21)

Operation Type/Values	Total					
	30/06/21					
	Book value			Fair value*		
	First and second stage	Third stage	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
A. Due from Central Banks	229,489	—	—	—	229,489	—
1. Term deposits	—	—	—	X	X	X
2. Compulsory reserves	229,489	—	—	X	X	X
3. Reverse repos	—	—	—	X	X	X
4. Others	—	—	—	X	X	X
B. Due from banks	26,459,756	—	—	185,788	26,306,657	269,825
1. Loans	25,402,908	—	—	—	25,409,795	269,825
1.1 Current accounts	—	—	—	X	X	X
1.2 Term deposits	753,213	—	—	X	X	X
1.3 Other loans:	24,649,695	—	—	X	X	X
- Reverse repos	1,932,575	—	—	X	X	X
- Finance leases	—	—	—	X	X	X
- other	22,717,120	—	—	X	X	X
2. Debt securities	1,056,848	—	—	185,788	896,862	—
2.1 Structured securities	—	—	—	—	—	—
2.2 Others	1,056,848	—	—	185,788	896,862	—
Total	26,689,245	—	—	185,788	26,536,146	269,825

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

4.2 Financial assets measured at amortized cost: composition of amounts due from customers (30/06/22)

Operation Type/Values	Total					
	30/06/22					
	Book value			Fair value*		
	First and second stage	Third stage	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
1. Loans	19,612,096	19,646	—	—	11,396,151	8,183,748
1.1 Current accounts	1,241,942	—	—	X	X	X
1.2 Reverse Repos	1,216,869	—	—	X	X	X
1.3 Mortgages	13,901,246	19,646	—	X	X	X
1.4 Credit cards, personal loans and salary-backed finance	—	—	—	X	X	X
1.5 Finance lease	3,820	—	—	X	X	X
1.6 Factoring	—	—	—	X	X	X
1.7 Other loans	3,248,219	—	—	X	X	X
2. Debt securities	5,186,677	—	—	3,273,602	9,920	1,953,331
2.1 Structured	—	—	—	—	—	—
2.2 Other debt securities[1]	5,186,677	—	—	3,273,602	9,920	1,953,331
Total	24,798,773	19,646	—	3,273,602	11,406,071	10,137,079

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

[1] Of which, 1,306,615 relating to the Group's securitizations (Compass Banca).

4.2 Financial assets measured at amortized cost: composition of amounts due from customers (30/6/21)

Operation Type/Values	Total					
	30/06/21					
	Book value			Fair value*		
	First and second stage	Third stage	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
1. Loans	17,672,092	74,279	—	—	10,598,627	7,390,104
1.1 Current accounts	1,001,449	—	—	X	X	X
1.2 Reverse Repos	1,484,079	—	—	X	X	X
1.3 Mortgages	12,247,728	74,279	—	X	X	X
1.4 Credit cards, personal loans and salary-backed finance	—	—	—	X	X	X
1.5 Finance lease	5,065	—	—	X	X	X
1.6 Factoring	—	—	—	X	X	X
1.7 Other loans	2,933,771	—	—	X	X	X
2. Debt securities	3,259,981	—	—	1,895,207	8,242	1,454,231
2.1 Structured securities	—	—	—	—	—	—
2.2 Other debt securities[1]	3,259,981	—	—	1,895,207	8,242	1,454,231
Total	20,932,073	74,279	—	1,895,207	10,606,869	8,844,335

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".

[1] Of which, 1,196,720 relating to the Group's securitizations (Compass Banca).

4.3 Financial assets measured at amortized cost: breakdown by borrowers/issuers of amounts due from customers

Operation Type/Values	Total 30/06/22			Total 30/06/21		
	First and second stage	Third stage	Purchased or originated credit impaired assets	First and second stage	Third stage	Purchased or originated credit impaired assets
1. Debt securities	5,186,677	—	—	3,259,981	—	—
a) Public administrations	2,954,747	—	—	1,536,502	—	—
b) Other financial companies	2,162,002	—	—	1,635,069	—	—
of which: insurance companies	*186,079*	—	—	*208,345*	—	—
c) Non-financial companies	69,928	—	—	88,410	—	—
2. Loans to:	19,612,096	19,646	—	17,672,092	74,279	—
a) Public administrations	354,168	—	—	102,687	—	—
b) Other financial companies	8,306,672	2,160	—	8,363,285	2,209	—
of which: insurance companies	*390,769*	—	—	*533,496*	—	—
c) Non-financial companies	10,135,087	16,645	—	8,444,660	70,876	—
d) Households	816,169	841	—	761,460	1,194	—
Total	24,798,773	19,646	—	20,932,073	74,279	—

4.4 Financial assets measured at amortized cost: gross value and total accumulated impairments

	Gross value					Cumulative write-downs				*Overall partial write-offs*
	First stage	*of which: low credit risk instruments*	Second stage	Third stage	*Purchased or originated credit impaired assets*	First stage	Second stage	Third stage	*Purchased or originated credit impaired assets*	
Debt securities	6,193,476	—	12,079	—	—	5,326	1,220	—	—	—
Loans	45,509,227	114,957	223,679	62,233	—	53,695	9,407	42,587	—	—
Total 30/06/2022	51,702,703	114,957	235,758	62,233	—	59,021	10,627	42,587	—	—
Total 30/06/2021	49,009,729	12,710	353,207	138,247	—	84,626	9,475	63,968	—	—

4.4a Loans measured at amortized cost subject to Covid-19 support measures: gross value and total accumulated impairments

	Gross value					Cumulative write-downs				*Overall partial write-offs*
	First stage	*of which: low credit risk instruments*	Second stage	Third stage	*Purchased or originated credit impaired assets*	First stage	Second stage	Third stage	*Purchased or originated credit impaired assets*	
1. EBA - compliant moratoria loans*	—	—	—	—	—	—	—	—	—	—
2. Loans in place subject to moratoria no longer compliant with GL and not eligible for forbearance purposes	—	—	—	—	—	—	—	—	—	—
3. Loans subject to other forbearance measures	—	—	19,307	—	—	—	592	—	—	—
4. New loans	86,255	—	—	—	—	169	—	—	—	—
Total 30/06/2022	86,255	—	19,307	—	—	169	592	—	—	—
Total 30/06/2021	202,683	—	21,795	—	—	976	511	—	—	—

* The row headed "EBA - compliant moratoria loans" shows information on financial assets for which moratoria have been granted under the scope of application of the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" published by the EBA (EBA/GL/2020/02) as amended.

SECTION 5

Heading 50: Hedging derivatives

5.1 Hedging derivatives: by hedge type and level

	Fair Value			Notional value	*Fair Value*			Notional value
	30/06/22				30/06/21			
	Level 1	Level 2	Level 3	30/06/22	Level 1	Level 2	Level 3	30/06/21
A. Financial derivatives								
1. Fair value	—	156,381	—	6,746,708	—	312,816	—	14,329,122
2. Cash flows	—	739	—	146,274	—	—	—	—
3. Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives								
1. Fair value	—	—	—	—	—	—	—	—
2. Cash flows	—	—	—	—	—	—	—	—
Total	—	157,120	—	6,892,982	—	312,816	—	14,329,122

5.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction / Type of hedgin	Fair value							Cash-flow		Foreign investments
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Equity securities and stock indexes	Currencies and gold	credit	commodities	others				
1. Financial assets measured at fair value through other comprehensive income	72,191	—	—	—	X	X	X	—	X	X
2. Financial assets measured at amortised cost	74,621	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other operations	—	—	—	—	—	—	X	—	X	—
Total assets	146,812	—	—	—	—	—	—	—	—	—
1. Financial liabilities	9,569	X	—	—	—	—	X	—	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	9,569	—	—	—	—	—	—	—	—	
1. Highly probable transactions	X	X	X	X	X	X	X	739	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	—	X	—	—

SECTION 7

Heading 70: Equity investments

At 30 June 2022, the book value of the item “Equity investments” amounted to €3,563m.

7.1 Equity investments: disclosure on relationships

Entities under significant influence	Head office	Operating office	Shareholding in %	Votes available in %
A. Wholly controlled companies				
Cairn Capital Group Limited Capital GBP 527 in shares worth GBP 0.005 each	London	London	64.58*	64.58
CheBanca! S.p.A. Capital €506.3m in shares worth €0.50 each	Milan	Milan	100.0	100.0
Compagnie Monegasque de Banque - CMB S.A.M. Capital €111.1m in shares worth €200 each	Monte Carlo	Monte Carlo	100.0	100.0
Compass Banca S.p.A. Capital €587.5m in shares worth €5 each	Milan	Milan	100.0	100.0
Mediobanca Innovation Services - MIS S.c.p.A. Capital €35m in shares worth €5 each	Milan	Milan	100.0	100.0
Mediobanca Management Company Capital €500,000 in shares worth €10 each	Luxembourg	Luxembourg	100.0	100.0
Mediobanca SGR Capital €10.3m in shares worth €51.65 each	Milan	Milan	100.0	100.0
Messier et Associés Sas Capital €50,000 in shares worth €0.1 each	Paris	Paris	79.66**	79.66
MB Facta S.p.A. Capital €120m in shares worth €1 each	Milan	Milan	100.0	100.0
MB Funding Lux S.A. Capital €831,000 in shares worth €1 each	Luxembourg	Luxembourg	100.0	100.0
MB International (Luxembourg) S.A. Capital €10m in shares worth €10 each	Luxembourg	Luxembourg	100.0	100.0
MB Securities USA LLC Capital $2.25m	New York	New York	100.0	100.0
RAM Active Investments S.A. Capital CHF 1m in shares worth CHF 10 each	Geneva	Geneva	94.92***	94.92
SelmaBipiemme Leasing S.p.A. Capital €41.3m in shares worth €0.50 each	Milan	Milan	60.0	60.0
Cmb Real Estate Development Capital €75.2m in shares worth €75,200 each	Monte Carlo	Monte Carlo	40.0	40.0
Spafid S.p.A. Capital €6.1m in shares worth €10 each	Milan	Milan	100.0	100.0
B. Entities under significant influence				
Assicurazioni Generali S.p.A. Capital €1,576.0m in shares worth €1 each	Trieste	Trieste	12.78	12.78
Istituto Europeo di Oncologia S.r.l. Capital €80.6m	Milan	Milan	25.37	25.37
Finanziaria Gruppo Bisazza Capital €100,000	Vicenza	Vicenza	22.67	22.67
CLI Holdings II (fund units)	London	London	42.68	42.68

* The percentage rises to 89.07% if account is taken of the put & call option agreements concluded at the time of acquisition.

** The percentage rises to 100.00% if account is taken of the put & call option agreements concluded at the time of acquisition.

*** The percentage rises to 98.28% if account is taken of the put & call option agreements concluded at the time of acquisition.

7.2 Significant investments: book values, fair values and dividends received

Entities under significant influence	Book value	Fair value	Dividends received
A. Wholly controlled companies			
Cairn Capital Group Limited	89,693	n.a.	—
CheBanca! S.p.A.	665,203	n.a.	—
Compagnie Monegasque de Banque - CMB S.A.M.	373,413	n.a.	—
Compass Banca S.p.A.	767,672	n.a.	150,000
Mediobanca Innovation Services - MIS S.c.p.A.	35,020	n.a.	—
Mediobanca Management Company	3,993	n.a.	—
Mediobanca SGR	38,139	n.a.	—
Messier et associés Sas	91,116	n.a.	24,160
MBFACTA S.p.A.	120,302	n.a.	—
MB Funding Lux	831	n.a.	—
MB International (Luxembourg) S.A.	6,040	n.a.	—
MB Securities USA LLC	211	n.a.	—
RAM Active Investments S.A.	114,108	n.a.	—
SelmaBipiemme Leasing S.p.A.	32,909	n.a.	—
Spafid S.p.A.	8,888	n.a.	—
Cmb Real Estate Development	30,060	n.a.	—
B. Entities under significant influence			
Assicurazioni Generali S.p.A.	1,096,272	3,426,872	310,151
Istituto Europeo di Oncologia S.r.l.	38,995	n.a.	—
Finanziaria Gruppo Bisazza	6,879	n.a.	907
CLI Holdings II	43,295	n.a.	2,774
Total	3,563,039		487,992

The description of the reasons why an investee is subject to joint control or significant influence is contained in "Section 3 - Part A - Accounting Policies", to which reference should be made.

7.3 Significant investments: accounting data*

Company name	Cash and cash-convertible assets	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues (**)	Net interest income	Adjustments and write-backs of tangible and intangible assets	Profit/(Loss) on ordinary activities before tax	Profit/(Loss) on ordinary activities after tax	Profit/(Loss) on held-for-sale assets after tax	Profit/(Loss) for the period (1)	Other profit/(loss) components after tax (2)	Total profit/(loss) for the period (3) = (1) + (2)
A. Wholly controlled companies														
Cairn Capital Group Limited	15,660	1,599	107,150	5,046	24,830	41,154	(132)	(1,045)	10,354	8,713	—	8,713	—	8,713
CheBanca! S.p.A.	474,841	28,870,267	467,226	28,641,075	287,285	385,217	236,146	(26,314)	71,399	47,103	—	47,103	423	47,526
Compagnie Monegasque de Banque - CMB S.A.M.	3,347,046	3,679,477	80,457	6,097,489	45,514	117,180	47,201	(10,367)	67,823	63,044	—	63,044	—	63,044
Compass Banca S.p.A.	270,315	14,148,820	960,081	12,045,295	438,399	1,000,022	931,804	(14,376)	564,979	441,365	—	441,365	210,079	651,444
Mediobanca Innovation Services - MIS S.c.p.A.	79	9,000	81,207	33,483	21,584	—	—	(17,800)	71	2	—	2	79	81
Mediobanca Management Company	8,244	—	3,671	44	2,771	2,214	—	(113)	394	283	—	283	—	283
Mediobanca SGR	50,707	—	15,561	700	11,988	32,321	(1)	(355)	14,503	10,271	—	10,271	71	10,342
Messier et Associés	17,625	751	47,272	23,074	22,221	63,135	—	(523)	33,459	24,642	—	24,642	—	24,642
MBFACTA S.p.A.	42,150	2,760,174	116,795	2,681,665	32,849	51,038	43,857	(190)	30,890	20,890	—	20,890	53	20,943
MB Funding Lux	887	10,000	207	10,000	132	—	—	—	36	28	—	28	—	28
MB International (Luxembourg) S.A.	696,131	6,690,010	96,345	7,024,513	14,881	20,021	17,253	(204)	11,617	6,968	—	6,968	80	7,048
MB Securities USA LLC	6,633	—	1,517	—	2,116	2,970	—	—	403	299	—	299	—	299
RAM Active Investments S.A.	13,759	6,032	15,335	—	10,615	12,330	(152)	(215)	(3,949)	(4,417)	—	(4,417)	—	(4,417)
SelmaBipiemme Leasing S.p.A.	26,864	1,568,336	105,774	1,438,163	37,214	35,963	34,018	(2,213)	5,985	4,525	—	4,525	2,711	7,236
Cmb Real Estate Development	10,572	—	39,367	—	—	—	—	(222)	(25,211)	(25,211)	—	(25,211)	—	(25,211)
Spafid S.p.A.	35,893	2,952	13,343	1,493	7,553	8,454	(5)	(662)	624	(652)	—	(652)	65	(587)
B. Entities under significant influence														
Assicurazioni Generali S.p.A.	X	527,904,000	49,844,000	47,713,000	506,635,000	99,088,000	X	X	4,580,000	3,195,000	—	3,195,000	(1,167,000)	2,028,000
CLI Holdings II	X	83,046	773	83,906	44	X	88	X	1	1	—	1	—	1
Finanziaria Gruppo Bisazza	X	6,946	—	946	—	X	X	X	4,049	4,012	—	4,012	—	4,012
Istituto Europeo di Oncologia	X	91,523	137,354	102,367	63,178	372,943	X	X	4,255	2,203	—	2,203	—	2,203

* All data are in Euros, including for foreign subsidiaries.

** This is understood as interim earnings: Total revenues stated in the accounting statements.

With regard to changes in equity investments during the year under review, the following should be noted:

- Reclassification of securities from assets Mandatorily Measured at Fair Value through Profit or Loss of CLI Holdings II (€41.8m) and at Fair Value through OCI of Finanziaria Gruppo Bisazza (€7.4m) to associated equity investments pursuant to IAS 28. The CLI II investment is connected to Mediobanca's greater commitment, which determined its qualification as Qualified Noteholder, thereby obtaining the right to appoint a member of the Partnership Board. The reclassification of Bisazza is the result of the liquidation of GB Holding S.r.l., which entailed the assignment of the entire stake to Mediobanca, which resulted in the 20% threshold being exceeded after adding it to the existing stake (16%);
- Subscription to 40% of the capital of the company CMB Real Estate for €30m (the residual 60% was subscribed by CMB itself); the establishment of the company was functional to the construction of new CMB offices;
- Capital increase in Cairn Capital Group (£13.2m subscribed against a capital increase of £43.3m) linked to the acquisition of Bybrook, an English operator in the distressed assets sector with approximately £2bn of managed funds. The equity investment in Cairn was thus diluted from 85.13% to 64.58%.

The equity investment in Assicurazioni Generali and Istituto Europeo di Oncologia were still recognized at cost. The carrying amount of equity investments was tested for impairment without finding evidence of a loss in value.

7.5 Equity investments: changes during the period

	30/06/22	30/06/21
A. Opening balance	3,457,430	3,150,668
B. Increases	108,509	324,485
B.1 Purchasing	97,938	324,485
B.2 Writebacks	—	—
B.3 Revaluations	—	—
B.4 Other changes	10,571	—
C. Decreases	2,900	17,723
C.1 Sales	2,900	—
C.2 Write-offs	—	15,485
C.3 Other variations	—	2,238
D. Closing balance	3,563,039	3,457,430
E. Total revaluations	—	—
F. Total adjustments	891,929	891,929

SECTION 8

Heading 80: Property, plant and equipment

8.1 Core tangible assets stated at cost

Assets/Values	Total	Total
	30/06/22	30/06/21
1. Property assets	91,836	92,147
a) lands	67,896	67,896
b) buildings	17,731	18,324
c) furniture	1,444	1,172
d) electronic system	2,174	2,151
e) other	2,591	2,604
2. Leased assets	25,079	21,940
a) lands	—	—
b) buildings	21,672	18,592
c) furniture	—	—
d) electronic system	—	—
e) other	3,407	3,348
Total	116,915	114,087
of which: obtained by the enforcement of collateral	—	—

8.2 Properties held for investment purposes stated at cost

Assets/Values	Total				Total			
	30/06/22				30/06/21			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property assets	23,819	—	—	102,213	24,195	—	—	94,467
a) lands	20,350	—	—	81,164	20,350	—	—	75,291
b) buildings	3,469	—	—	21,049	3,845	—	—	19,176
2. Leased assets	—	—	—	—	—	—	—	—
a) lands	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
Total	23,819	—	—	102,213	24,195	—	—	94,467
of which: obtained by the enforcement of collateral	—	—	—	—	—	—	—	—

8.6 Core assets: changes during the year

	Lands	Buildings	Furniture	Electronic systems	Other minor interests	Total
A. Gross opening balance 30 June 2021	67,896	69,329	9,006	10,768	32,679	189,678
A.1 Reductions of total net value	—	(32,413)	(7,834)	(8,617)	(26,727)	(75,591)
A.2 Net opening balance 30 June 2021	67,896	36,916	1,172	2,151	5,952	114,087
B. Increases	—	8,567	570	706	2,987	12,830
B.1 Purchasing	—	—	509	569	954	2,032
- *of which business combinations*	—	—	—	—	—	—
B.2 Capitalised improvement costs	—	754	—	—	—	754
B.3 Write-backs	—	—	—	—	—	—
B.4 Positive changes in fair value allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
B.5 Positive foreign exchange differences	—	—	—	—	—	—
B.6 Transfer from investment properties	—	—	X	X	X	—
B.7 Other variations	—	7,813	61	137	2,033	10,044
C. Decreases	—	6,080	298	683	2,941	10,002
C.1 Sales	—	—	40	137	2	179
- *of which business combinations*	—	—	—	—	—	—
C.2 Depreciation	—	4,863	258	546	2,657	8,324
C.3 Impairment losses allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
C.4 Negative changes in fair value allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
C.5 Negative foreign exchange differences	—	—	—	—	—	—
C6 Transfers to:	—	—	—	—	—	—
a) held for sale investment	—	—	X	X	X	—
b) non-current assets and group of assets held for sale;	—	—	—	—	—	—
C.7 Other adjustment	—	1,217	—	—	282	1,499
D. Net closing balance	67,896	39,403	1,444	2,174	5,998	116,915
D.1 Total net write-down	—	(34,832)	(8,031)	(9,026)	(28,207)	(80,096)
D.2 Gross closing balance	67,896	74,235	9,475	11,200	34,205	197,011
E. Carried at cost	—	—	—	—	—	—

8.7 Assets held for investment purposes: changes during the year

	Total	
	Land	Buildings
A. Gross opening balance	20,350	3,845
B. Increases	—	48
B.1 Purchasing	—	—
- of which business combinations	—	—
B.2 Capitalised improvement costs	—	48
B.3 Positive variations of fair value	—	—
B.4 Write-backs	—	—
B.5 Positive exchange differences	—	—
B.6 Transfers from core tangible assets	—	—
B.7 Other variations	—	—
C. Decreases	—	424
C.1 Sales	—	—
- of which business combinations	—	—
C.2 Depreciation	—	424
C.3 Negative variations of fair value	—	—
C.4 Write-downs	—	—
C.5 Negative exchange differences	—	—
C.6 Transfers to:	—	—
a) core tangible assets	—	—
b) non-current assets and group of assets held for sale;	—	—
C.7 Other adjustment	—	—
D. Closing balance	20,350	3,469
D.1 Total net write-down	—	—
D.2 Gross closing balance	20,350	3,469
E. Measured at fair value	81,164	21,049

SECTION 9

Heading 90: Intangible assets

9.1 Intangible assets: composition

Assets/Values	Total 30/06/22		Total 30/06/21	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	12,514	X	12,514
A.2 Other intangible assets	690	15,489	796	15,489
of which: software	*690*	—	*796*	—
A.2.1 Assets measured at cost:	690	—	796	—
a) intangible assets generated internally	690	15,489	796	15,489
b) other assets	—	—	—	—
A.2.2 Assets valued at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	690	28,003	796	28,003

The values of the brand and of goodwill were tested for impairment. No write-downs were found to be needed.

9.2 Intangible assets: changes during the year

	Goodwill	a) intangible assets generated internally		Other intangible assets: others		Total
		Defined	Undefined	Defined	Undefined	
A. Opening balance	12,514	—	—	96,732	15,489	124,735
A.1 Reductions of total net value	—	—	—	(95,936)	—	(95,936)
A.2 Net opening balance	12,514	—	—	796	15,489	28,799
B. Increases	—	—	—	379	—	379
B.1 Purchasing	—	—	—	379	—	379
- *of which business combinations*	—	—	—	—	—	—
B.2 Increases of internal intangible assets	X	—	—	—	—	—
B.3 Write-backs	X	—	—	—	—	—
B.4 Positive variations of fair value	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- to P&L	X	—	—	—	—	—
B.5 Positive exchange differences	—	—	—	—	—	—
B.6 Other variations	—	—	—	—	—	—
C. Decreases	—	—	—	485	—	485
C.1 Sales	—	—	—	—	—	—
- *of which business combinations*	—	—	—	—	—	—
C.2 Write-offs:	—	—	—	485	—	485
- Amortisations	X	—	—	485	—	485
- Depreciations	—	—	—	—	—	—
+ equity	X	—	—	—	—	—
+ to P&L	—	—	—	—	—	—
C.3 Negative variations of fair value	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- to P&L	X	—	—	—	—	—
C.4 Transfer to non-current assets	—	—	—	—	—	—
C.5 Negative exchange differences	—	—	—	—	—	—
C.6 Other variations	—	—	—	—	—	—
D. Net closing balance	12,514	—	—	690	15,489	28,693
D.1 Adjustment of net total values	—	—	—	(96,422)	—	(96,422)
E. Gross closing balance	12,514	—	—	97,112	15,489	125,115
F. Measurement at cost	—	—	—	—	—	—

SECTION 10

Assets heading 100 and liabilities heading 60: Tax assets and liabilities

10.1 Advance tax assets: composition

	Total 30/06/22	Total 30/06/21
- Against Profit and Loss	70,964	88,449
- Against Net Equity	34,529	4,240
Total	105,493	92,689

The above amounts were subjected to a sustainability test as required by IAS 12, taking into account the economic projections foreseeable for future financial years in order to verify whether any future taxable income against which to offset these tax assets had emerged.

10.2 Deferred tax liabilities: composition

	Total 30/06/22	Total 30/06/21
- Against Profit and Loss	206,070	206,189
- Against Net Equity	21,281	36,109
Total	227,351	242,298

10.3 Changes in advance tax during the period (against profit and loss)

	Total 30/06/22	Total 30/06/21
1. Opening balance	88,449	84,387
2. Increases:	1,270	13,052
2.1 Deferred tax liabilities of the year	1,270	13,052
a) relating to previous years	—	—
b) due to changes in accountable parameters	—	—
c) writebacks	—	—
d) others	1,270	13,052
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
3. Decreases:	18,755	8,990
3.1 Deferred tax liabilities derecognised in the year	18,755	8,990
a) reversals of temporary differences	18,755	8,990
b) write-downs of non-temporary items	—	—
c) changes in accounting policies	—	—
d) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases:	—	—
a) conversion into tax receivables pursuant to Italian Law 214/2011	—	—
b) others	—	—
4. Closing balance	70,964	88,449

*10.3bis Changes in advance tax pursuant to Italian Law No. 214/2011**

	Total 30/06/22	Total 30/06/21
1. Opening balance	43,839	50,865
2. Increases:	—	—
- of which business combinations	—	—
3. Decreases:	7,025	7,026
3.1 Reversals of temporary differences	7,025	7,026
3.2 Conversion into tax receivables deriving from:	—	—
a) year losses	—	—
b) tax losses	—	—
3.3 Other decreases	—	—
4. Closing balance	36,814	43,839

* Italian Law-Decree No. 59/16 of 29 April 2016 on deferred tax assets pursuant to Italian Law-Decree No. 214/11, as amended by Italian Law-Decree No. 237/16, enacted with amendments as Law No. 15/2017, provides that in order to be able to retain the right to take advantage of the possibility of converting DTAs into tax credits, an irrevocable option must be specifically exercised, which involves payment of an annual instalment equal to 1.5% of the difference between the increase in advance tax assets at the reporting date since 30 June 2008 and the tax paid during the same period each year until 2029. Mediobanca has exercised this option in order to retain the possibility of converting DTAs for all companies adhering to the tax consolidation. No payment will be due in this respect, however, given that the payments made to the tax consolidation exceed the increase in DTAs recorded since 30 June 2008.

10.4 Changes in deferred tax during the period (against profit and loss)

	Total 30/06/22	Total 30/06/21
1. Opening balance	206,189	210,494
2. Increases:	101	—
2.1 Deferred tax liabilities of the year	101	—
a) relating to previous years	—	—
b) due to changes in accountable parameters	—	—
c) others	101	—
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
3. Decreases:	220	4,305
3.1 Deferred tax liabilities derecognised in the year	220	4,305
a) reversals of temporary differences	220	4,305
b) due to changes in accountable parameters	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases	—	—
4. Closing balance	206,070	206,189

10.5 Changes in advance tax during the period (against net equity)

	Total 30/06/22	Total 30/06/21
1. Opening balance	4,240	6,528
2. Increases:	53,090	16,695
2.1 Deferred tax liabilities of the year	53,090	16,695
a) relating to previous years	—	—
b) due to changes in accountable parameters	—	—
c) others	53,090	16,695
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
- of which business combinations	—	—
3. Decreases:	22,801	18,983
3.1 Deferred tax liabilities derecognised in the year	22,801	18,983
a) reversals of temporary differences	22,801	18,983
b) write-downs of non-temporary items	—	—
c) due to changes in accounting policies	—	—
d) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases	—	—
4. Closing balance	34,529	4,240

10.6 Changes in deferred tax during the period (against net equity)

	Total 30/06/22	Total 30/06/21
1. Opening balance	36,109	21,501
2. Increases:	113,113	117,583
2.1 Deferred tax liabilities of the year:	113,113	117,583
a) relating to previous years	—	—
b) due to changes in accountable parameters	—	—
c) others	113,113	117,583
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
3. Decreases:	127,941	102,975
3.1 Deferred tax liabilities derecognized in the year	127,941	102,975
a) reversals of temporary differences	127,941	102,975
b) due to changes in accountable parameters	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases	—	—
4. Closing balance	21,281	36,109

SECTION 12

Heading 120: Other assets

12.1 Other assets: composition

	30/06/22	30/06/21
1. Accrued income other than capitalized income from financial assets	3,335	2,723
2. Trade receivables or invoices to be issued	79,666	143,897
3. Credit Amounts due from tax revenue authorities (not recorded under Heading 100)	34,993	30,411
4. Other items	89,947	54,076
- transactions in futures and other security transactions	3,032	169
- other items in transit	48,397	42,337
- amounts due from staff	167	159
- improvements on third parties' assets	601	962
- tax consolidation	22,662	—
- group VAT	7,641	4,000
- sundry other items[1]	7,447	6,449
Total	207,941	231,107

[1] These include deferred liabilities of €7,013 (€6,054 at 30 June 2021).

Liabilities

SECTION 1

Heading 10: Financial liabilities recognized at amortized cost

1.1 Financial liabilities measured at amortized cost: composition of due to banks

Tipologia operazioni/Valori	Total 30/06/22				Total 30/06/21			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	8,442,206	X	X	X	7,486,142	X	X	X
2. Due to banks	26,728,923	X	X	X	25,287,425	X	X	X
2.1 Current accounts and demand deposits	19,519,901	X	X	X	20,127,683	X	X	X
2.2 Time deposits	1,818,795	X	X	X	1,336,724	X	X	X
2.3 Loans	5,281,156	X	X	X	3,791,000	X	X	X
2.3.1 Reverse repos	3,160,595	X	X	X	1,827,468	X	X	X
2.3.2 Other	2,120,561	X	X	X	1,963,532	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
2.5 Lease liabilities[1]	904	X	X	X	2,953	X	X	X
2.6 Other liabilities	108,167	X	X	X	29,065	X	X	X
Total	35,171,129	—	35,171,129	—	32,773,567	—	32,773,567	—

[1] This item includes obligations in respect of payment of future leasing instalments as required by IFRS 16 and Bank of Italy circular no. 262 – VI Update.

1.2 Financial liabilities measured at amortized cost: composition of due to customers

Operation Type/Values	Total 30/06/22				Total 30/06/21			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and on demand deposits	7,013,050	X	X	X	5,277,519	X	X	X
2. Term deposits	2,452,784	X	X	X	838,174	X	X	X
3. Loans	1,892,740	X	X	X	335,467	X	X	X
3.1 Reverse Repos	1,782,524	X	X	X	170,907	X	X	X
3.2 Other	110,216	X	X	X	164,560	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Lease liabilities[1]	28,122	X	X	X	24,011	X	X	X
6. Other liabilities	1,434	X	X	X	1,024	X	X	X
Total	11,388,130	—	11,388,130	—	6,476,195	—	6,476,195	—

[1] This item includes obligations in respect of payment of future leasing instalments as required by IFRS 16 and Bank of Italy Circular no. 262 – VI Update.

1.3 Financial liabilities measured at amortized cost: composition of debt securities in issue

Type of securities/Values	30/06/22				30/06/21			
	Book value	Fair Value*			Book value	Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	15,174,795	—	15,107,179	—	15,770,330	—	15,970,366	—
1.1 structured	2,453,598	—	2,490,286	—	2,681,691	—	2,798,198	—
1.2 others	12,721,197	—	12,616,893	—	13,088,639	—	13,172,168	—
2. other securities	59,252	—	—	59,252	45,445	—	—	45,445
2.1 structured	—	—	—	—	—	—	—	—
2.2 others	59,252	—	—	59,252	45,445	—	—	45,445
Total	15,234,047	—	15,107,179	59,252	15,815,775	—	15,970,366	45,445

(*) Fair value amounts are shown after deducting issuer risk, which at 30 June 2022 suggested a capital gain of €212.5m (up €89.2m).

Debt securities in issue decreased from €15.8bn to €15.2bn, on new issuance of €2.3bn, which offset redemptions and buybacks of €2.5bn (generating gains of €0.5m) and other downward adjustments (exchange rates, amortized cost and hedging effects) amounting to €383.2m.

The bonds in issue include €144m (240m as 30/6/2021) at related to arbitrage strategies leveraging on derivative basis indexes (skew) mainly linked to credit derivatives, and a minority to interest rates, inflation and equity risk. All these issues involve payment of interest in the form of a coupon (including a premium – extra yield) and full repayment of capital at maturity. In case of the subscriber opting for early repayment, the issuer has the faculty, at its discretion, to choose a repayment price that takes into account the current fair value including that of the underlying transactions. As required by par. 4.3.3 of IFRS 9 standard, the embedded derivative, identified by the right to include the arbitrage value within the repayment price, has been separated by the obligation valued at amortized cost and booked at the fair value of underlying transactions.

1.4 Breakdown of subordinated debt securities

The heading "Debt securities in issue" includes the following five subordinated Lower Tier 2 issues, for a total amount of €1,584,430:

Issue	30/06/22		
	ISIN	Nominal value	Book value
MB SUBORDINATO 5,75% 2023	IT0004917842	499,686	511,339
MB SUBORDINATO TV with 3% minimum rate 2025	IT0005127508	499,153	503,988
MB SUBORDINATO 3,75% 2026	IT0005188351	300,407	284,975
MB SUBORDINATO 1,957% 2029	XS1579416741	50,000	50,267
MB SUBORDINATO 2,3% 2030	XS2262077675	248,900	233,861
Total subordinated debt securities		1,598,146	1,584,430

Heading 20: Trading financial liabilities

2.1 Trading financial liabilities: composition

Operation type / Values	30/06/22					30/06/21				
	Nominal or notional value	Fair Value			Fair value *	Nominal or notional value	Fair Value			Fair value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	9,642	8,981	—	—	8,981	1,476,207	1,540,833	—	—	1,540,833
2. Due to customers	3,732,348	3,720,645	—	—	3,720,645	2,362,361	2,521,458	—	—	2,521,458
3. Debt securities	—	—	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other bonds	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total (A)	3,741,990	3,729,626	—	—	3,729,626	3,838,568	4,062,291	—	—	4,062,291
B. Derivative instruments										
1. Financial derivatives	—	875,249	4,187,661	703,976	—	—	904,555	3,600,629	1,182,213	—
1.1 Trading	X	875,249	4,187,561	703,491 (1)	X	X	904,555	3,596,527	1,181,119	X
1.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	100	485 (2)	X	X	—	4,102	1,094	X
2. Credits derivatives	—	—	529,990	—	—	—	—	592,692	—	—
2.1 Trading	X	—	529,990	—	X	X	—	592,692	—	X
2.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total (B)	X	875,249	4,717,651	703,976	X	X	904,555	4,193,321	1,182,213	X
Total (A+B)	X	4,604,875	4,717,651	703,976	X	X	4,966,846	4,193,321	1,182,213	X

* Fair value calculated excluding variations in value due to changes in the issuer's credit standing.

[1] Respectively €409,692 and €992,861 for options traded, matching the amount recorded among assets held for trading.

[2] Includes the market value of options (€0.09m as at 30/6/22 and 0,15m as at 30/6/21) covering others attached to bonds issued, matching the amount booked as financial assets held for trading.

SECTION 3

Heading 30: Financial liabilities designated at fair value

3.1 Financial liabilities designated at fair value: composition

Operation Type/Values	30/06/22					30/06/21				
	Notional value	Fair Value			Fair value *	Notional value	Fair Value			Fair value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	3,516	—	—	3,516	3,516	—	—	—	—	—
1.1 Structured	3,516	—	—	3,516	X	—	—	—	—	X
1.2 Others	—	—	—	—	X	—	—	—	—	X
of which:					—					
- loan commitments	—	X	X	X	X	X	X	X	X	X
- financial guarantees given	—	X	X	X	X	X	X	X	X	X
2. Due to customers	—	—	—	—	—	—	—	—	—	—
2.1 Structured	—	—	—	—	X	—	—	—	—	X
2.2 Others	—	—	—	—	X	—	—	—	—	X
of which:					—					
- loan commitments	—	X	X	X	X	X	X	X	X	X
- financial guarantees given	—	X	X	X	X	X	X	X	X	X
3. Debt securities	743,837	—	634,073	—	634,073	800,087	—	833,048	—	833,048
3.1 Structured	743,837	—	634,073	—	X	800,087	—	833,048	—	X
3.2 Others	—	—	—	—	X	—	—	—	—	X
Total	747,353	—	634,073	3,516	637,589	800,087	—	833,048	—	833,048

* Fair value calculated excluding variations in value due to changes in the issuer's credit standing.

The item contains a certificate (€505.5m) covered by specific financial assets recognized under financial assets at fair value - Item 20, and two guaranteed capital certificates (€95.5m), in addition to four structured issues of €33m and four structured loans with MB International covered by investments recognized under Financial assets.

SECTION 4

Heading 40: Hedging derivatives

4.1 Hedging derivatives: by hedge type and level

	Fair value 30/06/22			Nominal value 30 June 2022	Fair value 30/06/21			Nominal value 30 June 2022
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	1,385,981	—	39,309,656	—	154,184	—	19,565,070
1) Fair value	—	1,385,933	—	39,213,382	—	154,184	—	19,565,070
2) Cash flow hedges	—	48	—	96,274	—	—	—	—
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
Total	—	1,385,981	—	39,309,656	—	154,184	—	19,565,070

4.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction / Type of hedging	Fair Value							Cash flow		Foreign invest.
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	Equities and stock indexes	currencies and gold	credit	commodities	others				
1. Financial assets measured at fair value through other comprehensive income	—	—	—	—	X	X	X	—	X	X
2. Financial assets measured at amortised cost	102,755	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other operations	—	—	—	—	—	—	X	—	X	—
Total assets	102,755	—	—	—	—	—	—	—	—	—
1. Financial liabilities	1,283,178	X	—	—	—	—	X	—	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	1,283,178	—	—	—	—	—	—	—	—	—
1. Highly probable transactions	X	X	X	X	X	X	X	48	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	—	X	—	—

SECTION 6

Heading 60: Tax liabilities

Please see asset section 10.

SECTION 8

Heading 80: Other liabilities

8.1 Other liabilities: composition

	30/06/22	30/06/21
1. Payment agreements (IFRS 2)	—	—
2. Trade receivables or invoices to be issued	46,271	38,308
3. Accrued income other than capitalized income from financial assets	3,127	3,239
4. Amounts due to revenue authorities	16,186	26,282
5. Amounts due to staff	147,060	142,094
6. Other items:	65,527	149,232
- coupons and dividends pending collection	2,638	2,454
- available sums payable to third parties	13,073	32,798
- tax consolidation	8,522	61,165
- miscellaneous items	41,294	52,815
Total	278,171	359,155

SECTION 9

Heading 90: Staff severance indemnity provision

9.1 Staff severance indemnity provision: changes during the period

	Total 30/06/22	Total 30/06/21
A. Opening balance	7,386	7,679
B. Increases	797	417
B.1 Provision of the year	181	157
B.2 Other additions	616	260
C. Decreases	2,783	710
C.1 Severance payments	1,667	329
C.2 Other changes[1]	1,116	381
D. Closing balance	5,400	7,386
Total	5,400	7,386

[1] This consists in the transfer to the staff severance indemnity provision held at the INPS treasury.

9.2 Other information

The Staff Severance Indemnity calculated according to the rules laid down in the Italian Civil Code amounted to €5,408,000 (€6,629,000). No new accruals were recorded during the year under review (service cost).

The staff severance indemnity provision is a defined benefit scheme, and the actuarial model used to account for it relies on a series of assumptions, both demographic and economic in nature.

For some of the assumptions used, reference has been made directly to the Group's own experience (e.g. estimates of disability incidence, frequency of early retirement, annual increase in rate of remuneration, frequency with which advance withdrawals from the provision are requested, etc.), while for the others, account has been taken of the relevant best practice (e.g. the mortality rate has been determined using the IPS55 life tables, whereas the retirement age has been determined taking into account the most recent legislation in this area); for the discount rate, the iBoxx Eurozone Corporate AA index as at 30 June 2022 has been used for similar companies to those being valued (equal to 2.74%), while the inflation rate became 2.4%.

SECTION 10

Heading 100: Provisions for risks and charges

10.1 Provisions: composition

Item/Values	30/06/22	30/06/21
1. Provisions for credit risk related to commitments and Financial guarantees issued	46,692	60,243
2. Provision to retirement payments and similar	—	—
3. Funds of business retirement	—	—
4. Other provisions	67,857	68,877
4.1 legal and fiscal controversies	—	—
4.2 obligations for employees	904	715
4.3 Others	66,953	68,162
Total	114,549	129,120

IAS37 requires provisions to be set aside in cases where there is an obligation, whether actual, legal or implicit, the amount of which may be reliably determined and the resolution of which is likely to entail a cash outflow for the company. The amount of the provision is determined from the management's best estimate, based on experience of similar operations or the opinion of independent experts. The provisions are revised on a regular basis in order to reflect the best current estimate.

At June 30, the item "Provisions for risks and charges" fell from €129.1m to €114.5m due to lower commitments and guarantees issued (down 22.4%, from €60.2m to €46.7m). The item includes also €0.9m of personnel-related costs and €67m related to legal and fiscal disputes and other contingent liabilities.

Among the main legal proceedings pending to date, the lawsuit involving Mediobanca S.p.A. should be mentioned. It concerns a claim for damages by Lucchini S.p.A. in A.S. ("Lucchini") against twelve banks (including Mediobanca) on the assumption that they had contributed to the economic and financial failure of the company due to having drawn up and executed an industrial and financial plan for the company based on allegedly unrealistic forecast data and a restructuring agreement pursuant to Article 182-*bis* of the Italian bankruptcy law that presented excessively favourable guarantees to the banks, thereby entailing a delay in submitting Lucchini to the extraordinary administration procedure. In a ruling issued on 21 July 2020, the Court of Milan rejected Lucchini's claim, ordering the company to pay legal expenses. Lucchini has challenged this ruling, giving notice of its appeal on 28 September 2020. The Court of Appeal has heard the case for decision and we are waiting for it to issue its decision.

Regarding the legal action brought by Fondazione Monte dei Paschi di Siena ("FMPS", Monte dei Paschi di Siena Foundation) against former directors of FMPS and Mediobanca, jointly and severally with thirteen other banks for a total of €286m for non-contractual liabilities by way of association for damage allegedly caused in the conclusion of a Term Facility Agreement on 4 June 2011 and the resulting violation of the Articles of association (threshold of 20% in debt-to-equity ratio) of FMPS, it should be noted that on 20 December last, FMPS and the bank syndicate signed a settlement agreement according to which the relevant share for an amount significantly lower than the claim was paid out in the month of January.

With regard to disputes pending with the Italian Tax Authorities, the following significant changes should be noted:

- with reference to the alleged failure to apply transparency tax rules as required by the legislation on Controlled Foreign Companies (CFC) on income earned by CMB Monaco and Compagnie Monégasque de Gestion in financial years 2013, 2014 and 2015 (for a total income of €124.4m and disputed taxes of €53.7m, plus penalties and interest), three disputes were pending against the tax authorities, at different levels of judgment. In detail, in the dispute relating to financial year 2013/2014 (2013 profits, taxes of €21.3m, plus interest and penalties), on 14 February last the Lombardy Regional Tax Commission, confirming the judgment in the first instance, dismissed the appeal lodged by the Italian Revenue Agency; the terms for the judgment in the Court of Cassation are pending. In the joint disputes relating to financial years 2014/2015 and 2015/2016 (respectively, 2014 and 2015 profits, taxes of €16.1m and €16.4m, plus interest and penalties), the Bank won the case in the first instance; the Italian Revenue Agency lodged an appeal with the Lombardy Regional Tax Commission against this ruling on 15 June last;
- with reference to Mediobanca's alleged failure to withhold taxes from interest expense paid as part of a secured financing transaction in the years 2014 and 2015 (taxes, respectively, of €2.3m and €1.9m, plus interest and penalties), the Milan Provincial Tax Commission dismissed both appeals lodged by the Bank; the two rulings will be challenged before the Lombardy Regional Tax Commission.

In addition to the foregoing, with regard to the pending disputes at 30 June 2022, the following should be noted:

- A dispute relating to the former Banca Esperia's failure to report a money transfer outside of Italy as part of the tax monitoring communications, for which fines of €5.9m were handed down. The company was found guilty at both the first- and second-degree hearings, and has paid the disputed amount. The hearing before the Court of Cassation was set for September next;
- A second dispute relating to the alleged omitted payment for a higher tax of €375,000 relating to a loan taken out abroad. The Bank won the case in appeal and the Administration brought the case before the Court of Cassation. The date of the hearing is currently pending.

With regard to Transfer Pricing, the profit allocation policies adopted for transactions with branches were audited during on-site inspections by the local tax authorities. Their latest assessment ended during the year under review without penalties being imposed.

The provisions for risks and charges set aside in the financial statements adequately cover the amount mentioned above.

10.2 Provisions for risks and charges: changes during the period

	Provision to retirement payments and similar	Retirement plans	Other risk and obligation funds	Total
A. Opening balances	—	—	68,877	68,877
B. Increases	—	—	5,907	5,907
B.1 Provision for the year	—	—	5,907	5,907
B.2 Changes due to the passage of time	—	—	—	—
B.3 Variations due to the modified discount rate	—	—	—	—
B.4 Other increases	—	—	—	—
- of which business aggregation operations	—	—	—	—
C. Decreases	—	—	6,927	6,927
C.1 Use during the year	—	—	6,927	6,927
C.2 Variations due to modifies of discount rate	—	—	—	—
C.3 Other decreases	—	—	—	—
- of which business aggregation operations	—	—	—	—
D. Closing balance	—	—	67,857	67,857

10.3 Provisions for credit risk related to commitments and Financial guarantees issued

	Provisions for credit risk related to commitments and Financial guarantees issued				
	First stage	Second stage	Third stage	Impaired assets acquired or created	Total
1. Loan commitments	9,631	2,528	—	—	12,159
2. Financial guarantees issued	18,313	16,220	—	—	34,533
Total	27,944	18,748	—	—	46,692

SECTION 12

Heading 110, 130, 140, 150, 160, 170 and 180: Net equity

12.1 "Capital" and "treasury shares": composition

For the composition of the Group's capital, please see part F of the notes to the accounts.

12.2 Capital – Number of shares: annual changes

Item/Type	Ordinary
A. Shares in issue at the start of the period	887,280,013
- fully paid up	887,280,013
- partially paid up	—
A.1 Treasury shares (-)	(24,910,107)
A.2 Shares in issue: opening amount	862,369,906
B. Increases	2,386,798
B.1 New issues	—
- for consideration	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- others	—
- free of charge:	—
- to employees	—
- to directors	—
- others	—
B.2 Disposals of treasury shares	2,386,798
B.3 Other additions	—
C. Decreases	(25,871,097)
C.1 Performance shares cancelled	—
C.2 Purchases of treasury shares	(25,871,097)
C.3 Disposals of businesses	—
C.4 Other variations	—
D. Shares in issue: closing amount	838,885,607
D.1 Treasury shares (+)	(25,812,945)
D.2 Shares held at the end of the period	864,698,552
- fully paid up	864,698,552
- partially paid up	—

It should be noted that, during the year, 22,581,461 treasury shares were cancelled and a new buyback plan of up to 3% was launched. It ended last June with a total repurchase of 25,871,097 shares for a value of €241.4m. At 30 June, treasury shares thus amounted to 25,812,945. On 2 September last, 16,500,000 treasury shares were cancelled, keeping those needed to cover the performance share plans.

The changes in the Reserve for treasury shares during the year were as follows:

Item/Values	No. Shares	Value (€'000)
Reserve for treasury shares: opening amount at 30 June 2021	24,910,107	216,736
Increases	25,871,097	241,431
-Newly issued shares	—	—
-Purchases of treasury shares	25,871,097	241,431
- Other adjustments	—	—
Decreases	24,968,259	217,360
-Cancellations	22,581,461	196,476
-Disposals of treasury shares	2,386,798	20,884
- Other adjustments	—	—
Reserve for treasury shares: closing amount at 30 June 2022	25,812,945	240,807

12.4 Net equity: availability and permitted distribution of reserves (Article 2427 of the Italian Civil Code, paragraph 7-bis)

	Amount	Permitted use	Available portion	Summary of uses in the three previous financial years	
				To cover losses	other
Share capital	443,640	—	—	—	—
Share premium reserve	2,195,606	A – B – C	2,195,606	—	—
Reserves	88,728	B	88,728	—	—
- Legal reserve	836,680	A – B – C	836,680	—	109,563
- Statutory reserve	240,807	—	—	—	—
- Treasury shares reserve	866,586	A – B – C	866,586	—	—
Valuation reserves					
- FVOCI revaluation reserve	110,101	—	—	—	—
- Financial liabilities measured at FV through profit or loss	750	—	—	—	—
- Extraordinary revaluation laws	9,632	A – B – C	9,632	—	—
Staff severance indemnity	(2,532)	—	—	—	—
- Hedging of cash flows	463	—	—	—	—
- Treasury shares	(240,807)	—	—	—	—
Total	4,549,654	—	3,997,232	—	109,563
Non-distributable portion	—	—	88,728	—	—
Residual distributable portion	—	—	3,908,504	—	—

Legend:
A: to increase capital
B: to cover losses
C: to be distributed to shareholders

Other information

1. Commitments and financial guarantees issued (other than those designated at fair value)

	Nominal value of commitments and financial guarantees issued				Total 30/6/2022	Total 30/6/2021
	First stage	Second stage	Third stage	Purchased or originated credit impaired		
1. Loan commitments	11,954,329	176,876	1,131	—	12,132,336	11,515,807
a) Central Banks	—	—	—	—	—	—
b) Public Administration	2,724,891	—	—	—	2,724,891	3,191,103
c) Banks	217,875	—	—	—	217,875	130,006
d) Other financial companies	1,869,891	77,126	—	—	1,947,017	1,706,254
e) Non-financial companies	6,766,121	99,750	—	—	6,865,871	6,129,727
f) Households	375,551	—	1,131	—	376,682	358,717
2. Financial guarantees issued	7,218,133	251,736	4,557	—	7,474,426	7,595,154
a) Central Banks	—	—	—	—	—	—
b) Public Administration	28,882	—	—	—	28,882	25,244
c) Banks	2,416,036	—	—	—	2,416,036	2,694,696
d) Other financial companies	1,125,964	—	—	—	1,125,964	1,446,890
e) Non-financial companies	3,626,887	251,736	4,557	—	3,883,180	3,411,007
f) Households	20,364	—	—	—	20,364	17,317

2. Other commitments and guarantees issued

	Nominal value	
	Total 30/06/22	Total 30/06/21
1. Other guarantees issued	163,773	156,081
of which: non-performing	*300*	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	2,105	23,018
d) Other financial companies	61,228	72,766
e) Non financial companies	34,659	9,341
f) Households	65,781	50,956
2. Other commitments	—	—
of which: non-performing	—	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	—
e) Non-financial companies	—	—
f) Households	—	—

E-MARKET SDIR CERTIFIED

3. Assets established as collateral to secure own liabilities and commitments

Portfolios	Amount 30/06/22	Amount 30/06/21
1. Financial assets measured at fair value profit or loss	4,194,222	3,924,262
2. Financial assets measured at fair value through other comprehensive income	2,794,870	2,319,440
3. Financial assets measured at amortised cost	9,761,293	7,041,054
4. Tangible assets	—	—
of which: tangible assets that constitute surplus	—	—
5. Equity investments	210,435	167,348

4. Assets managed on behalf of third parties

Type of service	Amount 30/06/22	Amount 30/06/21
1. Orders execution on behalf of customers		
a) purchases	39,869,719	34,323,664
1. settled	38,948,514	34,057,180
2. non settled	921,205	266,484
b) sales	30,693,114	27,727,426
1. settled	29,771,909	27,460,942
2. non settled	921,205	266,484
2. Individual portfolios management[1]	9,327,809	5,157,992
3. Custody and administration of securities		
a) Third-party securities on deposits: relating to depositary banks activities (excluding portfolio management)	8,894,618	11,767,434
1. securities issued by the bank that prepares the financial statements	613	146,146
2. other bonds	8,894,005	11,621,288
b) Third-party securities held in deposits (excluding portfolio management): other	7,383,607	4,714,609
1. securities issued by the bank that prepares the financial statements	—	—
2. other bonds	7,383,607	4,714,609
c) Third-party securities deposited with third parties	5,875,833	13,424,021
d) Own securities deposited with third parties	7,327,446	14,127,696
4. Other operations	—	—

[1] Entirely attributable to the Private Banking division.

5. Financial assets subject to netting arrangements or master netting or similar agreements

Instrument type	Gross amount of financial assets (a)	Amount of financial liabilities offset in balance sheet (b)[1]	Net amount of financial assets stated (c=a-b)	Related amounts not offset		Net amounts (f=c-d-e) 30/06/22	Net amounts 30/06/21
				Financial instruments (d)	Cash deposits received as guarantee (e)		
1. Derivatives	3,356,036	1,245,133	2,110,903	1,671,553	119,665	319,685	428,023
2. Reverse Repos	2,628,037	—	2,628,037	2,628,037	—	—	—
3. Stocks loan	—	—	—	—	—	—	—
4. Other minor interests	—	—	—	—	—	—	—
Total 30/06/22	5,984,073	1,245,133	4,738,940	4,299,590	119,665	319,685	X
Total 30/06/21	6,972,326	359,810	6,612,516	5,888,568	295,925	X	428,023

[1] Relating to transactions in derivative financial instruments with a central counterparty with which there is a master netting agreement in place with daily income computation.

6. Financial liabilities subject to netting arrangements or master netting or similar agreements

Instrument type	Gross amount of financial liabilities (a)	Amount of financial assets offset (b)	Net amount of financial liabilities stated (c=a-b)	Related amounts not offset		Net amount (f=c-d-e) 30/06/22	Net amount (f=c-d-e) 30/06/21
				Financial instruments (d)	Cash deposits established as guarantee (e)		
1. Derivatives	3,239,380	—	3,239,380	1,671,553	404,687	1,163,140	148,942
2. Reverse repos	4,943,390	—	4,943,390	4,943,390	—	—	—
3. Stocks loan	—	—	—	—	—	—	—
4. Other	—	—	—	—	—	—	—
Total 30/6/2022	8,182,770	—	8,182,770	6,614,943	404,687	1,163,140	X
Total 30/6/2021	5,041,510	—	5,041,510	4,470,289	422,279	X	148,942

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7. Securities lending transactions[1]

Type of securities lending transaction	Type of security		
	Government securities	Bank securities	Other securities
1. Cash-collateralized securities lending received from:	49,987	46,407	192,889
a) Banks	—	31,758	178,408
b) Financial institutions	49,987	14,649	14,481
c) Customers	—	—	—
2. Cash-collateralized securities lending provided to:	—	(270,328)	(583,305)
a) Banks	—	(270,328)	(583,305)
b) Financial institutions	—	—	—
c) Customers	—	—	—
Total securities lending (book value)	49,987	(223,921)	(390,416)

Type of securities lending transaction	Type of security		
	Government securities	Bank securities	Other securities
1. Security-collateralized or non-collateralized securities lending received from:	1,848,511	2,858,611	124,303
a) Banks	84,350	2,858,611	124,157
b) Financial institutions	1,764,161	—	—
c) Customers	—	—	146
2. Security-collateralized or non-collateralized securities lending provided to:	(2,445,690)	(658,691)	(321,764)
a) Banks	(1,744,625)	(162,857)	(116,158)
b) Financial institutions	(701,065)	(495,834)	(205,606)
c) Customers	—	—	—
Total securities lending (book value)	(597,179)	2,199,920	(197,461)

1 NThe tables below illustrate the Institute's operations in securities lending (and borrowing), broken down by type of instrument (sovereign debt, bank bonds and others), market counterparty (banks, financial intermediaries and clients) and form (loan secured by cash, other instruments, or unsecured).
Securities lending transactions for which collateral is put up in the form of cash fully available to the borrower are represented in the balance sheet as amounts due to or from banks or customers under the heading "repos". Securities lending transactions for which collateral is put up in the form of other instruments, or which are unsecured, are represented as "off-balance-sheet exposures".

Part C - Notes to the profit and loss account

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other operations	FY 2021/22	FY 2020/21
1. Financial assets measured at fair value through profit or loss	37,023	21,705	—	58,728	51,188
1.1 Financial assets held for trading	36,258	1,156	—	37,414	28,814
1.2 Financial assets designated at fair value	616	20,492	—	21,108	21,838
1.3 Other financial assets mandatorily measured at fair value	149	57	—	206	536
2. Financial assets measured at fair value through other comprehensive income	58,295	—	X	58,295	33,677
3. Financial assets measured at amortized cost:	69,549	306,838	—	376,387	418,110
3.1 Due from banks	12,578	179,379	X	191,957	201,783
3.2 Due from customers	56,971	127,459	X	184,430	216,327
4. Hedging derivatives[1]	X	X	116,784	116,784	101,982
5. Other assets	X	X	356	356	92
6. Financial liabilities[2]	X	X	X	40,542	59,868
Total	164,867	328,543	117,140	651,092	664,917
of which: interest income on impaired assets	*—*	*2,686*	*—*	*2,686*	*19,087*
of which: interest income from finance lease	*X*	*26*	*X*	*26*	*37*

[1] Mostly hedges of funding.

[2] Item 6 “Financial liabilities” includes interest expense accrued as an effect of negative rates, of which €33.8m relating to T-LTRO.

1.2 Interest and similar income: other information

As at 30 June 2022, the balance of the account includes €78.5m in connection with financial assets in foreign currencies.

1.3 Interest expenses and similar charges: breakdown

Items/Technical forms	Debts	Securities	Other operations	FY 2021/22	FY 2020/21
1. Financial liabilities measured at amortized cost	(231,696)	(267,928)	—	(499,624)	(527,991)
1.1 Due to central banks	(112)	X	X	(112)	(37)
1.2 Due to banks	(222,774)	X	X	(222,774)	(216,325)
1.3 Due to customers	(8,810)	X	X	(8,810)	(19,597)
1.4 Securities in issue	X	(267,928)	X	(267,928)	(292,032)
2. Financial liabilities held for trading	—	—	—	—	—
3. Heading 30: Financial liabilities designated at fair value	—	(20,411)	—	(20,411)	(22,356)
4. Other liabilities and funds	X	X	—	—	—
5. Hedging derivatives	X	X	—	—	—
6. Financial assets[1]	X	X	X	(23,171)	(13,837)
Total	(231,696)	(288,339)	—	(543,206)	(564,184)
of which: interest expenses related to lease liabilities	*(247)*	*X*	*X*	*(247)*	*(282)*

[1] Item no. "6. Financial liabilities" includes interest expense accrued as the result of the negative interest rates.

1.4 Interest expense and similar charges: composition

As at 30 June 2022, the balance of the account includes €65.5m in connection with financial liabilities in foreign currencies.

1.5 Margins on hedging transactions

Items	FY 2021/22	FY 2020/21
A. Positive margins on hedging transactions	365,333	269,209
B. Negative margins on hedging transactions	(248,549)	(167,227)
C. Net balance (A-B)	116,784	101,982

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Heading 40 and 50: Net fee and commission income

2.1 Fee and commission income: breakdown*

Type of expense/Values	FY 2021/22	FY 2020/21
a) Financial instruments	139,338	134,002
1. Placement of securities	79,327	83,902
1.1 Underwriting commitment and/or based on an irrevocable commitment	—	—
1.2 Without an irrevocable commitment	79,327	83,902
2. Receipt and sending of orders and execution of orders on behalf of clients	68	149
2.1 Receipt and sending of orders for one or more financial instruments	68	149
2.2 Execution of orders on behalf of clients	—	—
3. Other commissions associated with activities linked to financial instruments	59,943	49,951
Of which: trading on own account	19,163	19,402
Of which: management of individual portfolio	40,780	30,549
b) Corporate Finance	100,490	78,177
1. Advice on mergers and acquisitions	100,490	78,177
2. Treasury services	—	—
3. Other fees associated with corporate finance services	—	—
c) Advice on investments	4,621	4,996
d) Netting and settlement	—	—
e) Custody and administration	14,212	13,293
1. Depository bank	7,458	7,458
2. Other fees associated with custody and administration	6,754	5,835
f) Central administrative services for collective portfolio management	—	—
g) Fiduciary activities	—	—
h) Payment services	642	526
1. Current accounts	631	502
2. Credit cards	—	—
3. Debits cards and other payment cards	—	—
4. Wire transfers and payment orders	11	9
5. Other fees linked to payment services	—	15
i) Distribution of third parties services	15,268	12,516
1. Collective portfolio management	5,337	2,958
2. Insurance products	7,100	6,731
3. Other products	2,831	2,827
Of which: individual portfolio management	2,831	2,827
j) Structured finance	—	—
k) Securitization servicing	—	—
l) Loan commitments	67,467	59,309
m) Financial guarantees issued	9,316	8,820
of which: credit derivatives	—	—
n) Financing transactions	—	—
of which: factoring services	—	—
o) Currency negotiation	—	—
Commodities	—	—
q) Other fee and commission income	10,445	12,956
Of which: for the management of multilateral trading facilities	—	—
Of which: for the management of organized trading systems	—	—
Total	361,799	324,595

* The figures at 30 June 2021 were restated to take into account the amendments brough by the seventh update to Circular No. 262/2005.

2.2 Fee and commission income: product and service distribution channels

Channel / Amount	FY 2021/22	FY 2020/21
a) at own branches:	135,375	126,967
1. portfolio management	40,780	30,549
2. placement of securities	79,327	83,902
3. services and products of third parties	15,268	12,516
b) off-site supply:	—	—
1. portfolio management	—	—
2. placement of securities	—	—
3. services and products of third parties	—	—
c) other distribution channels:	—	—
1. portfolio management	—	—
2. placement of securities	—	—
3. services and products of third parties	—	—

*2.3 Fee and commission expenses: breakdown**

Services/Amounts	FY 2021/22	FY 2020/21
a) Financial instruments	(24,494)	(15,082)
Of which: securities trading	(5,646)	(5,280)
Of which: financial instruments placement	(6,650)	(1,795)
Of which: individual portfolio management	(12,198)	(8,007)
- Own assets	(12,198)	(8,007)
- under mandate to third parties	—	—
b) Netting and settlement	—	—
c) Custody and administration	(2,108)	(1,904)
d) Collection and payment services	(9,083)	(5,703)
Of which: credit cards, debit cards and other payment cards	—	—
e) securitization servicing	—	—
f) Borrowing commitments	—	—
g) Financial guarantees received	—	—
Of which: credit derivatives	—	—
h) Off-site distribution of financial instruments, products and services	—	—
i) Currency negotiation	—	—
j) Other fee and commission expense	(36,532)	(17,825)
Total	(72,217)	(40,514)

* The figures at 30 June 2021 were restated to take into account the amendments brough by the seventh update to Circular No. 262/2005.

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: breakdown

Item / Income	FY 2021/22		FY 2020/21	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	84,439	3	67,841	244
B. Other financial assets mandatorily measured at fair value	—	26,030	—	19,487
C. Financial assets measured at fair value through other comprehensive income	14,241	—	16,857	—
D. Equity investments[1]	487,992	—	416,428	—
Total	586,672	26,033	501,126	19,731

[1] These are dividends received by the subsidiaries Compass Banca, Messier & Associés Sas and by Assicurazioni Generali S.p.A, Finanziaria Gruppo Bisazza S.r.l. and CLI Holdings II Limited (Compass Banca, Messier & Associés Sas and by Assicurazioni Generali S.p.A. in 2020/2021).

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: breakdown

Transactions/ Income	Capital gains (A)	Trading income (B)	Capital losses (C)	Trading loss (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	234,971	519,515	(609,462)	(465,982)	(320,958)
1.1 Debt securities	120,623	134,552	(325,917)	(94,052)	(164,794)
1.2 Equity securities	114,348	382,404	(283,078)	(370,430)	(156,756)
1.3 UCITs	—	2,559	(156)	(1,500)	903
1.4 Loans	—	—	(311)	—	(311)
1.5 Others	—	—	—	—	—
2. Financial liabilities held for trading	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Deposits	—	—	—	—	—
2.3 Other	—	—	—	—	—
3. Financial assets and liabilities: exchange rates differences[1]	X	X	X	X	(53,449)
4. Derivatives instruments	4,573,957	2,120,783	(4,275,940)	(2,126,131)	293,954
4.1 Financial derivatives	3,870,160	1,606,894	(3,597,200)	(1,629,128)	252,011
- on debt securities and interest rates[2]	1,946,675	666,882	(1,936,703)	(636,125)	40,729
- on equity securities and shares indexes	1,891,686	940,012	(1,638,116)	(992,433)	201,149
- on currencies and gold	X	X	X	X	1,285
- others	31,799	—	(22,381)	(570)	8,848
4.2 Credit derivatives	703,797	513,889	(678,740)	(497,003)	41,943
of which: natural hedges related to the fair value option	*X*	*X*	*X*	*X*	—
Total	4,808,928	2,640,298	(4,885,402)	(2,592,113)	(80,453)

[1] This item contains the negative valuations of the banking book at current exchange rates for €74,158 (positive for €25,887 at 30 June 2021).

[2] Of which, gains of €2,145 on interest rate derivatives (gains of €17,654 at 30 June 2021).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): breakdown

Income elements/Amounts	FY 2021/22	FY 2020/21
A. Income from:		
A.1 Fair value hedging instruments	478,228	126,067
A.2 Hedged asset items (fair value)	119,020	71,724
A.3 Hedged liability items (fair value)	1,567,137	185,124
A.4 Cash-flows hedging derivatives	—	—
A.5 Assets and liabilities denominated in currency	—	2,102
Total gains on hedging activities (A)	2,164,385	385,017
B. Losses on:		
B.1 Fair value hedging instruments	(1,858,644)	(273,669)
B.2 Hedged asset items (fair value)	(247,400)	(83,012)
B.3 Hedged liability items (fair value)	(48,449)	(26,807)
B.4 Cash-flows hedging derivatives	—	—
B.5 Assets and liabilities denominated in currency	(10,606)	—
Total losses on hedging activities (B)	(2,165,099)	(383,488)
C. Net profit from hedging activities (A-B)	(714)	1,529
of which: result of hedges on net exposures	—	—

SECTION 6

Heading 100: Gain (loss) on disposals/repurchases

6.1 Gain (loss) on disposal/repurchase: breakdown

Items / Income	FY 2021/22			FY 2020/21		
	Profits	Losses	Net profit	Profits	Losses	Net profit
A. A.1 Financial assets						
1. Financial assets measured at amortised cost	28,957	(229)	28,728	5,122	(6,393)	(1,271)
1.1 Due from banks	9,485	—	9,485	—	(5,155)	(5,155)
1.2 Due from customers	19,472	(229)	19,243	5,122	(1,238)	3,884
2. Financial assets measured at fair value through other comprehensive income	69,198	(198)	69,000	44,438	(20,387)	24,051
2.1 Debt securities	69,198	(198)	69,000	44,438	(20,387)	24,051
2.2 Loans	—	—	—	—	—	—
Total Assets (A)	98,155	(427)	97,728	49,560	(26,780)	22,780
B. Financial liabilities measured at amortized cost						
1. Due to banks	—	—	—	139	—	139
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	848	(1,870)	(1,022)	1,012	(2,444)	(1,432)
Total liabilities (B)	848	(1,870)	(1,022)	1,151	(2,444)	(1,293)

Gains from financial assets measured at fair value through other comprehensive income and those measured at amortized cost include the valuation of €49.2m and €24.9m, respectively, at current exchange rates (losses of €20.1m and €5.8m, respectively, in the previous financial year).

SECTION 7

Heading 110: Net result of other financial assets and liabilities measured at fair value through profit or loss

7.1 Net variation in the value of other financial assets and liabilities measured at fair value through profit or loss: composition of financial assets and liabilities designated at fair value

Transactions/ Income	Capital gains (A)	Proceeds from disposal (B)	Capital losses (C)	Minus from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	—	—	(113,336)	(688)	(114,024)
1.1 Debt securities	—	—	—	(688)	(688)
1.2 Loans	—	—	(113,336)	—	(113,336)
2. Financial liabilities	125,447	2,952	(460)	(781)	127,158
2.1 Debt securities in issue	125,436	2,952	(459)	(781)	127,148
2.2 Due to banks	11	—	(1)	—	10
2.3 Due to customers	—	—	—	—	—
3. Foreign-currency denominated financial assets and liabilities: exchange rate differences	X	X	X	X	—
Total	125,447	2,952	(113,796)	(1,469)	13,134

7.2 Net variation in the value of other financial assets and liabilities measured at fair value through profit or loss: composition of other financial assets mandatorily measured at fair value

Transactions/ Income	Capital gains (A)	Proceeds from disposal (B)	Capital losses (C)	Minus from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	7,313	50	(44,232)	(31)	(36,900)
1.1 Debt securities	—	—	(1,077)	—	(1,077)
1.2 Equity securities	—	—	(26)	—	(26)
1.3 UCITs	7,272	50	(43,031)	(31)	(35,740)
1.4 Loans	41	—	(98)	—	(57)
2. Foreign-currency denominated financial assets and liabilities: exchange rate differences	X	X	X	X	1,903
Total	7,313	50	(44,232)	(31)	(34,997)

SECTION 8

Heading 130: Net write-offs (writebacks) for credit risk

8.1 Net write-offs for credit risk related to financial assets measured at amortized cost: breakdown

Transactions/ Income	Write-downs[1]						Writebacks[2]				FY 2021/22	FY 2020/21
	First stage	Second stage	Third stage		Purchased or originated credit impaired assets		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		
			Write-off	Other minor interests	Write-off	Other minor interests						
A. Due from banks	(5,504)	—	—	—	—	—	8,247	—	—	—	2,743	(6,525)
- Loans	(5,043)	—	—	—	—	—	7,477	—	—	—	2,434	(6,375)
- Debt receivables	(461)	—	—	—	—	—	770	—	—	—	309	(150)
B. Due from customers	(17,023)	(7,673)	—	(19,390)	—	—	40,103	5,232	40,800	—	42,049	38,008
- Loans	(14,149)	(6,917)	—	(19,390)	—	—	37,606	5,232	40,800	—	43,182	38,557
- Debt receivables	(2,874)	(756)	—	—	—	—	2,497	—	—	—	(1,133)	(549)
Total	(22,527)	(7,673)	—	(19,390)	—	—	48,350	5,232	40,800	—	44,792	31,483

8.1a Net write-offs for credit risk related to financial assets measured at amortized cost for which Covid-19 related concessions have been granted: breakdown

Transactions/ Income	**Net loss provisions**						**FY 2021/22**	**FY 2020/21**
	First stage	**Second stage**	**Third stage**		**Purchased or originated credit impaired assets**			
			Write-off	**Other minor interests**	**Write-off**	**Other minor interests**		
1. Loans and advances subject to EBA-compliant moratoria (legislative and non legislative)*	—	—	—	—	—	—	—	—
2. Loans in place subject to moratoria no longer compliant with GL and not eligible for forbearance purposes**	—	—	—	—	—	—	—	—
3. Other loans and advances subject to other forbearance measures	—	245	—	—	—	—	245	136
4. New loans	432	—	—	—	—	—	432	(976)
Total 30/06/2022	432	245	—	—	—	—	677	X
Total 30/06/2021	(976)	136	—	—	—	—	X	(840)

* The row headed "EBA - compliant moratoria loans" shows information on financial assets for which moratoria have been granted under the scope of application of the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis" published by the EBA (EBA/GL/2020/02) as amended.

** The row "Loans in place subject to moratoria no longer compliant with GL and not eligible for forbearance purposes" reports information relating to financial assets subject to moratoria, in place at the reporting date, assessed as compliant with EBA/GL/2020/02 at the date of granting the moratoria but no longer compliant at the reporting date, and were not classified by the bank as "exposures subject to concession" following the assessment made upon the occurrence of the event that caused non-compliance with EBA/GL/2020/02.

8.2 Net write-offs for credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/ Income	Write-downs[1]			Writebacks[2]			Total				Total	
	First stage	Second stage	Third stage	First stage	Impaired acquisite o originate	Altre	First stage	Second stage	Third stage	Purchased or originated credit impaired assets	FY 2021/22	FY 2020/21
			Write-off	Altre	Write-off	Altre						
A. Debt securities	—	(3,347)	—	—	—	—	1,042	—	—	—	(2,305)	(6,147)
B. Loans	—	—	—	—	—	—	—	—	—	—	—	—
- to customers	—	—	—	—	—	—	—	—	—	—	—	—
- to banks	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	(3, 347)	—	—	—	—	1, 042	—	—	—	(2,305)	(6,147)

SECTION 10

Heading 160: Administrative expenses

10.1 Personnel cost: breakdown

Type of expense/Sectors	FY 2021/22	FY 2020/21
1) Employees:	(254,496)	(241,903)
a) wages and salaries	(190,088)	(176,008)
b) social security contributions	(38,135)	(36,589)
c) severance pay (only for Italian legal entities)	(181)	(157)
d) social security costs	—	—
e) allocation to employees severance pay provision	(6,202)	(6,012)
f) provision for retirement and similar provisions:	—	—
- defined contribution	—	—
- defined benefits	—	—
g) payments to external pension funds:	(6,679)	(6,627)
- defined contribution	(6,679)	(6,627)
- defined benefits	—	—
h) expenses resulting from share based payments	(9,821)	(12,839)
i) other employees' benefits	(3,390)	(3,671)
2) Other staff	(4,393)	(4,165)
3) Directors and Statutory Auditors	(4,034)	(3,440)
4) Early retirement costs	(2,379)	(1,672)
5) Recoveries of expenses for employees seconded to other companies	1,357	1,351
6) Reimbursements of expenses for third-party employees seconded to the company	—	—
Total	(263,945)	(249,829)

10.2 Average number of employees by category

	FY 2021/22	FY 2020/21
Employees:		
a) Senior executives	274	262
b) Executives	617	592
c) Other employees	137	148
Other staff	107	96
Total	1,135	1,098

10.5 Other administrative expenses: breakdown

Type of expense/Values	FY 2021/22	FY 2020/21
OTHER ADMINISTRATIVE EXPENSES		
- legal, tax and professional services	(29.849)	(30.873)
- loan recovery activity	—	—
- marketing and communications	(4.126)	(3.069)
- property	(4.794)	(4.011)
- EDP	(80.334)	(71.884)
- info-provider	(24.379)	(21.553)
- bank charges, collection and payment fees	(1.363)	(1.217)
- operating expenses	(4.930)	(6.061)
- other staff expenses	(3.919)	(1.259)
- other costs[1]	(58.121)	(59.952)
- indirect and other taxes	(26.433)	(23.867)
Total other administrative expenses	(238.248)	(223.746)

[1] The item includes contributions to the various resolution funds: €42.2m (€45.3m for the year ended 30/6/21).

SECTION 11

Heading 170: Net transfers to provisions for risks and charges

11.1 Net transfers for credit risk related to commitments to disburse funds and financial guarantees given: breakdown

	FY 2021/22			FY 2020/21
	Provisions	Reallocation of surplus	Total	Total
Loan commitments	(4,720)	8,465	3,745	(8,049)
Financial guarantees given	(25,528)	30,865	5,337	(10,891)
Total	(30,248)	39,330	9,082	(18,940)

11.3 Net transfers to other provisions for risks and charges: breakdown

	FY 2021/22			FY 2020/21
	Provisions	Reallocation of surplus	Total	
1. Other funds				
1.1 Legal disputes	—	—	—	—
1.2 Staff costs	(407)	—	(407)	(150)
1.3 Other	(5,500)	5,500	—	(200)
Total	(5,907)	5,500	(407)	(350)

SECTION 12

Heading 180: Net adjustments to tangible assets

12.1 Net adjustments to/writebacks of tangible assets: breakdown

Asset/Income	Depreciation (a)	Impairment losses (b)	Writebacks (c)	Net profit (a + b - c)
A. Property, equipment and in-vestment property				
1. Core	(8,324)	—	—	(8,324)
- Owned	(2,871)	—	—	(2,871)
- IFRS 16 rights of use	(5,453)	—	—	(5,453)
2. Held for investment purpose	(424)	—	—	(424)
- Owned	(424)	—	—	(424)
- IFRS 16 rights of use	—	—	—	—
3. Inventories	X	—	—	—
Total	(8,748)	—	—	(8,748)

SECTION 13

Heading 190: Net adjustments to intangible assets

13.1 Net adjustments to / writebacks of intangible assets: breakdown

Asset/Income	Depreciation (a)	Impairment losses (b)	Writebacks (c)	Net profit (a + b - c)
A. Property, equipment and in-vestment property				
of which: software	*(485)*	—	—	*(485)*
A.1 Property assets	(485)	—	—	(485)
- Generated by the company internally	—	—	—	—
- Others	(485)	—	—	(485)
A.2 Right of use related to leases	—	—	—	—
Total	(485)	—	—	(485)

SECTION 14

Heading 200: Other operating income (expense)

14.1 Other operating expenses: breakdown

Type of expense/Values	FY 2021/22	FY 2020/21
a) Leasing activity	—	—
b) Sundry costs and expenses	(2,715)	(9,490)
Total	(2,715)	(9,490)

14.2 Other operating income: breakdown

Type of expense/Values	FY 2021/22	FY 2020/21
a) Amounts received from customers	17,958	18,324
a) Other gains	23,114	34,017
Total	41,072	52,341

SECTION 15

Heading 220: Gain (loss) on equity investments

15.1 Gain (loss) on equity investments: breakdown

Income elements/Amounts	FY 2021/22	FY 2020/21
A. Incomes	—	—
1. Revaluation	—	—
2. Gain on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	(855)	(15,485)
1. Write-downs	—	—
2. Impairment losses	—	(15,485)
3. Losses on disposal	(855)	—
4. Other expenses	—	—
Net profit	(855)	(15,485)

SECTION 19

Heading 270: Income tax for the year on ordinary activities

19.1 Income tax for the year on ordinary activity: breakdown

Income elements/Amounts	FY 2021/22	FY 2020/21
1. Current tax expense (-)	(50,634)	(105,489)
2. Changes in current taxes of previous years (+/-)	—	—
3. Reduction in current taxes of the year (+)	—	—
3.bis Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	—	—
4. Changes in advance tax assets (+/-)	(17,485)	4,062
5. Changes in deferred tax liabilities (+/-)	119	9,427
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(68,000)	(92,000)

19.2 Reconciliation between theoretical and effective tax burden

	FY 2021/22	
	Value in %	**Absolute value**
Total profit or loss before tax from current operations		581,087
IRES		
Theoretical rate and theoretical tax	27.5%	159,799
Dividends (-)	-22.3%	(129,327)
Gains on disposals of equity investments (PEX) (+/-)	-0.1%	(443)
Non-taxable income 10% IRAP and staff cost (-)	-0.2%	(1,210)
Impairment (+/–)	0.0%	235
DTA/DTL adjustments from prior fiscal years	0.2%	894
Change in fair value of v.m.c. own liabilities	0.2%	1,195
Non-deductible provisions	0.2%	1,182
Taxes on CMB reserves	1.4%	7,850
Posting (use) of tax provision surplus	0.6%	3,384
Other differences (+/-)	0.3%	1,441
TOTAL IRES	7.7%	45,000
TOTAL IRAP	4.0%	23,000
TOTAL TAXES	11.7%	68,000

SECTION 22

Earning per share

22.1 Average number of ordinary shares on a diluted basis

	FY 2021/22	**FY 2020/21**
Profit/(Loss) for the period	513,087	578,366
Avg. no. of shares in issue	838,844,304	862,328,603
Avg. no. of potentially diluted shares	4,131,090	4,916,003
Avg. no. of diluted shares	842,975,394	867,244,606
Earnings per share	0.61	0.67
Earnings per share, diluted	0.61	0.67

Part D - Comprehensive Income Statement

Breakdown of Comprehensive Profit and Loss Account

	Items	After tax effect 30/06/2022	After tax effect 30/06/2021
10.	**Net profit (loss) of the year**	**513,087**	**578,366**
	Other comprehensive income not reclassified to profit or loss		
20.	**Equity instruments designated at fair value through other comprehensive income:**	**16,996**	**73,200**
	a) fair value changes	15,949	73,200
	b) tranfers to other shareholders' equity items	1,047	—
30.	**Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):**	**4,345**	**(5,730)**
	a) fair value changes	7,163	(4,689)
	b) tranfers to other shareholders' equity items	(2,818)	(1,041)
40.	**Hedge accounting of equity instruments measured at fair value through other comprehensive income:**	**—**	**—**
	a) fair value change (hedged instrument)	—	—
	b) fair value change (hedging instrument)	—	—
50.	**Property, plant and equipment**	**—**	**—**
60.	**Intangible assets**	**—**	**—**
70.	**Defined benefit plans**	**436**	**1,472**
80.	**Non-current assets and disposal groups classified as held for sale**	**—**	**—**
90.	**Part of valuation reserves from investments valued at equity method**	**—**	**—**
100.	**Tax expenses (income) relating to items not reclassified to profit or loss Other comprehensive income reclassified to profit or loss**	**—**	**—**
	Altre componenti reddituali con rigiro a conto economico		
110.	**Foreign investments hedging:**	**—**	**—**
	a) fair value changes	—	—
	b) reclassification to profit or loss	—	—
	c) other changes	—	—
120.	**Foreign exchange differences:**	**—**	**—**
	a) fair value changes	—	—
	b) reclassification to profit or loss	—	—
	c) other changes	—	—
130.	**Cash flow hedging:**	**462**	**—**
	a) fair value changes	462	—
	b) reclassification to profit or loss	—	—
	c) other changes	—	—
	of which: net position	—	—
140.	**Hedging instruments (not designated items):**	**—**	**—**
	a) fair value changes	—	—
	b) reclassification to profit or loss	—	—
	c) other changes	—	—
150.	**Financial assets (different from equity instruments) at fair value through other comprehensive income:**	**(89,644)**	**40,083**
	a) fair value changes	(78,161)	43,668
	b) reclassification to profit or loss	(11,483)	(3,585)
	- impairment losses	1,542	2,741
	- gains/losses on disposals	(13,025)	(6,326)
	c) other changes	—	—
160.	**Non-current assets and disposal groups classified as held for sale:**	**—**	**—**
	a) fair value changes	—	—
	b) reclassification to profit or loss	—	—
	c) other changes	—	—
170.	**Part of valuation reserves from investments valued at equity method:**	**—**	**—**
	a) fair value changes	—	—
	b) reclassification to profit or loss	—	—
	- impairment losses	—	—
	- gains/losses on disposals	—	—
	c) other changes	—	—
180.	**Tax expenses (income) relating to items reclassified to profit or loss**	**—**	**—**
190.	**Total other comprehensive income**	**(67,405)**	**109,025**
200.	**Other comprehensive income (Item 10+190)**	**445,682**	**687,391**

Part E – Information on risks and related hedging policies

INTRODUCTION

As part of the Bank's risk governance process, a key role is played by the Risk Management unit, which identifies, measures and monitors all the risks to which the Group is exposed, and manages and mitigates them in co-ordination with the various business areas. The unit's main duties and responsibilities are described below, along with its characteristics in terms of independence, plus an indication of the role of the other company units in risk management.

SECTION 1

1.1 CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

Although risk management is the responsibility of each individual business unit, the Risk Management unit presides over the functioning of the Bank's risk system, defining the appropriate global methodologies for measuring risks, current or future, in conformity with regulatory requirements and the Group's own operating choices identified in the RAF,[1] monitoring risks and ascertaining that the various limits established for the various business lines are complied with.

The Group Risk Management unit, which directly reports to the Chief Executive Officer, under the direction of the Group Chief Risk Officer, comprises the following organizational units: i) Supervisory Relations & Risk Governance, which manages relations with the Supervisory Authorities; ii) Enterprise Risk Management, which carries out the Group's integrated processes (ICAAP, RAF, Recovery Plan, planning support); iii) Quantitative Risk Methodologies,

[1] On 22 June 2022, the Board of Directors of Mediobanca approved a new version of the Group Policy on Risk Appetite Framework (RAF), which sets out the general principles, organizational model and implementation process. In this Framework, based on the Strategic Plan and the maximum tolerable risk, the Group defines the level and type of risks that the Institute intends to assume, plus objectives, any tolerance thresholds and operating limits to be complied with under normal operating and/or stress conditions.

responsible for the development of quantitative methodologies for measuring and managing credit, market and counterparty risks; iv) Credit Risk Management, which is responsible for carrying out credit risk analysis, assigning the internal rating to counterparties and the loss-given default indicator in the event of insolvency; v) Market Risk Management and Transformation, which is in charge of monitoring market and counterparty risks and developing, coordinating, streamlining and harmonizing the evolution of information technology within Risk Management; vi) Asset and Liquidity Risk Management, which is in charge of monitoring the Banking Book liquidity and interest rate risks; vii) Non-Financial Risk Management, responsible for overseeing Operational Risks and risks associated with the distribution of investment products and services to customers; viii) Group Internal Validation, which defines the methodologies, processes, tools and reporting used in internal validation activities and carries out the validation of the Group's risk measurement systems.

The Bank has been authorized by the supervisory authorities to calculate its capital requirements using its own internal rating system (based on the Probability of Default and Loss Given Default indicators) for its Corporate portfolio, currently being revised.

2. Credit risk management policies

2.1 Organizational aspects

The Bank has adopted a risk governance and a control system structured across a variety of organizational units involved in the process, ensuring that all relevant risks to which the Bank is or might be exposed are managed effectively, and at the same time guaranteeing that all forms of operations are consistent with their own risk appetite.

The Board of Directors, in view in particular of its role of strategic supervision, is responsible for approving strategic guidelines and directions of the risk appetite framework (RAF), the Internal Rating Systems (IRB) at the parent company level and the Roll-Out Plan for gradually extending the IRB approach across the whole Group, business and financial plans, budgets, risk management and internal control policies, and the Recovery Plan drawn up in accordance with the provisions of the Bank Recovery and Resolution Directive (Directive 2014/59/EU).

The Executive Committee is responsible for the ordinary management of the Bank and for co-ordination and management of the Group companies, without prejudice to the matters for which the Board of Directors has sole jurisdiction. The Risk Committee assists the Board of Directors in performing monitoring and instruction duties in respect of the internal controls, risk management, and accounting and IT systems. The Statutory Audit Committee supervises the risk management and control system as defined by the RAF and the internal controls system generally, assessing the effectiveness of the structures and units involved in the process and co-ordinating them.

As part of the Parent company's risk governance system, the following managerial committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: the Group Risk Management committee, responsible for issuing guidance at the Group level in respect of all risks, responsible for investigating proposals addressed to the Risk Committee and the Board of Directors, and with powers of approval on market risks; Lending and Underwriting Committee, with decision-making powers for credit, counterparty and issuer risks; New Operations Committee, for the preventive evaluation of new activities and the approval of entry into new sectors, of new products and related pricing models.

2.2 Management, measurement and control systems

In the process of defining its Risk Appetite Framework ("RAF"), the Bank has determined the level of risk (overall and by individual type) which it intends to assume in order to pursue its own strategic objectives, and has identified the metrics to monitor and the relevant tolerance thresholds and risk limits. The RAF is the framework which links risks to the company's strategy (translating mission and strategy into qualitative and quantitative risk variables) and risk objectives for the company's operations (translating risk objectives into limits and incentives for each area).

As required by the prudential regulations, the formalization of risk objectives, through definition of the RAF, which are consistent with the maximum risk that can be taken, the business model and strategic guidance is a key factor in establishing a risk governance policy and internal controls system with the objective of enhancing the Bank's capability in terms of governing its own company risks, and also ensuring sustainable growth over the medium and long term. In this connection, the Bank has developed a Risk Appetite Framework governance model which identifies the roles and responsibilities of the corporate bodies and units involved, with co-ordination mechanisms instituted to ensure the risk appetite is suitably incorporated into the management processes.

In the process of defining its Risk Appetite, the Bank:

- Identifies the risks which it is willing to assume;
- Defines, for each risk, the objectives and limits in normal and stressed conditions;
- Identifies the action necessary to bring the risk back within the set objective.

To define the RAF, based on the strategic positioning and risk profile set, the Risk Appetite statement is structured into metrics and risk thresholds, to be identified with reference to the six framework risk pillars and in line with the best international practices: capital adequacy; liquidity; profitability; external risk metrics; bank-specific factors; and non-financial risks. The Board of Directors has a proactive role in defining the RAF, guaranteeing that the expected risk profile is consistent with the Strategic plan, budget, ICAAP and Recovery Plan, and structured into adequate and effective metrics and limits. For each pillar analysed, the risk assumed is set against a system of objectives and limits representative of the regulatory restrictions and the Group's general attitude towards risk, as defined in accordance with the strategic planning, the internal capital adequacy assessment process (ICAAP) and the risk management processes.

In addition to identifying and setting the Risk Appetite parameters, the Bank also governs the mechanisms regulating the governance and processes for establishing and implementing the RAF, in terms of updating/reviewing, monitoring, and reporting to the Committees and corporate bodies. Based on its operations and the markets in which it operates, the Bank has identified the relevant risks to be submitted to specific assessment in the course of the reporting for the ICAAP (Internal Capital Adequacy Assessment Process), in accordance with the Bank of Italy instructions contained in circular no. 285 issued on 17 December 2013, "Supervisory instructions for banks" as amended, appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario. As required by the provisions of the Capital Requirements

Directive IV ("CRD IV"), the Bank prepares an Internal Liquidity Adequacy Assessment Process document (ILAAP), describing the set of policies, processes and instruments put in place to govern liquidity and funding risks. The Bank's objective is to maintain a level of liquidity that enables it to meet ordinary and extraordinary payment obligations, while minimizing costs at the same time. The Bank's liquidity management strategy is based on the desire to maintain an appropriate balance between potential inflows and potential outflows, in the short and the medium/long term, by monitoring both regulatory and management metrics, in accordance with the risk profile defined as part of the RAF.

2.3 Methods for measuring expected losses

Under IFRS 9, financial assets not measured at fair value, such as debt securities and loans as well as off-balance sheet exposures (i.e. loan commitments and financial guarantees) must be tested for impairment based on expected losses.

The internal rating models are the baseline instrument for determining the risk parameters to be used in calculating expected losses, subject to the regulatory indicators being adjusted for aspects which are not suitable to be used directly in an accounting environment (e.g. in some cases reconverting the data to reflect a "point-in-time" approach). Under IFRS 9, expected losses are calculated as the product of the PD, LGD and EAD metrics. This calculation is based on the outstanding duration of the instruments for which there has been a significant increase in credit risk ("Stage 2") or which show objective signs of impairment ("Stage 3"), and on a time horizon of twelve months for instruments not included in the previous two categories ("Stage 1").

The Bank adopts qualitative and quantitative criteria to establish whether there has been a significant increase in credit risk, using backstop indicators, such as accounts which are thirty or more days overdue or have been classified as forborne, to assess whether or not they should be treated as Stage 2. Cases of low-risk instruments at the recording date are identified, compatible with classification as Stage 1 (low credit risk exemption), where there is a BBB- rating on the Standard & Poor's scale, or a corresponding internal PD estimate.

Consistent with the options granted by IFRS 9, a change in forward-looking twelve-month PD is used as the benchmark quantitative metric for the purpose of identifying positions to be classified as Stage 2. The Bank verifies that twelve-month PD is a reasonable proxy of risk increases on a lifetime basis and monitors the validity of this assumption over time.

In the absence of internal model ratings for a specific portfolio, the backstop indicators are used as qualitative criteria; these criteria, for the reclassification to Stage 2, include the classification of counterparties as “Amber” or “Red” in the watchlist.

The provisioning reflects the sum of the expected credit losses (over a time horizon of twelve months or, based on the contractual expiry of the exposure, depending on the Stage classification), discounted at the effective interest rate. The expected credit loss is the result of a joint assessment of three scenarios, a baseline scenario and two alternative scenarios. The scenarios, drawn up at Group level, are revised at least once every six months. In particular, the Group defines scenario forecasts by processing the economic variables through customizations obtained using an external macroeconomic model.

In particular, the current macroeconomic environment is characterized by two main aspects that have an impact on the Group’s estimated provisioning:

- a residual reduction in the strong growth period after the recovery from the recession caused by the Covid-19 pandemic, exacerbated by the simultaneous increase in inflationary pressures;
- the war events in Ukraine, which, among other things, generated strong tensions on the energy and commodity markets.

In light of the uncertainties related to the evolution of the conflict in Ukraine, the Group has defined alternative scenarios based on different underlying assumptions. In particular, in addition to the baseline scenario defined as “Inflation”, two alternative scenarios “Hard-Landing” and “Stagflation” were identified, both of which more conservative and based on different expectations regarding the duration of the conflict in Ukraine and the evolution of the inflationary context.

The weights of the scenarios used in calculating ECL were set at 50% for the baseline scenario and 25% for the alternative ones; the values were set on an expert basis as they are linked to the likelihood that assumptions external to the macroeconomic system may be realized and therefore they cannot be quantified in detail on the basis of historical analyses.

In consideration of the uncertainties linked to the evolution of the war in Ukraine, a pandemic situation characterized by the appearance of new virus variants and by the resumption of infections, the Bank, continuing the work done in the previous quarter, decided to adopt additional provisions ("overlays") with respect to the impairment estimates deriving from using models configured on the basis of specific aspects that cannot be factored in and assessed by modelling means.[2]

Therefore, in line with the previous financial year, overlays associated with exposures to sectors particularly liable to risks deriving from the pandemic were set aside in the Corporate portfolio. In December 2021, the scope of such sectors was updated by excluding the Automotive, Gaming and Luxury segments; no further changes were made at the end of the year. Furthermore, the corrections aimed at limiting releases deriving from the improvement in the macroeconomic scenario observed in June 2021 were maintained.[3]

2.4 Credit risk mitigation techniques

The Bank has put in place a system for managing credit risk mitigation techniques, which covers the entire process of obtaining, assessing, supervising and implementing the mitigation instruments in use. The requirements for eligibility of collateral and guarantees are set out in Regulation (EU) 575/2013 of the European Parliament and of the Council as amended (the "CRR"). The Bank has also compiled specific criteria by which collateral not recognized for regulatory purposes may in any case be recognized at the operating level as effective to mitigate credit risk.

[2] The approach adopted is consistent with the ECB recommendations made to banks in recent months, such as in the letters of 1 April 2020 ("IFRS 9 in the context of the coronavirus (COVID-19) pandemic") and 4 December 2020 ("Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic").

[3] This type of overlay was estimated in such a way as to keep unchanged the coverage level for positions observed before the macroeconomic scenario update of June 2021.

The Bank also adopts risk mitigation policies by entering into netting and collateral agreements, verifying whether the agreements are legally valid and meet the regulatory criteria to be recognized for prudential purposes.

Credit risk mitigation activities are governed by specific directives. In particular, the phases of obtaining the collateral, checking, reporting and assessing its eligibility may be performed by different units. However, the role of the Risk Management unit in setting eligibility criteria for regulatory and management purposes remains central. Controls of the mitigation instruments are included in the general risk control and management framework.

Monitoring of collateral consisting of financial instruments has been stepped up as a result of the high volatility witnessed on financial markets following the outbreak of the Covid-19 pandemic. For instance, in Private Banking the situations most at risk have been identified, and for "Lombard" credit in particular work has begun quickly on restoring the collateral margins typically associated with this form of credit. Thanks to the diversification of the portfolio of assets used as collateral, and the haircuts applied when the lending value is calculated, no particular risk situations have emerged.

3. Non-performing credit exposures

The Bank is distinguished by its prudent approach to risk, which is reflected in the fact that its overdue exposure levels (Non-performing loan - NPL) are among the lowest seen in the Italian national panorama. The Bank's management of non-performing loans also helps to keep their level low on the books, including the use of different options typically available, such as disposals, collateral enforcement and negotiation of restructuring agreements.

The Bank uses a single, like-for-like definition for the concepts of "default" as defined in the regulations on regulatory capital requirements, "non-performing", used for supervisory reporting statistics, and Stage 3 assets ("credit-impaired" assets), as defined by the accounting standards in force. In this regard, the bank has implemented the EBA Guidelines on the adoption of the definition of default (EBA/GL/2016/07), Delegated Regulation (EU) 2018/171 of the Commission of 19 October 2017, and Regulation (EU) 2018/1845 of the ECB of 21 November 2018.

The quantification of provisions must be analytical through the valuation of discounted cash flows and specific ratio analysis under the going-concern assumption or a valuation of assets in case of company liquidation.

At the monitoring stage, the write-off for credit losses on financial assets is also assessed, i.e. when in part or in whole. Those write-offs are possible even before completion of the legal action to recover the asset, and this does not necessarily entail waiving the Group's legal right to recover the amount.

In order to adequately monitor the management of NPL portfolios, in recent years, several measures have been issued by the Regulator for the purpose of directing the financial sector towards minimizing their stocks of non-performing portfolios and speeding up recovery actions. On 26 April 2019, the European Parliament published an amendment to Regulation (EU) 575/2013 (CRR) in the Official Journal with the inclusion of new rules to be applied for the coverage of NPLs (referred to as Calendar Provisioning) deriving from loans granted starting from the date of issue of the amended Regulation. Calendar Provisioning requires the full writedown of non-performing loans according to pre-established maturities.

4 Financial assets subject to commercial renegotiations and concessions

Financial assets may be subject to contractual amendments based primarily on two different needs: maintaining a mutually satisfactory commercial relationship with clients, or re-establishing/improving the credit position of customers who are facing, or about to face, difficulties in complying with the commitments they have entered into.

The former case, defined as commercial renegotiation, recurs when the client might want to end the relationship, as a result of its credit quality and of favourable market conditions. In a situation such as this, changes can be made at the client's initiative or on a preventative basis in order to maintain the relationship with the client by improving the commercial terms offered, without prejudice to a satisfactory return on the risk and in compliance with the general strategic objectives (e.g. in terms of target customers).

The second case, which corresponds to the notion of forbearance measure, is detected in accordance with the specific regulations when contractual amendments are made, refinancing arrangements entered into, or when clauses provided for in the contract are exercised by the client.

For an exposure to be classified as forborne, the Bank assesses whether or not such concessions (typically rescheduling expiry dates, suspending payments, refinancings or waivers to covenants) occur as a result of a situation of financial difficulty, actual or potential (if concessions are not granted), of more than thirty days past due. Assessment of the borrower's financial difficulties is based primarily on individual analysis.

Both non-performing exposures and exposures whose difficulties are still compatible with their being treated as performing may be classified as forborne. However, as described in the previous sections, a position being assigned the status of "forborne" is considered to be incompatible with its being treated as Stage 1. For this reason, based on the regulations on supervisory statistical reporting, there is a minimum period of time during which an exposure can be classified as "forborne" and this is reflected in the prudential transitions between Stages 1, 2 and 3. For instance, when concessions have been made in respect of Stage 2 exposures, these exposures cannot return to Stage 1 in less than two years, in line with the minimum duration requirement of two years provided for the "forborne performing exposure" status (during this period, the status can only be downgraded to reflect the exposure's transition to non-performing). Similarly, exposures in Stage 3 cannot return to Stage 1 in less than three years, in line with the one-year duration requirement for "non-performing forborne exposure" status, followed (unless the non-performing status needs to be prolonged) by the two-year minimum duration requirement for the "forborne performing exposure" status.

To return to Stage 1, exposures must give proof of having fully recovered their credit quality and the conditions requiring them to be classified as "forborne" must have ceased to apply. Accordingly, monitoring activities over transitions to Stages 2 or 3 are the same as monitoring activities over exposures which have not moved from Stage 1. However, "forborne" exposures that have returned from Stage 3 to Stage 2 are subject to enhanced monitoring, providing that if there is a delay of more than thirty days in payment or if a new forbearance measure is applied, the exposure will immediately return to Stage 3 for prudential purposes.

5 Details by individual business segment

Corporate activity

The Bank's internal system for managing, evaluating and controlling its credit risk exposure reflects its traditional policy based on prudence and a highly selective approach: risk assumption is based on an analytical approach grounded on an extensive knowledge of the entrepreneurial, asset and management operations of each financed company, as well as of the economic framework in which it operates. During the analysis, all the necessary documentation was acquired in order to carry out an adequate assessment of the borrower's credit quality and define the correct remuneration of the risk assumed; the analysis included assessments of the duration and amount of credit lines, monitoring of suitable collateral and use of contractual commitments (covenants) aimed at preventing the deterioration of the counterparty's credit quality.

With reference to the correct application of Credit Risk Mitigation techniques, specific activities are implemented to define and meet all the requirements to ensure that the real and personal guarantees have the maximum mitigating effects on the exposures.

To determine credit risk, all counterparties are analysed and an internal rating is assigned by the Risk Management unit on the basis of internal models which take into account the specific quantitative and qualitative characteristics of the counterparty. The proposed transactions are also subject to the application of LGD models where appropriate.

Loans originated by the business divisions are appropriately assessed by the Risk Management unit and regulated in accordance with the powers for approval and management of the most significant transactions, through screening at different operating levels.

The Credit Risk Management unit also carries out a review of the ratings assigned to the counterparties at least once a year. Approved loans must also be confirmed by the approving body with the same frequency.

Provisions are calculated individually for non-performing items and based on PD and LGD indicators of the performing portfolio. For individual provisioning, valuations based on discounted cash flows and ratio analysis balance sheet are applied to businesses under the going-concern assumption, while an asset valuation is used in case of liquidation. With regard to performing loans, the PD parameters are obtained starting from the through-the-cycle rating approach used to develop the internal rating model which is then converted to the point-in-time approach. The LGD parameters are determined based on the modelling used for the regulatory calculation, after removing the downturn effect. The forward-looking component of the models is the result of the risk indicators applied to the macroeconomic scenarios defined internally.

In terms of monitoring the performance of individual credit exposures, Mediobanca has adopted an early warning system to identify a list of counterparties ("Watchlist") requiring in-depth analysis on account of their potential or obvious weaknesses. The exposures identified are then classified by level of alert (Amber or Red for performing accounts, Black for non-performing items) and are reviewed regularly to identify the most appropriate mitigation actions to be taken. The watchlist is also used to provide qualitative information regarding allocation to Stage 2, which includes counterparties classified as "Amber" or "Red". All forborne positions are also subject to specific monitoring.

Revisions to the classification of single names are also possible, based on internal decisions supported by individual analysis.

Private Banking

Private Banking operations include granting loans as a complementary activity in serving "Affluent", "High Net Worth" and institutional categories of clients, with the aim of providing them with wealth management and asset management services. Credit risk exposure takes various forms, such as cash loans (by granting credit on a bank account or through short-, medium- or long-term loans), authorizing overdrafts on current account, endorsements, mortgages and credit limits on credit cards.

Loans are normally secured by collateral or guarantees (pledges over the client's financial instruments in case of managed or administered assets, mortgages over properties or guarantees issued by other credit institutions).

Lending activity is governed through operating powers which require the proposed loan to be assessed at various levels of the organization and approved by the appointed bodies according to the level of risk resulting from the size of the loan, the guarantees/collateral and the type of finance involved. Such loans are reviewed on a regular basis (at least annually).

Provisioning for all non-performing contracts is made on an individual basis, and takes into account the value of the collateral. Instead, provisioning for the performing contracts is made based on the estimated PD and LGD values considering the counterparty and whether or not there are guarantees.

6. Covid-19 Impacts

6.1 Government and regulatory action following the Covid-19 pandemic

In order to address the effects of the Covid-19 pandemic on the economy, the Italian government launched a substantial first package of measures contained in the "Cura Italia" Law-Decree issued on 17 March 2020, with the aim of safeguarding citizens' health and supporting the country's productive system by keeping firms active and so preserving workers' jobs. This first intervention, from which the legislative moratoria originated, was followed by another initiative, the "Liquidity" Decree of 8 April 2020, which introduced further measures in favour of companies mainly connected to public guarantees.

The EU institutions (notably the EBA, ESMA, ECB and IASB) also intervened in response to the medical crisis, introducing extraordinary measures described in more detail in Part A.

6.2 Moratoria granted to clients in connection with Covid-19

In response to the economic crisis generated by the health emergency, the Bank adhered to the provisions of the "Cura Italia" Decree (5), allowing SME customers to benefit from forbearance measures. The moratorium period granted to the only three counterparties that benefited from forbearance, for a value of less than €1m, ended on 30 June 2022.

7. Macroeconomic scenario and impacts

The current macroeconomic environment has been strongly affected by the conflict in Ukraine. The tensions induced on the energy and commodity markets, especially for the EU, accelerated the inflationary hike that had already started at the beginning of the year following the recovery of post-pandemic consumption. The rapid rise in prices, which from the energy sector affected all business sectors, had the immediate effect of slowing down growth in nearly all geographic areas, also due to its nature not affected by macroeconomic dynamics. For example, at the end of 2021 GDP for the year 2022 was forecast to grow by 4.7% in Italy, while in the current internal baseline scenario (called "Inflation") the estimates have been nearly halved, reaching 2.7%. A similar situation occurred in the European Union with GDP estimates for 2022 at 2.8% against 4.4% as previously estimated. The US economy also confirmed the same trend with a growth level of domestic product for the current year estimated at 2.9% against 4.5% as previously estimated for the same period.

In addition to the effects in the short term, with regard to medium / short-term developments, uncertainties clearly remain when considering the different ways in which the conflict in Ukraine, which is the main cause for the current economic situation, may play out, thus causing significantly different macroeconomic effects.

In fact, the estimates set out above assume a resolution of the conflict in the short term that will allow the same growth path expected before the conflict to resume, starting from 2023. In light of the current situation of uncertainty, the Group has identified possible alternative scenarios.

The first assumption postulates a large-scale adoption of restrictive monetary policy actions in order to contain inflation, which would however cause a further slowdown in economic growth. The second alternative being assumed consists in postulating a continuation of the conflict beyond the time period initially expected: this would determine a constant and continuous rise in price levels, limiting consumption and leading to a recession in 2023.

Under the former alternative assumption (called "Hard Landing" scenario), the levels of GDP growth in Italy would be 1.6% in 2022 and 1.3% for the following year, a situation entirely similar to the EU trend (1.6% and 1.4%), while the effects for the US economy would be more significant, with a growth rate of only 0.7% in 2023.

If, on the other hand, the conflict was to last well beyond expectations, tensions on the energy market would consequently be destined to persist with a generalized increase in prices that would neutralize growth, giving rise to the phenomenon of stagflation ("Stagflation" scenario). This circumstance would especially occur in geographic areas that are currently most dependent on Russia in terms of energy supplies: in fact, in a similar context, Italy would have a growth level of 0.9% and -0.1%, respectively, for the two-year period 2022/2023, similarly to the German economy, which in the same two-year period would show growth rates of 0.2% and -0.3%, respectively, in gross domestic product, not unlike Italy. This scenario would have a different effect on the US economy thanks to its energy independence, with growth rates of 2.6% in 2022 and 1.6% in 2023.

With regard to the labour market, no particular critical issues should be reported, with fairly stable unemployment rates compared to the figure recorded in 2021, which stood at 9.6% in Italy. Significant growth is expected exclusively for geographic areas more impacted by the stagflation scenario, such as Italy, where an unemployment rate of 11% is estimated for 2023.

Although there is no significant growth in unemployment in most of the scenarios considered, the current context is still significantly different from the previous estimates at the end of 2021, which had forecast a significant reduction for all geographic areas: for example, a rate of 8.9% had been forecast for the domestic economy in 2023.

Furthermore, continuing the work done in June 2021, additional overlays were maintained with the aim of including uncertainties as to the evolution of the pandemic within the coverage levels. Specifically, overlays of €41.3m were allocated. Overlays were applied, starting from December 2020, on positions subject to waivers and high risk counterparties.[4] Starting in June 2021, a coverage maintenance overlay was applied in order to maintain a prudent coverage level to mitigate the reduction in impairment due to the changed macroeconomic scenario. This type of overlay was apportioned over the entire performing portfolio in June 2022.

Table 1 – Overlay stock

	Overlay stock at	
	30/6/2022	***30/6/2021***
Mediobanca SpA	41.3	73.3

Table 2 – "Inflation"[5] baseline macro-economic scenario parameters

GDP forecasts	**2022**	**2023**	**2024**	**2025**
Italy	2.70%	2.10%	1.10%	0.30%
EU	2.80%	2.60%	2.0%	1.50%
USA	2.90%	2.0%	2.0%	2.30%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	9.20%	9.30%	9.10%	9.0%
EU	6.60%	6.70%	6.60%	6.60%
USA	3.60%	3.50%	3.50%	3.50%
Interest rate government bonds (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	2.50%	3.30%	3.30%	3.10%
Germany	0.90%	1.40%	1.40%	1.30%
USA	2.90%	3.0%	2.60%	2.50%

[4] Mediobanca classifies the sectors to which its counterparties belong into different categories based on their exposure to risks posed by the pandemic ("Immediate impact", "High impact", "Moderate impact", "Low Impact"). The list of sectors is regularly monitored in order to promptly intervene with possible revisions of single names subject to overlay.

[5] As described in section 2.3, the Group sets the estimates for the baseline scenario, compiling the economic variables using an external macroeconomic model which factors in the internal expectations for interest rates.

Table 3 – "Hard-landing" macro-economic scenario parameters

GDP forecasts	**2022**	**2023**	**2024**	**2025**
Italy	1.60%	1.30%	1.90%	1.0%
EU	1.60%	1.40%	2.80%	2.20%
USA	1.60%	0.70%	3.40%	2.80%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	9.50%	9.80%	9.40%	9.10%
EU	6.90%	7.50%	7.10%	6.70%
USA	3.90%	4.20%	3.80%	3.60%
Interest rate government bonds (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	3.00%	3.60%	3.30%	3.20%
Germany	1.20%	1.70%	1.40%	1.40%
USA	3.50%	3.20%	2.60%	2.50%

Table 4 – "Stagflation" alternative macro-economic scenario parameters

GDP forecasts	**2022**	**2023**	**2024**	**2025**
Italy	0.90%	-0.10%	1.70%	1.70%
EU	1.20%	0.30%	2.80%	2.90%
USA	2.60%	1.60%	2.30%	2.60%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	9.60%	11.0%	10.0%	9.30%
EU	7.0%	8.0%	7.60%	6.90%
USA	3.70%	3.70%	3.70%	3.60%
Interest rate government bonds (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	2.60%	3.0%	2.9%	3.20%
Germany	0.90%	1.10%	1.0%	0.90%
USA	2.90%	3.20%	2.60%	2.80%

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QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing accounts: amounts, adjustments, trends and segmentation by earnings

A.1.1 Financial assets by portfolio and credit quality (book value)

Asset portfolio/quality	Bad loans	Unlikely to pay	Overdue non-performing exposures	Overdue performing exposures	Other performing exposures*	Total
1. Financial assets measured at amortised cost	—	19,031	615	35,732	51,833,081	51,888,459
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	3,873,067	3,873,067
3. Financial assets designated at fair value	—	—	—	—	516,483	516,483
4. Other financial assets mandatorily measured at fair value	—	—	—	—	4,725	4,725
Financial assets being sold	—	—	—	—	—	—
Total 30/6/2022	—	19,031	615	35,732	56,227,356	56,282,734
Total 30/6/2021	—	72,962	1,317	39,561	54,273,235	54,387,075

* There are no overdue performing exposures being renegotiated under collective agreements.

Net bad loans refer exclusively to the Private Banking segment.

A.1.2 Financial assets by portfolio/credit quality (gross/net values)

Asset portfolio/quality	Non-performing assets				Performing assets			Total (net exposure)
	Gross exposures	Overall value adjustments	Net exposure	Overall partial write-offs	Gross exposures	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost	62,233	(42,587)	19,646	—	51,938,461	(69,648)	51,868,813	51,888,459
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	3,883,201	(10,134)	3,873,067	3,873,067
3. Financial assets designated at fair value	—	—	—	—	X	X	516,483	516,483
4. Other financial assets mandatorily measured at fair value	6,636	(6,636)	—	—	X	X	4,725	4,725
5. Financial assets being sold	—	—	—	—	—	—	—	—
Total 30/6/2022	68,869	(49,223)	19,646	—	55,821,662	(79,782)	56,263,088	56,282,734
Total 30/6/2021	144,883	70,604	74,279	—	53,719,998	104,304	54,312,796	54,387,075

Asset portfolio/quality	Assets with obviously poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	—	—	8,032,619
2. Hedging derivatives	—	—	157,120
Total 30/6/2022	—	—	8,189,739
Total 30/6/2021	—	—	9,150,418

Information on sovereign debt exposures

*A.1.2a Exposures to sovereign debt securities by state, counterparty and portfolio**

Asset portfolio/quality	Non-performing loans				Performing			Total net exposure[1]
	Gross exposures	Individual adjustments	Collective adjustments	Net exposure	Gross exposures	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	(1,756,487)	(1,756,487)
France	—	—	—	—	X	X	(988,205)	(988,205)
Germany	—	—	—	—	X	X	(746,273)	(746,273)
Italy	—	—	—	—	X	X	(108,438)	(108,438)
Belgium	—	—	—	—	X	X	91,773	91,773
Others	—	—	—	—	X	X	(5,344)	(5,344)
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	2,896,866	—	2,896,866	2,896,866
Italy	—	—	—	—	1,698,355	—	1,698,355	1,698,355
Germany	—	—	—	—	764,128	—	764,128	764,128
United States	—	—	—	—	384,188	—	384,188	384,188
Spain	—	—	—	—	—	—	—	—
Others	—	—	—	—	50,195	—	50,195	50,195
3. Financial assets valued at amortised cost	—	—	—	—	2,954,747	—	2,954,747	2,954,747
Italy	—	—	—	—	2,022,807	—	2,022,807	2,022,807
Germany	—	—	—	—	399,468		399,468	399,468
United States	—	—	—	—	195,598		195,598	195,598
France	—	—	—	—	304,783		304,783	304,783
Others	—	—	—	—	32,091	—	32,091	32,091
Total at 30/6/22	—	—	—	—	5,851,613	—	4,095,126	4,095,126

(*) Does not include financial or credit derivatives.
([1]) The net exposure includes positions in securities (long and short) measured at fair value (including the outstanding accrual) except for assets held to maturity which are measured at amortized cost, whose implied fair value is €-7.1m.

*A.1.2b Exposures to sovereign debt securities by portfolio**

Asset portfolio/quality	Trading Book[1]			Banking Book[2]			
	Nominal value	Book value	Contract duration	Nominal value	Book value	Fair value	Contract duration
Italy	(121,067)	(108,438)	2.13	3,755,042	3,721,161	3,730,947	3.00
United States	—	—		582,459	579,787	569,934	1.06
Germany	(747,180)	(746,273)	3.50	1,165,000	1,163,596	1,160,545	1.16
France	(950,625)	(988,205)	0.91	310,000	304,783	301,540	2.66
Belgium	112,800	91,773	(3.54)	—	—	—	—
Others	(18,400)	(5,344)	—	82,000	82,286	81,576	—
Total at 30/6/22	(1,724,472)	(1,756,487)		5,894,501	5,851,613	5,844,542	

* This figure does not include forward sales with a notional amount of €348m.
[1] This item does not include sales of €127m on Bund/Bobl/Schatz futures (Germany), with a negative fair value of €0.8m; or sales of €322m on the BPT future (Italy) with a negative fair value of €2.8m. Net hedge buys of €1,845m have also not been included, nearly all of which allocated to France country risk.
[2] Item does not include Greek GDP-linkers securities in a notional amount of €127m.

A.1.3 Financial assets by past due brackets (book value)

Portfolios/risk stages	First stage			Second stage			Third stage			Purchased or originated credit impaired assets		
	From 1 to 30 days	Between 30 and 90 days	More than 90 days	From 1 to 30 days	Between 30 and 90 days	More than 90 days	From 1 to 30 days	Between 30 and 90 days	More than 90 days	From 1 to 30 days	Between 30 and 90 days	More than 90 days
1. Financial assets measured at amortised cost	4,153	4,725	3,045	—	6,443	17,366	3	3	2,514	—	—	—
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—
3. Financial assets being sold	—	—	—	—	—	—	—	—	—	—	—	—
Total 30/6/2022	4,153	4,725	3,045	—	6,443	17,366	3	3	2,514	—	—	—
Total 30/6/2021	6,445	15	1	10	11,632	21,458	—	1	3,422	—	—	—

A.1.4 Financial assets, loan commitments and financial guarantees issued: trend in overall value adjustments and overall provisioning

Motivations/risk stages	Overall value adjustments																								Overall provisions for loan commitments and financial guarantees issued				Total
	Stage 1 assets						Stage 2 assets						Stage 3 assets						Purchased or originated credit-impaired financial assets									
	On-demand loans to Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets being sold	of which: individual writedowns	of which: collective writedowns	On-demand loans to Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets being sold	of which: individual writedowns	of which: collective writedowns	On-demand loans to Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets being sold	of which: individual writedowns	of which: collective writedowns	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets being sold	of which: individual writedowns	of which: collective writedowns	First stage	Second stage	Third stage	Purchased or originated credit-impaired loan commitments and financial guarantees issued	
Opening balance overall amount	983	83,643	10,203	—	—	94,829	—	9,475	—	—	—	9,475	—	63,968	—	—	63,968	—	—	—	—	—	—	35,875	20,268	4,100	—	228,515
Increases due to purchased or originated financial assets	1	20,305	2,900	—	—	23,206	—	823	505	—	—	1,328	—	16	—	—	16	—	X	X	X	X	X	12,841	6,183	—	—	43,574
Derecognitions other than write-offs	—	(25,452)	(2,616)	—	—	(28,068)	—	(4,441)	—	—	—	(4,441)	—	(54)	—	—	(54)	—	—	—	—	—	—	(12,638)	(11,908)	(4,100)	—	(61,209)
Net adjustments /writebacks for credit risk	(458)	(19,475)	(3,700)	—	—	(23,633)	—	4,770	2,842	—	—	7,612	—	(21,343)	—	—	(21,343)	—	—	—	—	—	—	(8,149)	4,205	—	—	(41,308)
Contractual changes without derecognition	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in estimation methods	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-offs not directly recognized through profit or loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	15	—	—	—	15
Closing overall amount	526	59,021	6,787	—	—	66,334	—	10,627	3,347	—	—	13,974	—	42,587	—	—	42,587	—	—	—	—	—	—	27,944	18,748	—	—	169,587
Recoveries for collections of written-off financial assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-offs directly recognized through profit or loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal values)

Portfolios/risk stages	Gross value / nominal value					
	Transfers from first stage to second stage		Transfers from second stage to third stage		Transfers from first stage to third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
1. Financial assets measured at amortised cost	41,619	119,231	604	69,080	383	—
2. Financial assets measured at fair value through other comprehensive income	71,177	—	—	—	—	—
3. Financial assets being sold		—	—	—	—	—
4. Commitments and financial guarantees given	82,853	20,569	—	—	1,103	—
Total 30/6/2022	195,649	139,800	604	69,080	1,486	—
Total 30/6/2021	452,371	62,602	31	2	14,903	3,906

The transitions from Stage 1 to Stage 2 and from Stage 2 to Stage 1 were affected by the reclassifications due to the worsened / improved rating of some counterparties.

The transitions from Stage 3 to Stage 2 were influenced by Barbetti's return to performing status in June 2022.

A.1.6 On- and off-balance sheet exposures to banks: net and gross values

Types of exposure / value	Gross exposures					Overall value adjustments and overall provisions					Net exposure	*Overall partial write-offs**
		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		
A. Balance sheet credit exposures												
A.1 On-demand	7,783,463	7,783,463	—	—	—	526	526	—	—	—	7,782,937	—
a) Non-performing	—	X	—	—	—	—	X	—	—	—	—	—
b) Performing	7,783,463	7,783,463	—	X	—	526	526	—	X	—	7,782,937	—
A.2 Other	28,708,494	27,478,039	—	—	—	24,969	24,969	—	—	—	28,683,525	—
a) Bad debts	—	X	—	—	—	—	X	—	—	—	—	—
- of which: forborne exposures	—	*X*	—	—	—	—	*X*	—	—	—	—	—
b) Unlikely to pay	—	X	—	—	—	—	X	—	—	—	—	—
- of which: forborne exposures	—	*X*	—	—	—	—	*X*	—	—	—	—	—
c) Overdue non-performing exposures	—	X	—	—	—	—	X	—	—	—	—	—
- of which: forborne exposures	—	*X*	—	—	—	—	*X*	—	—	—	—	—
d) Overdue performing exposures	—	—	—	X	—	—	—	—	X	—	—	—
- of which: forborne exposures	—	—	—	*X*	—	—	—	—	*X*	—	—	—
e) Other performing exposures	28,708,494	27,478,039	—	X	—	24,969	24,969	—	X	—	28,683,525	—
- of which: forborne exposures	—	—	—	*X*	—	—	—	—	*X*	—	—	—
Total (A)	36,491,957	35,261,502	—	—	—	25,495	25,495	—	—	—	36,466,462	—
B. Off-balance sheet credit exposures												
a) Non-performing	—	X	—	—	—	—	X	—	—	—	—	—
b) Performing	19,190,956	2,633,911	—	X	—	1,955	1,955	—	X	—	19,189,001	—
Total (B)	19,190,956	2,633,911	—	—	—	1,955	1,955	—	—	—	19,189,001	—
Total (A+B)	55,682,913	37,895,413	—	—	—	27,450	27,450	—	—	—	55,655,463	—

A.1.7 On- and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposures					Overall value adjustments and overall provisions					Net exposure	Overall partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		
A. BALANCE SHEET CREDIT EXPOSURES												
a) Bad debts	10,331	X	—	3,695	—	10,331	X	—	3,695	—	—	—
- *of which: forborne exposures*	*6,636*	*X*	—	—	—	*6,636*	*X*	—	—	—	—	—
b) Unlikely to pay	57,718	X	—	57,718	—	38,687	X	—	38,687	—	19,031	—
- *of which: forborne exposures*	*54,127*	*X*	—	*54,127*	—	*37,500*	*X*	—	*37,500*	—	*16,627*	—
c) Overdue exposures (NPLs)	820	X	—	820	—	205	X	—	205	—	615	—
- *of which: forborne exposures*	—	*X*	—	—	—	—	*X*	—	—	—	—	—
d) Overdue performing exposures	36,391	11,954	24,437	X	—	659	31	628	X	—	35,732	—
- *of which: forborne exposures*	*8,916*	—	*8,916*	*X*	—	*607*	—	*607*	*X*	—	*8,309*	—
e) Other performing exposures	31,612,979	28,017,737	289,495	X	—	54,154	40,808	13,346	X	—	31,558,825	—
- *of which: forborne exposures*	*111,768*	—	*111,768*	*X*	—	*6,704*	—	*6,704*	*X*	—	*105,064*	—
TOTAL (A)	31,718,239	28,029,691	313,932	62,233	—	104,036	40,839	13,974	42,587	—	31,614,203	—
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	5,988	X	—	5,988	—	—	X	—	—	—	5,988	—
b) Performing	29,502,905	16,538,551	428,611	X	—	44,737	25,989	18,748	X	—	29,458,168	—
TOTAL (B)	29,508,893	16,538,551	428,611	5,988	—	44,737	25,989	18,748	—	—	29,464,156	—
TOTAL (A+B)	61,227,132	44,568,242	742,543	68,221	—	148,773	66,828	32,722	42,587	—	61,078,359	—

At 30 June 2022, gross non-performing assets decreased from €144.9m to €68.9m. Similarly, net NPLs decreased to €19.6m (€74.3m), accounting for 0.1% (0.3%) of the total on-balance sheet exposures, with the coverage ratio increasing from 48.7% to 71.5%.

Gross NPL ratio Finrep[1]

(€m)

	30/6/2022	30/6/2021
	Amounts before value adjustments	
Loans	39.997,9	37.110,4
NPLs	68,9	144,9
Loans and advances to customers	40.066,8	37.255,3
NPLs purchased	—	—
Treasury financial assets*	14.039,2	10.128,7
Total Loans and Receivables	54.105,9	47.383,9
Gross NPL ratio Finrep %	0,1%	0,3%

* In line with the guidelines of the EBA Risk Dashboard, the calculation excludes cash and includes untied deposits held with central banks.

[1] In the EBA Risk Dashboard, the gross NPL ratio is defined as the gross book value of the NPLs (loans and advances) as a percentage of total loans and advances. Source: EBA Risk Dashboard, Risk Indicators in the Statistical Annex (AQT_3.2). Source: EBA Risk Dashboard of 1Q2022 (3,0%).

A.1.7a On-balance sheet exposures to customers to which Covid-related support measures have been granted: gross and net values

Type of exposure/Amounts	Gross exposures					Overall value adjustments and overall provisions					Esposizione Netta	Overall partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		
A. BAD LOANS	—	—	—	—	—	—	—	—	—	—	—	—
a) Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria in place no longer compliant with GL and not eligible for forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
d) New loans	—	—	—	—	—	—	—	—	—	—	—	—
B. UNLIKELY TO PAY CREDIT EXPOSURES	—	—	—	—	—	—	—	—	—	—	—	—
a) Subject to forbearance measures compliant with GL	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria in place no longer compliant with GL and not eligible for forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
d) New loans	—	—	—	—	—	—	—	—	—	—	—	—
C. OVERDUE NON-PERFORMING LOANS	—	—	—	—	—	—	—	—	—	—	—	—
a) Subject to forbearance measures compliant with GL	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria in place no longer compliant with GL and not eligible for forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
d) New loans	—	—	—	—	—	—	—	—	—	—	—	—
D. OTHER OVERDUE PERFORMING LOANS	—	—	—	—	—	—	—	—	—	—	—	—
a) Subject to forbearance measures compliant with GL	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria in place no longer compliant with GL and not eligible for forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
d) New loans	—	—	—	—	—	—	—	—	—	—	—	—
E. OTHER PERFORMING LOANS	105.562	86.255	19.307	—	—	761	169	592	—	—	104.801	—
a) Subject to forbearance measures compliant with GL*	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria in place no longer compliant with GL and not eligible for forbearance measures**	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	19.307	—	19.307	—	—	592	—	592	—	—	18.715	—
d) New loans	86.255	86.255	—	—	—	169	169	—	—	—	86.086	—
TOTAL (A+B+C+D+E)	105.562	86.255	19.307	—	—	761	169	592	—	—	104.801	—

* The row "Loans subject to forbearance measures compliant with GL" shows information relating to the financial assets subject to moratoria that fall within the scope of the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" published by the EBA (EBA/GL/2020/02), as amended.

** The row "Loans subject to moratoria in place no longer compliant with GL and not eligible for forbearance measures" shows information relating to financial assets subject to moratoria, in place at the reporting date, assessed as compliant with EBA/GL/2020/02 at the date the measure was granted but no longer eligible at the reporting date, which were not classified by the bank as "exposures subject to forbearance measures" following the assessment made upon the occurrence of the event that generated non-compliance with EBA/GL/2020/02.

A.1.9 On-balance sheet exposures to customers: trend in gross NPLs

Description/Category	Bad loans	Unlikely to pay	Overdue exposures (NPLs)
A. Opening balance (gross amount)	10,331	133,071	1,481
- of which: sold but not derecognized	—	—	—
B. Increases	—	3,257	659
B.1 inflows from performing exposures	—	583	367
B.2 inflows from purchased or originated credit-impaired financial assets	—	—	—
B.3 transfers from other categories of non- performing exposures	—	—	—
B.4 contractual changes without cancellations	—	—	—
B.5 other increases	—	2,674	292
C. Decreases	—	78,610	1,320
C.1 transfers to performing exposures	—	69,080	3
C.2 write-offs	—	—	—
C.3 collections	—	9,530	1,317
C.4 sales proceeds	—	—	—
C.5 losses on disposal	—	—	—
C.6 transfers to other categories of non- performing exposures	—	—	—
C.7 contractual changes without cancellations	—	—	—
C.8 other decreases	—	—	—
D. Closing balance (gross amount)	10,331	57,718	820
- of which: sold but not derecognized	—	—	—

A.1.9bis On-balance sheet exposures to customers: trend in gross forborne exposures, by credit quality

Reason/Category	Forborne non-performing exposures	Forborne performing exposures
A. Opening balance (gross amount)	136,708	87,406
- of which: sold but not derecognized	—	—
B. Increases	2,665	86,260
B.1 Inflows from not forborne performing exposures	—	6,712
B.2 Inflows from forborne performing exposures	—	X
B.3 Inflows from forborne non-performing exposures	X	69,080
B.4 Inflows from not forborne non-performing exposures	—	—
B.5 Other increases	2,665	10,468
C. Reductions	78,610	52,982
C.1 Outflows to not forborne performing exposures	X	18,762
C.2 Outflows to forborne performing exposures	69,080	X
C.3 Outflows to forborne non-performing exposures	X	—
C.4 Write-offs	—	—
C.5 Collections	9,530	30,874
C.6 Sales proceeds	—	—
C.7 Losses on disposal	—	—
C.8 Other decreases	—	3,346
D. Closing balance (gross amount)	60,763	120,684
- of which: sold but not derecognized	—	—

At 30 June 2022, forborne gross non-performing positions[2] fell from €136.7m to €60.8m; the coverage ratio increased from 48.2% to 72.6% and was reflected in the decrease in the net position from €70.9m to €16.6m.

Forborne performing positions had a gross value of €120.7m, an increase compared to the previous financial year (€87.4m), with a coverage ratio of 6.1% (3.5%); on a net basis, forborne performing positions amounted to €113.4m (€84.3m).

Overall, forborne non-performing positions concerned 0.1% (0.4%) of total loans to customers, while forborne performing positions 0.6% (0.5%).

A.1.11 Non-performing on-balance sheet exposures to customers: trend in overall adjustments

Reason/Category	**Bad loans**		**Unlikely to pay**		**Overdue exposures (NPLs)**	
	Total	**of which: forborne exposures**	**Total**	**of which: forborne exposures**	**Total**	**of which: forborne exposures**
A. Opening balance overall amount of writedowns	10,331	6,636	60,109	59,216	164	—
- *of which: sold but not derecognized*	—	—	—	—	—	—
B. Increases	—	—	19,380	19,000	126	—
B.1 Adjustments on purchased or originated credit impaired financial assets	—	X	—	X	—	X
B.2 other value adjustments	—	—	19,380	19,000	126	—
B.3 losses on disposal	—	—	—	—	—	—
B.4 transfers from other categories of non-performing exposures	—	—	—	—	—	—
B.5 contractual changes without cancellations	—	—	—	—	—	—
B.6 other increases	—	—	—	—	—	—
C. Decreases	—	—	40,802	40,716	85	—
C.1 write-backs from assessments	—	—	38,078	37,992	85	—
C.2 write-backs from recoveries	—	—	2,724	2,724	—	—
C.3 gains on disposal	—	—	—	—	—	—
C.4 write-off	—	—	—	—	—	—
C.5 transfers to other categories of non-performing exposures	—	—	—	—	—	—
C.6 contractual changes without cancellations	—	—	—	—	—	—
C.7 other decreases	—	—	—	—	—	—
D. Closing overall amount of writedowns	10,331	6,636	38,687	37,500	205	—
- *of which: sold but not derecognized*	—	—	—	—	—	—

[2] By definition, "forbearance" is when a specific concession is offered to a client which is undergoing, or which risks encountering, temporary financial difficulties in meeting their payment obligations.

A.2 Distribution of financial assets, loan commitments and financial guarantees issued by class of external and internal ratings

A.2.1 Distribution of financial assets, loan commitments and financial guarantees issued by class of external ratings (gross values)

Exposures	External rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost	995,092	3,034,778	33,470,716	895,206	29,804	—	13,575,098	52,000,694
- First Stage	995,092	3,034,778	33,470,716	895,206	23,115	—	13,283,796	51,702,703
- Second Stage	—	—	—	—	6,689	—	229,069	235,758
- Third Stage	—	—	—	—	—	—	62,233	62,233
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
B. Financial assets measured at fair value through other comprehensive income	1,198,513	3,033	1,850,598	398,042	98,471	—	334,543	3,883,200
- First Stage	1,198,513	3,033	1,850,598	324,023	98,471	—	334,543	3,809,181
- Second Stage	—	—	—	74,019	—	—	—	74,019
- Third Stage	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
C. Financial assets being sold	—	—	—	—	—	—	—	—
- First Stage	—	—	—	—	—	—	—	—
- Second Stage	—	—	—	—	—	—	—	—
- Third Stage	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
Total (A+B+C)	2,193,605	3,037,811	35,321,314	1,293,248	128,275	—	13,909,641	55,883,894
D. Commitments and financial guarantees given	331,729	859,234	9,313,710	1,642,612	330,995	752	7,127,730	19,606,762
- First Stage	331,729	859,234	9,313,710	1,530,733	225,717	752	6,910,587	19,172,462
- Second Stage	—	—	—	111,879	105,278	—	211,455	428,612
- Third Stage	—	—	—	—	—	—	5,688	5,688
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
Total (D)	331,729	859,234	9,313,710	1,642,612	330,995	752	7,127,730	19,606,762
Total (A+B+C+D)	2,525,334	3,897,045	44,635,024	2,935,860	459,270	752	21,037,371	75,490,656

The Bank has adopted Standard & Poor's ratings for all asset portfolios within the scope of the report.

The table is compliant with the classification provided by the Bank of Italy Circular No. 262/05 (sixth update), which requires external ratings to be divided into six different classes of credit quality.

The first three risk classes (classes 1, 2 and 3) consist of investment grade exposures, with a Standard & Poor's rating of between AAA and BBB-, and represent 94% of the entire portfolio, excluding unrated counterparties and non-performing loans.

Unrated exposures essentially relate to Private Banking customers, which are asset portfolios that are not rated by a third-party agency.

A.2.2 Distribution of financial assets, loan commitments and financial guarantees issued by class of internal ratings (gross values)

Exposures	Internal rating classes						Non-performing loans	Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6			
A. Financial assets measured at amortised cost	2,936,005	2,936,189	40,356,775	3,463,136	239,027	—	62,233	2,007,329	52,000,694
- First Stage	2,936,005	2,936,189	40,356,775	3,362,333	129,912	—	—	1,981,489	51,702,703
- Second Stage	—	—	—	100,803	109,115	—	—	25,840	235,758
- Third Stage	—	—	—	—	—	—	62,233	—	62,233
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
B. Financial assets measured at fair value through other comprehensive income	1,198,513	317,407	1,867,702	303,917	89,274	—	—	106,387	3,883,200
- First Stage	1,198,513	317,407	1,867,702	229,898	89,274	—	—	106,387	3,809,181
- Second Stage	—	—	—	74,019	—	—	—	—	74,019
- Third Stage	—	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
C: Financial assets being sold	—	—	—	—	—	—	—	—	—
- First Stage	—	—	—	—	—	—	—	—	—
- Second Stage	—	—	—	—	—	—	—	—	—
- Third Stage	—	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
Total (A+B+C)	4,134,518	3,253,596	42,224,477	3,767,053	328,301	—	62,233	2,113,716	55,883,894
D. Commitments and financial guarantees given	312,617	1,434,591	11,998,565	3,817,291	453,042	—	4,557	1,586,099	19,606,762
- First Stage	312,617	1,434,591	11,998,565	3,512,615	330,097	—	—	1,583,977	19,172,462
- Second Stage	—	—	—	304,676	122,945	—	—	991	428,612
- Third Stage	—	—	—	—	—	—	4,557	1,131	5,688
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
Total (D)	312,617	1,434,591	11,998,565	3,817,291	453,042	—	4,557	1,586,099	19,606,762
Total (A+B+C+D)	4,447,135	4,688,187	54,223,042	7,584,344	781,343	—	66,790	3,699,815	75,490,656

Mediobanca uses models developed internally in the process of managing credit risk to assign ratings to each counterparty.

The models' different rating scales are mapped against a single Group master scale consisting of six different rating classes based on the underlying probability of default (PD) attributable to the S&P master scale.

A.3 Distribution of secured exposures by type of security

A.3.1 On- and off-balance sheet secured exposures to banks

	Gross exposures	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
			Property mortgages	Property finance leases	Titoli	Other collateral guarantees	Credit derivatives					Unsecured loans				
							CLN	Other derivatives				Public administrations	Bank	Other financial companies	Other subjects	
								Central counterparts	Banks	Other financial companies	Other subjects					
1. Secured balance sheet credit exposures:	2,200,305	2,200,271	—	—	2,147,305	—	—	—	—	—	—	—	—	—	—	2,147,305
1.1 totally secured	1,900,213	1,900,180	—	—	1,847,305	—	—	—	—	—	—	—	—	—	—	1,847,305
- *of which non-performing*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2. partially secured	300,092	300,091	—	—	300,000	—	—	—	—	—	—	—	—	—	—	300,000
- *of which non-performing*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off-balance sheet credit exposures:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.1 totally secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- *of which non-performing*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2. partially secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- *of which non-performing*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.3.2 On- and off-balance sheet secured exposures to customers

	Gross exposures	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
			Property mortgages	Property finance leases	Securities	Other collateral guarantees	Credit derivatives					Unsecured loans				
							CLN	Other derivatives				Public admi-nistration	Banks	Other financial companies	Other subjects	
								Central counterparts	Banche	Other financial companies	Other subjects					
1. Secured balance sheet credit exposures:	5,561,085	5,505,899	364,119	—	2,170,929	1,441,847	—	—	—	—	—	90,425	9,000	241,578	585,735	4,903,633
1.1 totally secured	4,374,311	4,362,108	233,603	—	2,139,917	1,436,252	—	—	—	—	—	16,423	—	95,323	327,110	4,248,628
- of which non-performing	*4,111*	*2,905*	*2,106*	—	*286*	*512*	—	—	—	—	—	—	—	—	—	*2,904*
1.2. partially secured	1,186,774	1,143,791	130,516	—	31,012	5,595	—	—	—	—	—	74,002	9,000	146,255	258,625	655,005
- of which non-performing	*54,127*	*16,627*	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off-balance sheet credit exposures:	1,071,436	1,068,670	—	—	175,870	473,237	—	—	—	—	—	—	—	121,473	225,293	995,873
2.1 totally secured	859,794	857,852	—	—	146,152	473,237	—	—	—	—	—	—	—	60,555	125,406	805,350
- of which non-performing	*1,432*	*1,432*	—	—	*581*	*851*	—	—	—	—	—	—	—	—	—	*1,432*
2.2. partially secured	211,642	210,818	—	—	29,718	—	—	—	—	—	—	—	—	60,918	99,887	190,523
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

B. Exposures distribution and concentration

B.1 Distribution of on- and off-balance sheet exposures to customers by sector

Exposures/Counterparts	Public administrations		Financial corporations		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance sheet credit exposures										
A.1 Bad loans	—	—	—	(8,672)	—	—	—	(1,659)	—	—
- *of which: forborne exposures*	—	—	—	*(6,636)*	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	2,106	(894)	—	—	16,627	(37,500)	298	(293)
- *of which: forborne exposures*	—	—	—	—	—	—	*16,627*	*(37,500)*	—	—
A.3 Overdue exposures (NPLs)	—	—	54	(89)	—	—	18	(44)	543	(72)
- *of which: forborne exposures*	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	8,278,411	(2,472)	11,754,164	(13,564)	1,131,673	(1,273)	10,745,813	(37,945)	816,169	(832)
- *of which: forborne exposures*	—	—	—	—	—	—	*104,230*	*(6,704)*	*9,143*	*(607)*
Total (A)	8,278,411	(2,472)	11,756,324	(23,219)	1,131,673	(1,273)	10,762,458	(77,148)	817,010	(1,197)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	4,557	—	1,431	—
B.2 Performing exposures	2,762,663	(55)	10,416,379	(6,204)	995,604	(130)	15,817,713	(38,473)	461,413	(5)
Total (B)	2,762,663	(55)	10,416,379	(6,204)	995,604	(130)	15,822,270	(38,473)	462,844	(5)
Total (A+B) 30/6/2022	11,041,074	(2,527)	22,172,703	(29,423)	2,127,277	(1,403)	26,584,728	(115,621)	1,279,854	(1,202)
Total (A+B) 30/6/2021	11,379,982	(5,588)	20,727,366	(43,946)	2,818,065	(5,138)	22,028,320	(153,670)	1,189,663	(1,343)

B.2 Distribution of on- and off-balance sheet exposures to customers by geography

Exposures / geographical area	Italy		Others European countries		America		Asia		Rest of the world	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance sheet credit exposures										
A.1 Bad loans	—	(10,331)	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	2,405	(1,186)	16,626	(37,501)	—	—	—	—	—	—
A.3 Overdue exposures (NPLs)	611	(202)	4	(3)	—	—	—	—	—	—
A.4 Performing exposures	23,413,220	(43,768)	7,405,268	(10,998)	775,608	(47)	—	—	461	—
Total (A)	23,416,236	(55,487)	7,421,898	(48,502)	775,608	(47)	—	—	461	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	1,431	—	—	—	—	—	4,557	—	—	—
B.2 Performing exposures	10,077,827	(8,461)	16,603,819	(23,434)	1,561,955	(12,837)	1,210,626	(5)	3,941	—
Total (B)	10,079,258	(8,461)	16,603,819	(23,434)	1,561,955	(12,837)	1,215,183	(5)	3,941	—
Total (A+B) 30/6/2022	33,495,494	(63,948)	24,025,717	(71,936)	2,337,563	(12,884)	1,215,183	(5)	4,402	—
Total (A+B) 30/6/2021	31,292,836	(124,804)	21,234,391	(62,345)	1,700,583	(14,523)	1,093,695	(2,875)	3,826	—

B.3 Distribution of on- and off-balance sheet exposures to banks by geography

Exposures / geographical area	Italy		Others European countries		America		Asia		Rest of the world	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance sheet credit exposures										
A.1 Bad loans	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
A.3 Overdue exposures (NPLs)	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	27,537,164	(20,404)	8,869,260	(5,082)	59,378	(7)	659	(2)	1	—
Total (A)	27,537,164	(20,404)	8,869,260	(5,082)	59,378	(7)	659	(2)	1	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	—	—	—	—
B.2 Performing exposures	2,374,863	(17)	16,814,119	(1,938)	—	—	—	—	19	—
Total (B)	2,374,863	(17)	16,814,119	(1,938)	—	—	—	—	19	—
Total (A+B) 30/6/2022	29,912,027	(20,421)	25,683,379	(7,020)	59,378	(7)	659	(2)	20	—
Total (A+B) 30/6/2021	23,450,854	(22,914)	22,409,385	(7,615)	335,125	(72)	780	(4)	1	—

B.4a Credit risk indicators

	30/6/2022	30/6/2021
a) Gross bad loans/total loans	0.04%	0.04%
b) Non-performing accounts receivable / on-balance sheet credit exposures	0.22%	0.50%
c) Net bad loans/regulatory capital	—	—

B.4b Large exposures

	30/6/2022	30/6/2021
a) Book value	17,547,165	14,207,775
b) Weighted value	12,925,854	11,926,588
c) Number of positions	24	18

At the end of the period, exposures (including market risks and equity investments) exceeding 10% of Tier 1 Regulatory Capital regarded twenty-four groups of customers (six more than in the previous financial year) for a gross exposure of €17.5bn (€12.9bn taking into account guarantees and weightings), an increase compared to June 2021 (€14.2bn and €11.9bn, respectively). In detail, the twenty-four positions concerned nine industrial groups, two financial companies, one insurance company, one mutual fund and eleven banking groups.

C. Securitization

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The Bank's portfolio is concentrated on the Group's senior securitizations (€1,206.6m in Quarzo bonds, a transaction with underlying Compass Banca performing loans), virtually unchanged compared to 30 June 2021 (€1,196.7m).

The Bank holds a securities portfolio that derives from third-party securitizations of €1,219.1m, of which €1,021.2m as part of the banking book and €197.9m as part of the trading book (respectively €231.2m and €55.4m in June 2021).

On the ABS market the trend of a widening spread continued also during the second half of 2022, in line with the general market performance, which continued to suffer from the joint impact of the economic slowdown due to the conflict in Ukraine and the rate normalization by central banks.

In a context of scarce liquidity, the secondary market showed a further expansion, partly due to minor interventions on the part of the ECB, which will only concern the reinvestment of maturities as of next July. The primary market remained closed for all practical purposes for the entire quarter from April to June due to volatility on the credit market and the worsening economic conditions for issuers, who continued to structure / retain transactions and seek alternative financing sources in the short term while awaiting the macro situation to clear up.

Although the ABS product, at a floating rate by nature, offers greater protection against interest rate hikes, the prolongation of a recession could have an impact on performance and consequently on the delinquency rate of transactions, leading to a re-pricing of the cost of the instrument in the coming months, especially in view of the banks' T-LTRO refinancing.

The banking book stood at €1,021.2m (€231.2m in June 2021) mainly due to the subscription to the senior tranche of a securitization (€675.5m) whose underlying was a portfolio of non-performing loans originated from an Italian bank (A2 Moody's and Alow DBRS ratings) and which benefited from the Guarantee on the Securitization of Non-Performing Loans (GACS), of which €400m recorded in the Held To Collect portfolio and the remainder in the Held To Collect & Sell portfolio. CLO positions amounted to €261.2m (€155.2 in June 2021) due to the subscription to six new senior European corporate loan transactions (€150.9m) and the sale of two loans; the performing portion in the portfolio amounted to €56.4m, of which €45.8m relating to a UK performing position. The portion of junior securities remained decidedly contained (€0.5m), while the portion of mezzanine tranches decreased from €15.6m to €3.5m. The difference between book value (amortized cost) and fair value (taken from market platforms) amounted to €11.5m.

The trading book stood at €197.9m (€55.4m in June 2021): the senior portion amounted to €143.3m (€29.2m in June 2021), of which €100m in a Transferable Custody Receipt[1] transaction. The mezzanine portion grew from €26.2m to €51.8m, of which CLO (€29.6m) and two tranches of Italian Consumer Banking ABS on salary-backed loans (€22.2m).

[1] The Bank signed a note issued by the custodian bank in which three CLO positions (with underlying European corporate loans) purchased by Mediobanca and some financial guarantees on the same CLOs with which the Bank purchased hedging had been contributed in the form of a trust; TCR pays out principal and interest of the underlying CLOs after the premium of financial guarantees.

Mediobanca also has an exposure to:

- *Cairn Loan Investments LLP*,[2] a Cairn-branded CLO management company which, in order to comply with the prudential regulations (Article 405 of Regulation (EU) 585/2013), invests in the junior tranches of the CLOs it manages, with a subscribed gross investment of €30m; During the year under review, the equity investment in CLI Holdings II was reclassified from the IFRS 9 accounting category Measured Mandatorily at Fair Value through Profit or Loss to an investment pursuant to IAS 28 following the increase in the share and related status as Qualifying Noteholder;
- *Italian Recovery Fund*, a closed-end alternative investment fund (AIF) incorporated under Italian law and managed by DeA Capital SGR S.p.A. which is currently invested in five securitizations (Valentine, Berenice, Cube, Este and Sunrise I) with Italian banks' NPLs as the underlying instrument; the €30m commitment has to date been drawn as to €29m;
- *Negentropy RAIF – Debt Select Fund*, an alternative investment fund instituted under Luxembourg law and managed by Negentropy Capital Partners Limited, for which Mediobanca has acted as advisor; the fund has senior tranches of Italian NPLs as the underlying instrument, with an aggregate NAV of €115.8m, €70.6m of which refer to Mediobanca investment.

[2] At 30 June, as stated in the disclosure on structured entities not consolidated in accounting terms, the holdings in CLI H I were booked in the amount of €18.8m, while those in CLI H II, a consolidated investment using the equity method pursuant to IAS 28, in the amount of €41.8m.

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C.2 Exposures from main customer securitizations by asset type/ exposure

Type of securitized assets/ Exposure	Cash exposure					
	Senior		*Mezzanine*		*Junior*	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Italy NPLs (residential mortgages and real estates)	704,313	(3,690)	—	(495)	—	(350)
B. Italy Consumer ABS	6,723	(18)	22,198	(182)	—	—
C. Netherlands Performing Loans	5,676	—	984	—	459	(18)
D. UK Performing Loans	45,781	—	—	—	—	—
E. Germany Consumer ABS	19,971	(15)	—	—	—	—
F. Spain Consumer ABS	—	—	—	—	2,726	(34)
G. Other Group company loans	1,206,634	—	—	—	—	—
H. Other loans	378,302	(554)	32,149	(3,654)	—	—
Total at 30/6/22	2,367,400	(4,277)	55,331	(4,331)	3,185	(402)
Total at 30/6/21	1,440,963	86	41,806	(507)	524	54

C.4 Non-consolidated securitization vehicles

This information is omitted herein as it has already been provided in the consolidated Notes to the Accounts.

D. Information on structured entities not consolidated in accounting terms (other than securitization vehicles)

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This information is omitted herein as it has already been provided in the consolidated Notes to the Accounts.

QUANTITATIVE INFORMATION

This information is omitted herein as it has already been provided in the consolidated Notes to the Accounts.

E. Disposals

A. Financial assets sold but not entirely derecognized

E.1 Financial assets sold entirely recognized and related financial liabilities: book values

	Financial assets sold as a whole				Associated financial liabilities		
	Book value	of which: subject to securitization transactions	of which: - subject to sale contracts with repurchase	of which non-performing	Book value	of which: subject to securitization transactions	of which: subject to sale contracts with repurchase
A. Financial assets held for trading	2,324,398	—	2,324,398	X	2,159,719	—	2,159,719
1. Debt securities	1,798,008	—	1,798,008	X	1,636,327	—	1,636,327
2. Equity securities	526,390	—	526,390	X	523,392	—	523,392
3. Loans	—	—	—	X	—	—	—
4. Derivatives	—	—	—	X	—	—	—
B. Other financial assets mandatorily measured at fair value	—	—	—	—	—	—	—
1. Debt securities	—	—	—	—	—	—	—
2. Equity securities	—	—	—	X	—	—	—
3. Loans	—	—	—	—	—	—	—
C. Financial assets designated at fair value	—	—	—	—	—	—	—
1. Debt securities	—	—	—	—	—	—	—
2. Loans	—	—	—	—	—	—	—
D. Financial assets measured at fair value through other comprehensive income	1,610,176	—	1,610,176	—	1,204,843	—	1,204,843
1. Debt securities	1,610,176	—	1,610,176	—	1,204,843	—	1,204,843
2. Equity securities	—	—	—	X	—	—	—
3. Loans	—	—	—	—	—	—	—
E. Financial assets measured at amortized cost	1,124,625	—	1,124,625	—	833,960	—	833,960
1. Debt securities	1,111,818	—	1,111,818	—	814,551	—	814,551
2. Loans	12,807	—	12,807	—	19,409	—	19,409
Total 30/6/2022	5,059,199	—	5,059,199	—	4,198,522	—	4,198,522
Total 30/6/2021	1,754,293	—	1,754,293	—	1,693,915	—	1,693,915

E.3 Disposals related to financial liabilities with repayment exclusively based on assets sold and not fully derecognized: fair value

	Fully booked	Partially booked	Total	
			30/6/2022	30/6/2021
A. Financial assets held for trading	2,324,398	—	2,324,398	1,672,058
1. Debt securities	1,798,008	—	1,798,008	1,218,067
2. Equity securities	526,390	—	526,390	453,991
3. Loans	-	—	—	—
4. Derivatives	-	—	—	—
B. Other financial assets mandatorily measured at fair value	-	—	—	—
1. Debt securities	-	—	—	—
2. Equity securities	-	—	—	—
3. Loans	-	—	—	—
C. Financial assets designated at fair value	-	—	—	—
1. Debt securities	-	—	—	—
2. Loans	-	—	—	—
D. Financial assets measured at fair value through other comprehensive income	1,610,176	—	1,610,176	28,280
1. Debt securities	1,610,176	—	1,610,176	28,280
2. Equity securities	-	—	—	—
3. Loans	-	—	—	—
E. Financial assets measured at amortized cost (fair value)	1,125,726	—	1,125,726	68,627
1. Debt securities	1,112,925	—	1,112,925	12,293
2. Loans	12,801	—	12,801	56,334
Total financial assets	5,060,300	—	5,060,300	1,768,965
Total associated financial liabilities	4,955,110	—	X	X
Net value 30/6/2022	105,190	—	5,060,300	X
Net value 30/6/2021	64,507	—	X	1,768,965

F. Models for managing credit risk

The Mediobanca Group uses the IRB Advanced method (PD and LGD parameters) in order to quantify the capital requirement for credit risk on the Corporate loan book. A plan has also been adopted to progressively roll out the internal models to cover other categories of credit asset as well (the "Roll-Out Plan"). For these exposures, for which the standardized methodology is currently used to calculate the regulatory capital requirements, the Bank has nonetheless developed internal credit risk models that are used for management purposes. The Bank has also adopted a portfolio model in order to calculate the economic capital for credit risk, which enables geographical and sector concentration and diversification effects to be factored in. For further details please see "Section 1.1 Credit risk" in Part E of the Notes to the Accounts.

2. MARKET RISKS

2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING PORTFOLIO

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The operating exposure to market risks generated by the positions held as part of the trading portfolio are measured and monitored, and operating earnings are calculated, on a daily basis principally through use of the following indicators:

- Sensitivity – mainly Delta and Vega – to the principal risk factors (interest rates, share prices, exchange rates, credit spreads, inflation and volatility, dividends, correlations, etc.); sensitivity analysis shows the increase or decrease in the value of financial assets and derivatives to local changes in these risk factors, providing a static representation of the market risk of the trading portfolio;
- Value-at-risk calculated using a weighted historical simulation method with scenarios updated daily, assuming a liquidation horizon of one business day and a confidence level of 99%.

Thresholds are monitored daily through VaR and sensitivity analyses to ensure compliance with operating limits, managing the risk appetite established by the Bank for its trading book and, in case of VaR, also to evaluate the robustness of the model through back-testing. The expected shortfall on the set of positions subject to VaR calculation is also calculated daily by means of historical simulation; this represents the average potential losses over and beyond the level of confidence for the VaR. Stress tests are also carried out daily (on specific positions) and monthly (on the entire portfolio) concerning the main risk factors to show the impact which more substantial movements in the main market variables might have (e.g. share prices and interest or exchange rates) calibrated on the basis of extreme changes in market variables.

Other complementary and more specific risk metrics are also calculated in order to assess risks not fully measured by VaR and sensitivity analyses. The weight of products which require such metrics to be used is in any case extremely limited compared to the overall size of Mediobanca’s trading portfolio.

The financial year was marked by a general increase in volatility on all major related asset classes mainly linked to the effects of the COVID-19 pandemic and to the war between Russia and Ukraine.

In this regard, the effects of the pandemic were still persistent due to the slow reconstruction of production chains and for the persistent “zero-Covid” policy in China, which imposes strict, total closures at the first appearance of a Covid case. The shocks on the supply side arising from the Russian - Ukrainian war, particularly felt in Europe, should be added to this. The reaction in terms of economic policies in the US and in the EU, based on support for aggregate demand, led to inflationary hikes, initially interpreted as transitory.

The inflation rate and the possible persistence of inflationary pressures that had started in late 2021 led to a reaction on the part of central banks, with a generalized rise in rates in the Western world, which was as quick and significant as it was late. On the interest rate market, this entailed a significant rise and the volatility of forward rates. Equity markets reported a constant decline in the second half of the year, while prices of commodities continued to remain high and highly volatile.

In conjunction with the worsening of the war, some breaches of Stop Loss limits and VaR limits were recorded.

The Value-at-Risk of the Trading aggregate fluctuated over the year under review between a minimum of €3.6m at the beginning of January and a maximum of €11.8m at the beginning of May. The average figure (€6.1m) was 46% higher than in the previous year (€4.2m). After the peak recorded in May, the VaR figure remained very volatile in June, levelling off at an average value of €6.2m.

The trend in Value-at-Risk may be essentially explained by the positions in put-and-call options sold with American short rate futures as underlying, by the outright positions in bonds and futures on core-Euro government bonds and finally by the growing business of mark-to-market equity-linked certificates, to which investment transactions in securities, mainly financial, are linked to hedge their own credit risk (DVA).

Equally, the Expected shortfall shows an average figure higher than the previous financial year (€8.2m against €5.5m).

Daily back-testing results (based on the comparison with the theoretical Profits and Losses), during the twelve-month observation period, showed six cases of deviation from the VaR. The first breach occurred at the end of November when the stock markets recorded downward changes due to the rapid spread of the Omicron variant; three breaches occurred between the end of February and the beginning of March when the Russia-Ukraine conflict escalated with a strong impact on stock markets and government rates. Finally, the last two breaches occurred in June due to an increase in US risk-free interest rates.

Tab.1: Value-at-risk and Expected Shortfall: trading portfolio

(€ '000)

Risk factors	**FY 2021-2022**				**2020-2021**
	30 June	**Min**	**Max**	**Avg**	**Avg**
Interest rates	7,006	948	10,359	2,735	1,886
Credit	3,115	850	3,558	1,532	1,411
Equities	6,935	1,810	8,198	3,817	3,412
Exchange rates	1,147	225	2,655	633	671
Inflation	94	25	314	140	502
Volatility	6,286	1,415	6,286	3,421	2,820
Diversification effect*	(15,894)	(1,569)	(15,894)	(6,170)	(6,521)
Total	8,689	3,660	11,838	6,109	4,181
Expected Shortfall	***12,383***	***4,176***	***27,194***	***8,190***	***5,482***

* Associated with a less-than-perfect correlation between risk factors.

Apart from the general VaR limit on aggregate trading positions, a system reflecting a greater degree of granularity for the individual trading desks is also in place. Each desk also has limits in terms of sensitivities to changes in the various risk factors (1 basis point for interest rates and credit spreads, 1 percentage point for equities, exchange rates and share volatility), which are monitored daily. A greater sensitivity to interest rates (US and Euro area) for about €68,000 / 1 bp, an increase in sensitivity to the implicit volatility of the equity market for €940,000 / 1% and an increase in sensitivity to exchange rates for around €300,000 / 1% were recorded in comparison with the previous financial year.

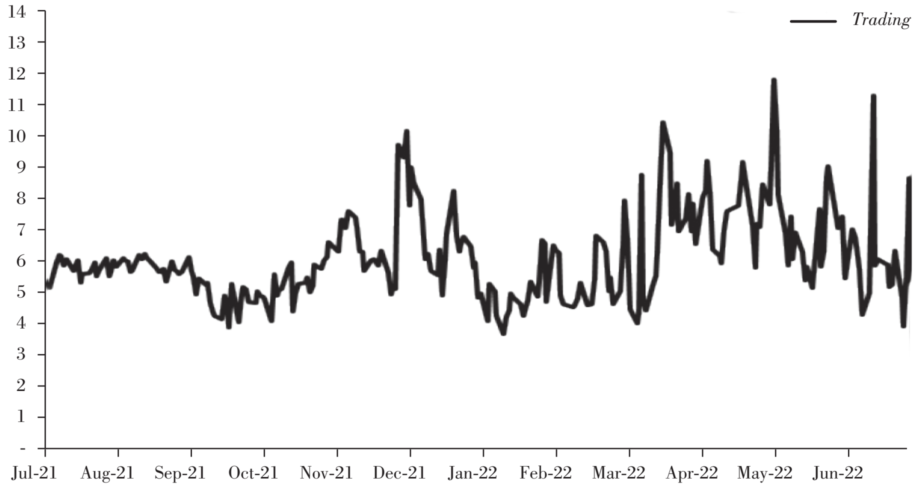
Tab. 2: Summary of trend in main sensitivities of trading portfolio

(€ '000)

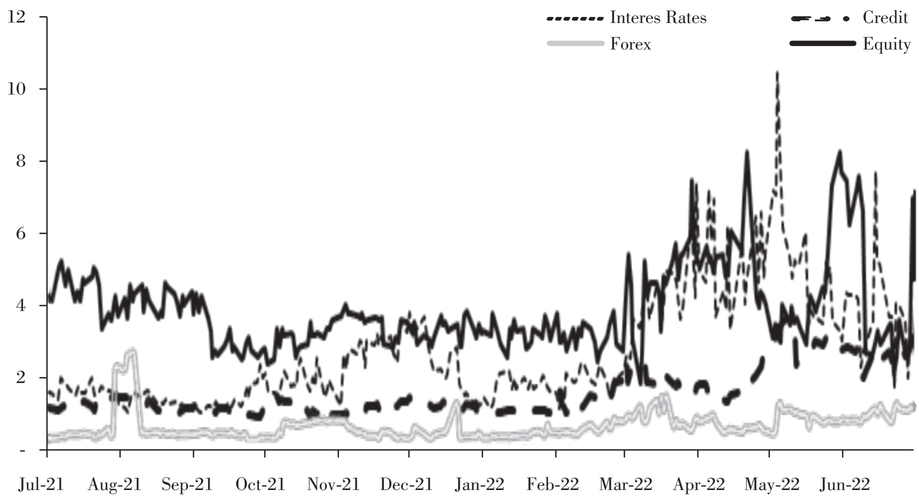
Risk factors	**FY 2021-2022**				**FY 2020-2021**
	30 June	**Min**	**Max**	**Avg**	**Avg**
Equity delta (+1%)	501,472	(750,743)	1,159,690	318,529	(180,824)
Equity vega (+1%)	1,980,544	894,170	2,926,993	1,438,665	991,177
Interest rate delta (+1 bp)	185,385	(686,558)	491,604	82,913	189,395
Inflation delta (+1 bp)	3,754	(9,961)	14,258	2,210	50,020
Exchange rate delta (+1%)*	555,891	97,865	1,180,243	427,898	325,897
Credit delta (+1 bp)	497,696	(367,073)	1,029,787	514,646	584,124

* Refers to the Euro gaining versus other currencies.

Trends in VaR of trading portfolio



Trends in VaR constituents (Trading)



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1. Regulatory trading portfolio: distribution by residual maturity (repricing date) of financial cash assets and liabilities and financial derivatives

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	271	501,883	382,413	825,574	1,371,874	340,278	589,003	—
1.1 Debt securities	271	501,883	382,413	825,574	1,371,874	340,278	589,003	—
- with early redemption option	—	—	—	—	—	—	—	—
- others	271	501,883	382,413	825,574	1,371,874	340,278	589,003	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	783	379,720	8,664	762,863	1,913,604	293,402	138,607	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	783	379,720	8,664	762,863	1,913,604	293,402	138,607	—
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ Long positions	—	—	—	—	956,975	—	—	—
+ Short positions	—	—	—	—	956,975	—	—	—
– Other derivatives								
+ Long positions	—	563,503	71,578	—	277,076	—	—	—
+ Short positions	—	563,503	71,578	—	277,076	—	—	—
3.2 Without underlying securities								
– Options								
+ Long positions	—	103,982,529	140,274,688	952,092	7,872,333	1,890,465	—	—
+ Short positions	—	103,982,529	140,274,688	952,092	7,872,333	1,890,465	—	—
– Other derivatives								
+ Long positions	1,977,398	41,975,406	12,945,834	18,023,700	31,635,184	7,415,233	9,210,184	—
+ Short positions	2,237,398	49,481,705	15,690,665	7,512,571	31,635,184	7,415,233	9,210,184	—

2. Regulatory trading portfolio: cash exposures in equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities[1]			
A.1 Shares	1,619,624	—	274,971
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	—
B. UCITS units			
B.1 Under Italian law	—	—	298
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	298
- reserved	—	—	—
- speculative	—	—	—
B.2 Under other EU states law	802	—	—
- harmonized	549	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	253	—	—
B.3 Under non-EU states law	—	—	—
- open	—	—	—
- closed	—	—	—
Total	1,620,426	—	275,269

[1] Mismatch between trading assets and technical shortfalls booked as trading liabilities: over 75% of the net exposure is related to EU member states.

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

Mediobanca monitors and manages interest rate risk through sensitivity testing of net interest income and economic value. The former quantifies the impact of parallel and simultaneous shocks in the interest rate curve on current earnings, divided by currency. In this testing, the asset stocks are maintained constant, renewing the items falling due with the same financial characteristics and assuming a time horizon of twelve months.

Conversely, the sensitivity of economic value measures the impact of future flows on the current value in the worst-case scenario of those contemplated in the Basel Committee guidelines (BCBS).

All the scenarios present a floor set by the EBA guidelines (EBA/GL/2018/02) at minus -1% on the demand maturity with linear progression up to 0% at the twenty-year maturity.

For both sensitivities, balance sheet items have been treated based on their contractual profile, except for the items related to the other Group's companies used to transfer the interest rate risk of retail customers' current accounts (previously considered according to behavioural models).

To determine the discounted value of cash flows, various benchmark curves have been used, based on the value date on which the balance sheet item itself is traded (multi-curve). The credit component has been stripped out of the cash flows for the economic value sensitivity only.

With reference to the Bank's banking book positions at 30 June, net interest income would undergo no negative changes in any rate scenarios.

As for the analysis of the discounted value of future cash flows of the banking book, in a shock flattener scenario the discounted value of the future cash flows would reduce by €88m (30/6/21: €90m).

The sensitivity of interest income is particularly low also considering scenarios closer to those that usually occur on the market and removing the floor on rates imposed by the aforementioned EBA guidelines. Four scenarios were considered:

– Soft Steep is a scenario in which the curve rotates around the 4-year rate, falling at short-term points and rising at medium-long term points (for average changes of about 10 basis points);
– Soft Flat is a scenario in which the curve rotates around the 4-year rate, rising at short-term points and falling at medium-long term points (for average changes of about 10 basis points);
– +10 bps is a scenario where the curve moves in parallel upwards by 10 basis points;
– -10 bps is a scenario where the curve moves in parallel downwards by 10 basis points.

Hedging

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of certain financial risk factors (interest rate, exchange rate, credit or some other risk parameter) through the gains that may be realized on a hedging instrument that is capable of offsetting changes in fair value or cash flows of the hedged instrument. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).[3]

A. Fair value hedging

Fair value hedges are used to neutralize the effects of exposure to interest rate, price or credit risk relating to specific asset or liability positions, by entering into derivative contracts with leading market counterparties that have a high credit standing. In particular, with regard to interest rate risk, mainly fixed-rate, zero-coupon and structured bond issues were subject to fair value hedging. If structured bond issues do not present risks related to the main risk, they are broken down into the interest rate component (hedged) and other risks that are represented in the trading book and are usually covered by external positions of an opposite sign.

Fair value hedges are used by the Parent Company to hedge fixed-rate transactions involving corporate loans and securities measured at fair value through other comprehensive income or measured at amortized cost and to mitigate the price risk of equity investments recognized in the portfolio of assets measured at fair value through other comprehensive income. Lastly, homogeneous portfolios of fixed-rate mortgage loans granted by CheBanca! are also covered.

[3] This target is maintained even in the presence of hedging contracts with market counterparties with which netting agreements and CSAs (collateralized standard agreements) have been entered into and whose valuation is carried out at Eonia interest rates.

B. Cash flow hedging

This type of hedge is used chiefly as part of certain Group companies' operations (in particular those operating in consumer credit and leasing) where the numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform these positions into fixed-rate positions, correlating the relevant cash flows with investments. Normally, the Group uses derivatives to fix the expected cost of deposits over the reference period to cover floating-rate loans in place and future transactions linked to systematic renewals of such loans upon expiry.

Counterparty risk

Counterparty risk generated by market transactions with institutional customers or counterparties is measured in terms of expected potential future exposure. With regard to derivatives and short-term loan collateralization products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% likelihood) at various points in time up to 30 years. The scope of application regards all groups of counterparties which have relations with the Institute, taking into account the presence of netting (e.g. ISDA, GMSLA or GMRA) and collateralization agreements (e.g. CSA), if any, plus exposures deriving from interbank market transactions. For these three types of transactions, different exposure limits are granted to each counterparty and/or group subject to internal analysis and approval by the Lending and Underwriting Committee.

For derivatives transactions, as required by IFRS 13, the fair value incorporates the effects of the counterparty's credit value adjustment (CVA) and Mediobanca's debit value adjustment (DVA) based on the future exposure profile of the aggregate of such contracts in place.

QUANTITATIVE INFORMATION

1. Banking book by outstanding maturity (repricing date) of financial assets and liabilities

Type/residual duration	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	8,066,521	34,025,498	4,555,537	2,382,078	6,720,282	1,627,123	503,257	—
1.1 Debt securities	—	2,644,872	604,934	1,760,068	3,788,688	943,538	375,609	—
- with early redemption option	—	—	—	—	—	—	—	—
- others	—	2,644,872	604,934	1,760,068	3,788,688	943,538	375,609	—
1.2 Loans to banks	4,809,355	20,168,574	897,323	182,588	1,239,696	128,792	111,044	—
1.3 Loans to customers	3,257,166	11,212,052	3,053,280	439,422	1,691,898	554,793	16,604	—
- current accounts	1,241,941	—	—	—	—	—	—	—
- other loans	2,015,225	11,212,052	3,053,280	439,422	1,691,898	554,793	16,604	—
- with early redemption option	—	—	—	—	—	—	—	—
- others	2,015,225	11,212,052	3,053,280	439,422	1,691,898	554,793	16,604	—
2. Cash liabilities	30,151,648	8,515,026	1,437,643	4,274,407	16,092,673	2,337,742	915,717	—
2.1 Due to customers	8,509,898	690,641	—	257,076	1,969,946	48,624	37,392	—
- current accounts	7,166,620	—	—	—	—	—	—	—
- other liabilities	1,343,278	690,641	—	257,076	1,969,946	48,624	37,392	—
- with early redemption option	—	—	—	—	—	—	—	—
- others	1,343,278	690,641	—	257,076	1,969,946	48,624	37,392	—
2.2 Due to banks	21,640,813	4,246,417	513,296	771,122	8,395,319	32,459	277,358	—
- current accounts	20,220,513	—	—	—	—	—	—	—
- other liabilities	1,420,300	4,246,417	513,296	771,122	8,395,319	32,459	277,358	—
2.3 Debt securities	937	3,577,968	924,347	3,246,209	5,727,408	2,256,659	600,967	—
- with early redemption option	—	—	—	—	—	—	—	—
- others	937	3,577,968	924,347	3,246,209	5,727,408	2,256,659	600,967	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
- with early redemption option	—	—	—	—	—	—	—	—
- others	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others								
+ long positions	—	242,548	—	—	—	—	—	—
+ short positions	—	242,548	—	—	—	—	—	—
3.2 Without underlying securities								
– Options								
+ long positions	—	—	47,592	233,617	904,588	41,531	918,809	—
+ short positions	—	—	47,592	233,617	904,588	41,531	918,809	—
– Others								
+ long positions	731,597	15,061,522	6,514,707	11,506,166	7,024,035	2,963,425	12,500	—
+ short positions	963,194	30,205,547	973,671	1,671,580	7,024,035	2,963,425	12,500	—
4. Other OTC trades								
+ long positions	2,997,768	3,116,435	283,168	1,283,069	8,083,408	2,132,586	656,039	—
+ short positions	2,745,081	2,420,595	356,157	2,051,406	8,152,878	1,953,128	873,229	—

2. Banking book: cash exposures in equities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equities[1]			
A.1 Shares	115,397	—	143,806
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	242,000
B. UCITS units			
B.1 Under Italian law	11,345	—	121,111
- harmonized open	7,489	—	—
- non-harmonized open	—	—	—
- closed	—	—	117,924
- reserved	—	—	—
- speculative	3,856	—	3,187
B.2 Under other EU states law	226,286	—	222,327
- harmonized	—	—	—
- non-harmonized open	—	—	70,631
- non-harmonized closed	226,286	—	151,696
B.3 Under non-EU states law	—	—	—
- open	—	—	—
- closed	—	—	—
Total	353,028	—	729,244

[1] Of which 47% Italian and 53% other EU member states

2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques of exchange rate risk

B. Exchange rate risk hedging

The trend in the exchange rate component of VaR shown in the paragraph "1.2.1 Interest rate risk and price risk" is an effective representation of changes in the risks taken on the forex market, because exposure to exchange rate risk is managed globally.

The exchange rate effect on the Bank's investment in RAM (CHF) has been hedged by means of a deposit (liability) up to an amount of €150m, so the change in the fair value in relation to the exchange rate for the portion of the instrument to be hedged is recorded under profit and loss account Heading 90 "Net hedging gains (losses)" to hedge the change in the exchange rate on the investment, while the remaining fair value is recorded under Heading 80, "Net trading gains (losses)".

QUANTITATIVE INFORMATION

1. Assets, liabilities and derivatives by currency

Items	Currencies					
	US Dollar	**Great Britain Pound**	**Japanese Yen**	**Swedish Krona**	**Swiss Franc**	**Other currencies**
A. Financial assets	3,772,557	1,097,349	2,873	40,045	371,205	59,966
A.1 Debt securities	903,885	48,603	—	—	121,904	—
A.2 Equity securities	348,886	653,964	—	534	20,037	1,688
A.3 Due from banks	1,875,320	322,343	2,865	3,772	229,262	30,628
A.4 Due from customers	471,231	72,389		35,732	2	27,613
A.5 Other financial assets	173,235	50	8	7	—	37
B. Other assets	—	—	—	—	—	—
C. Financial liabilities	3,598,009	947,492	48,732	11,632	258,038	40,974
C.1 Due to banks	1,473,755	932,209	3	11,626	250,612	40,507
C.2 Due to customers	397,683	184	—	6	—	460
C.3 Debt securities in issue	1,550,871	14,062	48,716	—		—
C.4 Other financial liabilities	175,700	1,037	13	—	7,426	7
D. Other liabilities	—	—	—	—	—	—
E. Financial derivatives						
- Options						
+ Long positions	171,582	61,856	3,980	501	14,772	1,344
+ Short positions	235,594	81,137	4,617	—	18,930	4,335
- Other derivatives						
+ Long positions	7,915,868	1,100,974	252,133	46,580	1,229,153	235,213
+ Short positions	8,030,337	1,277,410	169,578	65,725	1,388,653	246,426
Total assets	11,860,007	2,260,179	258,986	87,126	1,615,130	296,523
Total liabilities	11,863,940	2,306,039	222,927	77,357	1,665,621	291,735
Difference (+/-)	(3,933)	(45,860)	36,059	9,769	(50,491)	4,788

2. Internal models and other methodologies used for sensitivity analysis

During the year under review, and in particular in June, there was an appreciation of the US Dollar against the Euro; the appreciation was approximately 13%. The overall Forex VaR remained relatively stable at €800,000.

3 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

3.1 TRADING DERIVATIVES

A. Financial derivatives

A.1 Trading financial derivatives: reporting-date notional value

Underlying assets / Type of derivatives	30/6/2022				30/6/2021			
	Over the counter			Established markets	*Over the counter*			Established markets
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties		
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements	
1. Debt securities and interest rate	73,485,211	42,742,468	1,399,979	243,799,846	49,627,093	41,533,801	2,119,303	110,511,723
a) Options	—	7,624,697	708,379	242,979,042	—	7,191,960	626,316	110,236,307
b) Swap	73,485,211	31,002,059	691,600	—	49,627,093	29,010,463	1,492,987	—
c) Forward	—	348,654	—	—	—	475,648	—	—
d) Futures	—	—	—	820,804	—	—	—	275,416
e) Others	—	3,767,058	—	—	—	4,855,730	—	—
2. Equities and equity indexes	—	24,947,174	2,321,422	18,485,564	—	25,231,738	2,564,820	20,770,453
a) Options	—	23,537,631	328,337	18,079,439	—	23,362,028	906,280	20,299,618
b) Swap	—	1,409,543	—	—	—	1,718,307	—	—
c) Forward	—	—	—	—	—	151,403	—	—
d) Futures	—	—	—	406,125	—	—	—	470,835
e) Others	—	—	1,993,085	—	—	—	1,658,540	—
3. Currencies and gold	—	17,231,913	1,364,763	—	—	10,523,807	1,167,283	—
a) Options	—	321,906	—	—	—	712,160	—	—
b) Swap	—	6,360,404	528,736	—	—	3,075,840	350,240	—
c) Forward	—	10,549,603	836,027	—	—	6,735,807	817,043	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
4. Commodities	—	1,827,453	—	—	—	—	—	—
5. Others	—	—	—	—	—	—	—	—
Total	73,485,211	86,749,008	5,086,164	262,285,410	49,627,093	77,289,346	5,851,406	131,282,176

[1] Regards exclusively certificates issued.

A.2 Trading financial derivatives: gross positive and negative fair values by product

Types of derivatives	Total 30/6/2022				Total 30/6/2021			
	Over the counter			Established markets	*Over the counter*			Established markets
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties		
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements	
1. Positive fair value								
a) Options	—	1,038,790	335	784,678	—	1,924,829	2,198	867,097
b) Interest rate swap	884,648	201,868	2,772	—	204	632,862	69,320	—
c) Cross currency swap	—	357,730	—	—	—	115,812	—	—
d) Equity swap	—	161,284	—	—	—	128,714	—	—
e) Forward	—	328,158	13,070	—	—	73,932	21,062	—
f) Futures	—	—	—	11,923	—	—	—	5,462
g) Others	—	—	—	—	—	—	—	—
Total	884,648	2,087,830	16,177	796,601	204	2,876,149	92,580	872,559
2. Negative fair value								
a) Options	—	1,070,066	20,733	1,200,474	—	1,891,406	7,586	1,072,720
b) Interest rate swap	19,959	1,223,215	—	—	303,819	420,714	20,108	—
c) Cross currency swap	—	288,073	36,283	—	—	97,796	9,785	—
d) Equity swap	—	685	—	—	—	1,918	—	—
e) Forward	—	258,681	51,137	—	—	178,265	17,303	—
f) Futures	—	—	—	14,886	—	—	—	20,127
g) Others[1]	—	—	1,582,692	—	—	—	1,645,852	—
Total	19,959	2,840,720	1,690,845	1,215,360	303,819	2,590,099	1,700,634	1,092,847

[1] Regards exclusively certificates issued.

A.3 OTC trading financial derivatives: notional values, gross positive and negative fair values by counterparty

Underlying	Central counterparts	Bank	Other financial companies	Other subjects
Contracts not included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	X	40,000	200,000	1,159,979
- positive fair value	X	2,016	727	511
- negative fair value	X	—	11,685	37,095
2) Equity instrument and stock indexes				
- notional amount	X	2,048,345	273,055	22
- positive fair value	X	7,676	764	333
- negative fair value	X	1,526,569	29,959	253
3) Currency and gold				
- notional amount	X	142,036	207,822	1,014,905
- positive fair value	X	2,568	1,582	—
- negative fair value	X	4,761	398	80,126
4) Commodities				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
5) Others				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	73,485,211	29,429,172	7,398,248	5,915,049
- positive fair value	884,648	274,794	158,551	76,217
- negative fair value	19,959	1,101,909	243,283	164,188
2) Equity instrument and stock indexes				
- notional amount	—	13,516,894	9,770,075	1,660,205
- positive fair value	—	389,210	465,277	86,931
- negative fair value	—	382,785	384,127	24,789
3) Currency and gold				
- notional amount	—	11,422,621	3,292,725	2,516,568
- positive fair value	—	401,400	78,407	125,244
- negative fair value	—	331,721	44,969	140,568
4) Commodities[2]				
- notional amount	—	1,327,453	500,000	—
- positive fair value	—	30,802	998	—
- negative fair value	—	16,974	5,407	—
5) Others				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

[1] Of which certificates with a nominal value of €1,993,085 and fair value of minus €-1,582,692.

[2] It includes derivative instruments with MBInternational as counterparty, hedging their skew issues and the derivatives of the related arbitrage structures.

A.4 Outstanding life of OTC financial derivatives: notional amounts

Underlying / Outstanding life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivative contracts on debt securities and interest rates	26,687,535	58,620,446	32,319,677	117,627,658
A.2 Financial derivative contracts on equity securities and stock indexes	13,268,917	13,262,061	737,618	27,268,596
A.3 Financial derivatives on currency and gold	11,408,262	6,590,469	597,945	18,596,676
A.4 Financial derivatives on goods	657,128	1,170,325	—	1,827,453
A.5 Other financial derivatives	—	—	—	—
Total 30/6/2022	52,021,842	79,643,301	33,655,240	165,320,383
Total 30/6/2021	35,102,864	69,266,351	28,398,630	132,767,845

B. Credit derivatives

B.1 Trading credit derivatives: reporting-date notional values

Type of transaction	Trading derivatives	
	With a single counterparty	With more than one counterparty (basket)
1. Protection purchases		
a) Credit default products	4,188,199	26,446,452
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others*	266,614	—
Total at 30/6/22	4,454,813	26,446,452
Total at 30/6/21	4,211,518	14,988,621
2. Security sales		
a) Credit default products	2,199,753	26,791,001
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Others*	—	—
Total at 30/6/22	2,199,753	26,791,001
Total at 30/6/21	2,153,060	14,920,620

* Regards exclusively certificates issued.

The column headed "Basket" includes the positions in credit indexes matched by positions on single names which go to make up the same index for the skew issues[4] (the arbitrage structures have a notional value of €17.6bn – €12.8bn as at 30/6/2021). The derivative embedded in the own issues and derivatives with MBInternational to hedge issues are represented in hedge buys on single entities (€1.6bn[5] against €1.5bn at 30 June 2021).

[4] Please see "Part B - Liabilities - Liabilities at amortized cost" of the present report.

[5] Derivative instruments with MBInternational as counterparty and commodities as underlying (€127m) and the related bases (€1,700m) are shown in Table A.3.

B.2 Trading credit derivatives: gross positive and negative fair values by product

Types of derivatives	30/6/2022	30/6/2021
1. Positive fair value		
a) Credit default products	232,370	319,653
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other	—	—
Total	232,370	319,653
2. Negative fair value		
a) Credit default products	297,250	355,674
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other[1]	232,740	237,018
Total	529,990	592,692

[1] Regards exclusively certificates issued.

B.3 OTC credit trading derivatives: notional values and gross positive/negative fair value, by counterparty

	Central counterparts	Bank	Other financial companies	Other subjects
Contracts not included in offsetting arrangements				
1) Purchase protection				
– notional value[1]	X	956,565	—	—
– positive fair value	X	5,930	—	—
– negative fair value[1]	X	291,489	—	—
2) Hedge sales			—	—
– notional value	X	14,526	—	—
– positive fair value	X	—	—	—
– negative fair value	X	649	—	—
Contracts included in offsetting arrangements				
1) Purchase protection				
– notional value	7,083,344	4,625,976	18,235,380	—
– positive fair value	—	17,817	140,351	—
– negative fair value	—	21,939	46,958	—
2) Hedge sales				—
– notional value	7,381,497	3,788,924	17,805,806	—
– positive fair value	—	31,692	36,580	—
– negative fair value	21,600	29,712	117,644	—

[1] Of which certificates with a notional value of €266,614 and a fair value of €-232,740.

B.4 Outstanding life of OTC trading credit derivatives: notional values

Underlying / Outstanding life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
1. Hedge sales	6,269,881	22,217,587	503,285	28,990,753
2. Hedge purchases	6,392,671	24,045,645	462,949	30,901,265
Total at 30/6/22	12,662,552	46,263,232	966,234	59,892,018
Total at 30/6/21	3,381,936	32,678,310	213,572	36,273,818

3.2 HEDGING POLICIES

A. Financial hedging derivatives

A.1 Financial hedging derivatives: reporting-date notional value

Underlying assets / Type of derivatives	30/6/2022				30/6/2021			
	Over the counter			Established markets	Over the counter			Established markets
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties		
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements	
1. Debt securities and interest rate	40,565,259	5,330,779	—	—	27,558,609	5,647,483	—	—
a) Options	—	2,146,137	—	—	—	2,312,311	—	—
b) Swap	40,565,259	2,942,094	—	—	27,558,609	3,335,172	—	—
c) Forward	—	242,548	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
2. Equities and equity indexes	—	—	—	—	—	—	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swap	—	—	—	—	—	—	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
3. Currencies and gold	—	306,600	—	—	—	695,101	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swap	—	306,600	—	—	—	695,101	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
4. Commodities	—	—	—	—	—	—	—	—
5. Others	—	—	—	—	—	—	—	—
Total	40,565,259	5,637,379	—	—	27,558,609	6,342,584	—	—

A.2 Financial hedging derivatives: gross positive and negative fair values by product

Types of derivatives	Positive and negative fair value								Change in the value used to calculate the hedge effectiveness	
	30/6/2022				30/6/2021				30/6/2022	30/6/2021
	Over the counter			Established markets	Over the counter			Established markets		
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties				
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements			
1. Positive fair value										
a) Options	—	36,604	—	—	—	15,847	—	—	—	—
b) Interest rate swap	101,712	17,171	—	—	268,119	27,760	—	—	478,228	126,067
c) Cross currency swap	—	894	—	—	—	1,090	—	—	—	—
d) Equity swap	—	—	—	—	—	—	—	—	—	—
e) Forward	—	739	—	—	—	—	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Others	—	—	—	—	—	—	—	—	—	—
Total	101,712	55,408	—	—	268,119	44,697	—	—	478,228	126,067
Negative fair value										
a) Options	—	6,788	—	—	—	6,989	—	—	—	—
b) Interest rate swap	1,245,183	133,962	—	—	55,991	91,204	—	—	1,858,644	273,669
c) Cross currency swap	—	—	—	—	—	—	—	—	—	—
d) Equity swap	—	—	—	—	—	—	—	—	—	—
e) Forward	—	48	—	—	—	—	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Others	—	—	—	—	—	—	—	—	—	—
Total	1,245,183	140,798	—	—	55,991	98,193	—	—	1,858,644	273,669

A.3 OTC financial hedging derivatives: notional values, gross positive and negative fair values by counterparty

Underlying	Central counterparts	Bank	Other financial companies	Other subjects
Contracts not included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
2) Equity instrument and stock indexes		—	—	—
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
3) Currency and gold		—	—	—
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
4) Commodities		—	—	—
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
5) Others		—	—	—
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	40,565,259	4,687,025	643,755	—
- positive fair value	101,712	43,557	10,958	—
- negative fair value	1,245,183	83,152	57,646	—
2) Equity instrument and stock indexes				—
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
3) Currency and gold				—
- notional amount	—	257,144	49,456	—
- positive fair value	—	894	—	—
- negative fair value	—	—	—	—
4) Commodities	—	—	—	—
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Others	—	—	—	—
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

A.4 Outstanding life of OTC financial hedging derivatives: notional values

Underlying / Outstanding life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivative contracts on debt securities and interest rates	10,654,033	23,338,427	11,903,578	45,896,038
A.2 Financial derivative contracts on equity securities and stock indexes	—	—	—	—
A.3 Financial derivative contracts on currency and gold	—	4,043	302,557	306,600
A.4 Financial derivatives on goods	—	—	—	—
A.5 Other financial derivatives	—	—	—	—
Total 30/6/2022	10,654,033	23,342,470	12,206,135	46,202,638
Total 30/6/2021	8,057,240	18,922,376	6,921,577	33,901,193

C. Non-derivative hedging instruments

C.1 Hedging instruments other than derivatives: breakdown by accounting portfolio and hedge type

	Book value			Change in the value used to calculate the hedge ineffectiveness		
	Fair value hedges	Coverage of financial flows	Coverage of foreign investment	Fair value hedges	Coverage of financial flows	Coverage of foreign investment
Financial assets other than derivatives	—	—	—	—	—	—
of which: trading activities	—	—	—	—	—	—
of which: other assets mandatorily measured at fair value	—	—	—	—	—	—
of which: assets measured at fair value	—	—	—	—	—	—
Total 30/6/2022	—	—	—	—	—	—
Total 30/6/2021	—	—	—	—	—	—
Financial liabilities other than derivatives	—	—	—	(10,606)	—	—
Trading liabilities	—	—	—	—	—	—
Liabilities measured at fair value	—	—	—	—	—	—
Liabilities measured at amortized cost	X	X	—	(10,606)	—	—
Total 30/6/2022	—	—	—	(10,606)	—	—
Total 30/6/2021	—	—	—	2,102	—	—

D. Hedged instruments

D.1 Fair value hedges

	Specific hedges: book value	Specific hedges - net positions: balance sheet value of assets or liabilities (before offsetting)	Specific hedges			Generic hedges: Book value
			Accumulated changes in fair value of the hedged instrument	Ending of hedge: residual accumulated value changes in fair value	Changes in value used to calculate the hedge ineffectiveness	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedges of:	1,239,478	—	51,779	—	6,144	—
1.1 Debt securities and interest rate	1,239,478	—	51,779	—	6,144	X
1.2 Equity securities and stock price indexes	—	—	—	—	—	X
1.3 Currency and gold	—	—	—	—	—	X
1.4 Credits	—	—	—	—	—	X
1.5 Other	—	—	—	—	—	X
2. Financial assets measured at amortized cost - hedges of:	4,492,766	—	73,207	—	120,576	—
1.1 Debt securities and interest rate	4,492,766	—	73,207	—	120,576	X
1.2 Equity securities and stock price indexes	—	—	—	—	—	X
1.3 Currency and gold	—	—	—	—	—	X
1.4 Credits	—	—	—	—	—	X
1.5 Other	—	—	—	—	—	X
Total 30/6/2022	5,732,244	—	124,986	—	126,720	—
Total 30/6/2021	5,312,526	—	53,978	—	67,475	—
B. Liabilities						
1. Financial liabilities measured at amortized cost - hedges of:	26,207,103	—	1,320,555	—	1,495,156	—
1.1 Debt securities and interest rate	26,207,103	—	1,320,555	—	1,495,156	X
1.2 Currency and gold	—	—	—	—	—	X
1.3 Other	—	—	—	—	—	X
Total 30/6/2022	26,207,103	—	1,320,555	—	1,495,156	—
Total 30/6/2021	23,470,818	—	214,477	—	158,414	—

E-MARKET SDIR CERTIFIED

D.2 Hedging of cash flows and foreign investments

	Changes in value used to calculate the hedge ineffectiveness	Hedge reserves	Ending of hedge: residual accumulated value changes in fair value
A. Cash flow hedging			
1. Assets	—	—	—
1.1 Debt securities and interest rate	691	—	—
1.2 Equity securities and stock price indexes	—	—	—
1.3 Currency and gold	—	—	—
1.4 Credits	—	—	—
1.5 Other	—	—	—
2. Liabilities	—	—	—
1.1 Debt securities and interest rate	—	—	—
1.2 Currency and gold	—	—	—
1.3 Other	—	—	—
Total (A) 30 June 2022	691	—	—
Total (A) 30 June 2021	—	—	—
B. Hedging of foreign investments	X	—	—
Total (A+B) 30 June 2022	—	—	—
Total (A+B) 30 June 2021	—	—	—

E. Effects of hedging through net equity

E.1 Reconciliation of net equity components

	Reserve hedging cash flows					Reserve hedging foreign investments				
	Debt securities and interest rate	Equity securities and stock price indexes	Currency and gold	Credits	Other	Debt securities and interest rate	Equity securities and stock price indexes	Currency and gold	Credits	Other
Opening amount	—	—	—	—	—	—	—	—	—	—
Changes in Fair Value (effective)	463	—	—	—	—	—	—	—	—	—
Transfers to P&L	—	—	—	—	—	—	—	—	—	—
Of which: future transactions no longer expected	—	—	—	—	—	X	X	X	X	X
Other changes	—	—	—	—	—	—	—	—	—	—
Of which: transfers of hedged instruments	—	—	—	—	—	X	X	X	X	X
Closing amount	463	—	—	—	—	—	—	—	—	—

3.3 OTHER INFORMATION ON DERIVATIVE INSTRUMENTS (TRADING AND HEDGING INSTRUMENTS)

A. Financial derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

	Central counterparts	Bank	Other financial companies	Other subjects
A. Financial derivatives				
1) Debt securities and interest rates				
- notional amount	114,050,470	34,156,197	8,242,003	7,075,028
- net positive fair value	986,360	320,367	170,236	76,728
- net negative fair value	1,265,142	1,185,061	312,614	201,283
2) Equity instrument and stock indexes				
- notional amount	—	15,565,239	10,043,130	1,660,227
- net positive fair value	—	396,886	466,041	87,264
- net negative fair value	—	1,909,354	414,086	25,042
3) Currency and gold				
- notional amount	—	11,821,801	3,550,003	3,531,473
- net positive fair value	—	404,862	79,989	125,244
- net negative fair value	—	336,482	45,367	220,694
4) Commodities				
- notional amount	—	1,327,453	500,000	—
- net positive fair value	—	30,802	998	—
- net negative fair value	—	16,974	5,407	—
5) Others				
- notional amount	—	—	—	—
- net positive fair value	—	—	—	—
- net negative fair value	—	—	—	—
B. Credit derivatives				
1) Purchase protection				
- notional amount	7,083,344	5,582,541	18,235,380	—
- net positive fair value	—	23,747	140,351	—
- net negative fair value	—	313,428	46,958	—
2) Hedge sales				—
- notional amount	7,381,497	3,803,450	17,805,806	—
- net positive fair value	—	31,692	36,580	—
- net negative fair value	21,600	30,361	117,644	—

4 LIQUIDITY RISK

INFORMAZIONI DI NATURA QUALITATIVE INFORMATION

Banks are naturally exposed to the liquidity risk inherent in the maturity transformation process that is typical of banking operations.

Liquidity risk is distinguished according to its timing profile:

– The current or potential risk of the bank not being able to manage its own liquidity needs in the short term ("liquidity risk");
– The risk of the bank not having stable funding sources in the medium or long term, resulting in its inability to meet its financial obligations without incurring an excessive increase in the cost of financing ("funding risk").

An adequate liquidity and funding risk management system is fundamental to ensure the stability of the Group and the financial system in general, given that a single bank's difficulties would affect the system as a whole. The liquidity and funding risk management system is developed as part of the Risk Appetite Framework and the risk tolerance levels contained in it. In particular, one of the management objectives contained in the Risk Appetite Framework is to maintain a liquidity position in the short and long term which is adequate to cope with a period of prolonged stress (combining Bank-specific and systemic stress factors).

The Group Liquidity Risk Management Policy (the "Policy") approved by the Parent company's Board of Directors defines the target in terms of the level of highly liquid assets to maintain in order to cover the anticipated cash flows in the short and medium/long term.

The Policy also sets out the roles and responsibilities of the company units and governing bodies, the risk measurement metrics used, the guidelines for carrying out the stress testing process, the funds transfer pricing system and the Contingency Funding Plan.

To ensure that liquidity risk is managed according to an integrated and consistent approach within the Group as a whole, strategic decisions are taken by the Parent company's Board of Directors, to which the Policy assigns several important duties, including: definition and approval of the guidelines and strategic direction, responsibility for ensuring that the risk governance system is fully reliable, and monitoring of trends in liquidity and funding risk and of the Risk Appetite Framework.

Moreover, the Group ALM Committee discusses the most significant liquidity risk issues, defining the asset and liability structure and the related acceptance of the risk of mismatches between assets and liabilities and managing them in line with the commercial and financial objectives set out in the budget and in the Group's Risk Appetite Framework.

In application of Article 86 of Directive 2013/36/EU, the Mediobanca Group identifies, measures, manages and monitors liquidity risk as part of its internal liquidity adequacy assessment process (ILAAP). In this process, which constitutes an integral part of the supervisory authority's activities (Supervisory Review and Evaluation Process, or SREP), the Mediobanca Group performs a self-assessment of its liquidity risk management and measurement from both a qualitative and quantitative perspective. The findings of the risk profile adequacy assessment and overall self-assessment are presented to the governing bodies annually.

The liquidity governance process for the Mediobanca Group as a whole is centralized at the Parent company level by setting the strategy and guidelines which the Group companies must comply with, thereby ensuring that the liquidity position is managed and controlled at the consolidated level.

The units of the Parent company that are responsible for ensuring that the Policy is applied accurately are:

– Group Treasury, which is responsible at Group level for managing liquidity, funding, collateral and the funds transfer pricing system;
– Business & Capital Planning, which supports Risk Management and Group Treasury in drawing up the Group Funding Plan in compliance with the budget objectives;
– Risk Management which, in accordance with the principles of separation and independence, is responsible for the Group's integrated, second-level control system for current and future risks, in accordance with the Group's regulations and governance strategies.

The Group Audit Unit is responsible for evaluating the functioning and reliability of the control system for liquidity risk management and for reviewing adequacy and compliance with the requirements laid down in the regulations. The findings of such reviews are submitted to the governing bodies at least once a year.

The Group's objective is to maintain a level of liquidity that will enable it to meet its ordinary and extraordinary payment obligations at the established expiry dates, while at the same time keeping costs to a minimum and hence without incurring losses. The Mediobanca Group short-term liquidity policy is intended to ensure that the mismatch between cash inflows and outflows, whether expected or unexpected, remains sustainable in the short term, including over an intra-day time horizon.

Group Treasury manages its own liquidity position actively, with the objective of being able to meet its own clearing obligations within the timeframe required.

For a description of the metrics used to monitor short and medium/long-term liquidity, reference is made to Part E of the Consolidated Notes to the Accounts.

As from last year, it is compulsory to comply with the requirement in terms of Net Stable Funding Ratio (NSFR)[6] and short-term Liquidity Coverage Ratio (LCR).[7]

As at 30 June 2022, the individual LCR was 143%, while the NSFR figure was 105%, both well above the regulatory thresholds.

In addition to the risk measurement system described above, an event governance model has been devised, known as the Contingency Funding Plan (described in the Policy), to be implemented in the event of a crisis by following a procedure approved by the Board of Directors. For further information on the governance of states of emergency and risk mitigation policies, please refer to the consolidated report.

[6] Directive (EU) 2019/878 (CRD V) and Regulation (EU) 2019/876 (CRR II).

[7] Commission Delegated Regulation (EU) No. 2015/61 as supplemented and amended.

QUANTITATIVE INFORMATION

1. Financial assets and liabilities by residual contract term

Items / maturities	On demand	From 1 day to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	4,624,414	612,398	922,357	1,239,145	3,212,279	3,006,056	6,507,911	31,835,536	10,982,898	—
A.1 Debt securities	875	45,788	101,470	1,996	118,459	87,427	1,583,679	3,663,469	2,104,646	—
A.2 Others	1,285	926	54,861	35,261	459,621	55,559	279,324	3,688,654	2,534,572	—
A.3 UCITs	—	—	—	—	—	—	—	—	—	—
A.4 Loans	4,622,254	565,684	766,026	1,201,888	2,634,199	2,863,070	4,644,908	24,483,413	6,343,680	—
– Banks	1,649,730	176,669	285,203	212,049	1,082,128	1,539,895	3,244,707	14,093,580	5,454,254	—
– Customers	2,972,524	389,015	480,823	989,839	1,552,071	1,323,175	1,400,201	10,389,833	889,426	—
Cash liabilities	30,152,435	182,280	860,168	882,740	2,696,905	881,598	2,633,443	22,556,547	5,988,021	—
B.1 Deposits and current accounts	27,387,133	—	—	—	—	—	—	—	—	—
– Banks	20,220,513	—	—	—	—	—	—	—	—	—
– Customers	7,166,620	—	—	—	—	—	—	—	—	—
B.2 Debt securities	937	45	17,923	356,363	1,030,071	367,274	921,166	8,506,161	4,702,592	—
B.3 Other liabilities	2,764,365	182,235	842,245	526,377	1,666,834	514,324	1,712,277	14,050,386	1,285,429	—
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
– long positions	446,568	145,933	158,480	1,583,900	2,878,707	1,678,399	1,034,595	3,589,775	7,897,992	—
– short positions	213,321	115,039	551,468	674,761	1,975,339	1,439,686	1,336,251	4,758,324	588,673	—
C.2 Financial derivatives without exchange of principal										
– long positions	1,342,913	7,989	11,561	26,942	36,655	42,286	248,623	—	—	—
– short positions	1,439,361	2,786	2,689	26,038	29,102	58,605	310,227	—	—	—
C.3 Deposits and loans for collection										
– long positions	2,745,081	1,573,847	—	151,648	332,784	102,663	157,742	47,965	—	—
– short positions	—	—	130,686	—	411,594	—	837,171	1,949,550	1,782,730	—
C.4 Irrevocable loan commitments*										
– long positions		45,878	261,352		375,085	77,636	1,609,521	1,627,192	1,818,667	
– short positions	2,997,768	1,286,490	251,026	427,505	513,968	108,487	161,755	47,670	20,662	—
C.5 Financial guarantees given	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal										
– Long positions	—	—	—	—	—	37,702	37,069	1,916,994	335,614	—
– Short positions	—	—	—	—	—	40,702	37,069	2,082,474	167,134	—
C.8 Credit derivatives without exchange of principal										
– Long positions	201,267	—	—	—	—	—	—	—	—	—
– Short positions	253,260	—	—	—	—	—	—	—	—	—

* This item includes hedge sales perfectly matched by buys for the same amount.

5. OPERATIONAL RISK

QUALITATIVE INFORMATION

Definition

Operational risk is the risk of incurring losses as a result of the inadequacy or malfunctioning of procedures and IT systems, human error or external events.

Capital requirement

To manage operational risk, Mediobanca has adopted the Basic Indicator Approach (BIA) in order to calculate the related capital requirement applying a 15% coefficient, as per regulations, to the three-year average for the relevant indicator. Based on this calculation method, the capital requirement as at 30 June 2022 was €134.4m (€126.2m last year).

Risk mitigation

The Group's Non-Financial Risks Committee. with the task of guiding, monitoring and mitigating non-financial risks (including IT risks, fraud risk, outsourcing risk, legal risks, reputation risks), and the Conduct Committee, with the task of guiding, supervising and making decisions on the Group's conduct risks, operate within the scope of risk management.

Operational risks are supervised, at the level of Parent company and main subsidiary companies, by a specific Operational Risk Management team within the Risk Management unit.

The processes for the identification and assessment of operational risk, collection and analysis of loss data and mitigation of operational risk are defined and implemented at the Parent company level and at the main subsidiaries in accordance with the Group's operational risk management policy and in line with the principle of proportionality.

Based on the evidence obtained, action to mitigate the most relevant operational risks has been proposed, implemented and monitored on a constant basis.

The operating losses recorded in the twelve months under review were very low and impacted only marginally on the Bank's total revenues (0.1%).

As for the different classes of operational risk, the percentage composition of the various Basel II event types for the Group is shown below.

Event Type	***% su Total Loss***
Employment practices and workplace safety	46%
Execution, delivery and process management	37%
Clients, products and business practices	16%
Other	1%
Totale	100%

In terms of potential effects, or estimates, the risk of "low frequency and high severity" events remains material, given the nature of the Bank's businesses, which feature large non-standard transactions, notably in CIB and in part Private. Mitigation actions implemented and constantly under review take the form of strengthening governance and first-level controls, enhancing the framework for assessing and monitoring non-financial risks.

In this regard, a project concerning 'Non-Financial Risks' has been launched with the aim of bringing the monitoring of a broad scope of risks within one single unit by defining a comprehensive taxonomy, implementing an overall framework and focusing on specific risk classes, such as outsourcing risk, reputation risk and IT & Cyber risk to strengthen monitoring and mitigation activities (for a more detailed description of which, please refer to Part E - Market Risks - Other risks in the Consolidated Notes to the Accounts).

Litigation risk: risks deriving from outstanding claims

For a description of the claims currently pending against the Parent company, please see Part B – Liabilities on pp. 524 - 527.

Other risks

For a more in-depth description of the other risks, reference is made to Part E – Market Risks – Other Risks in the Consolidated Notes to the Accounts.

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Part F - Information on Capital

SECTION 1

Capital of the company

QUANTITATIVE INFORMATION

B.1 Company capital: composition

Items/Values	30/6/22	30/6/21
1. Share capital	443,640	443,640
2. Share premium reserve	2,195,606	2,195,606
3. Reserves	2,032,801	2,230,584
- earnings	2,102,514	2,093,311
a) legal	88,728	88,724
b) statutory	836,680	1,068,913
c) treasury shares	240,807	216,737
d) others	936,299	718,937
- others	(69,713)	137,273
4. Equity instruments	—	—
5. (Treasury shares)	(240,807)	(216,736)
6. Valuation reserves:	118,414	184,048
- Equity instruments valued at fair value with impact taken to comprehensive income	150,891	134,943
- Hedging of equity instruments valued at fair value with impact taken to comprehensive income	—	—
- Financial assets (other than equity instruments) valued at fair value with impact taken to comprehensive income	(40,790)	48,854
- Tangible assets	—	—
- Intangible assets	—	—
- Hedging of foreign investments	—	—
- Hedging of cash flows	463	—
- Hedging instruments [not designated instruments]	—	—
- Exchange differences	—	—
- Non-current assets and group of assets being sold	—	—
- Financial liabilities designated at fair value with impact taken to profit and loss (variation of own credit risk)	750	(6,413)
- Actuarial gains (losses) on defined benefits pension schemes	(2,532)	(2,968)
- Valuation reserves share of equity-accounted interests	—	—
- Extraordinary revaluation laws	9,632	9,632
7. Net profit (loss) for the period	513,087	578,366
Total	5,062,741	5,415,508

For more information, please refer to section 12 “Company capital - Items 110, 130, 140, 150, 160, 170 and 180”.

B.2 Valuation reserves for financial assets measured at FVOCI: composition

Assets/Values	30/6/22		30/6/21	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	15,204	(55,994)	50,035	(1,181)
2. Equity securities	167,759	(16,868)	139,462	(4,519)
3. Loans	—	—	—	—
Total	182,963	(72,862)	189,497	(5,700)

B.3 Valuation reserves for financial assets measured at FVOCI: movements during the period

	Debt securities	Equity securities	Loans	Total
1. Opening balance	48,854	134,943	—	183,797
2. Increases	8,476	54,533	—	63,009
2.1 Increases in fair value	5,306	53,486	—	58,792
2.2 Credit risk writedowns	3,170	X	—	3,170
2.3 P&L recycling of negative reserves due to realization	—	X	—	—
2.4 Transfers to other net equity components (equity instruments)	—	1,047	—	1,047
2.5 Other variations	—	—	—	—
3. Decreases	98,120	38,585	—	136,705
3.1 Reductions in fair value	83,467	38,585	—	122,052
3.2 Credit risk writebacks	1,628	—	—	1,628
3.3 P&L recycling of positive reserves:	13,025	X	—	13,025
-due to realization	13,025	—	—	13,025
3.4 Transfers to other net equity components (equity instruments)	—	—	—	—
3.5 Other variations	—	—	—	—
4. Closing balance	(40,790)	150,891	—	110,101

SECTION 2

Own funds and Banking supervisory ratios

Since its inception, one of the Bank's distinguishing features has been the solidity of its financial structure, with capital ratios consistently higher than regulatory thresholds. This capital surplus is justified by the type of operations on the corporate market.

2.1 Own funds

Scope of application for regulations

During the year under review, no regulatory amendments were introduced such as to have significant impacts on capital ratios, including the new treatment of the Assicurazioni Generali position (for more details, please see page 363 of the consolidated financial statements).

It should be remembered that the Bank did not enforce the right to extend the transitional regime of major adjustments pursuant to IFRS 9, did not neutralize valuation reserves on government bonds and did not exclude certain exposures to central banks from the calculation of the leverage ratio.[1]

QUALITATIVE INFORMATION

Common Equity Tier 1 (referred to as CET1) consists of paid-up capital, reserves (including positive reserves of €110.1m relating to securities measured at fair value through other comprehensive income) and profit for the year (€513.1m) calculated in CET1 after the proposed dividend (€629.2m).

From this amount, the following items are deducted:

– treasury shares of €240.8m representing 3% of the share capital, relating to repurchases made as part of the buyback plan concluded last June for a total of 25,900,000 shares (approximately down 75bps of CET1 including indirect effects);

[1] Regulation (EU) 2020/873, amending Regulations (EU) 575/2013 and (EU) 2019/876 with regard to some adaptations in response to the COVID-19 pandemic ("CRR Quick Fix").

– intangible assets (including goodwill) of €28m, a slight decrease compared to the previous financial year (€39.5m);

– prudential changes of €65.8m relating to the valuation of financial instruments (referred to as AVA and DVA), a decrease compared to the previous financial year (€79.2m) mainly due to trend in gains and losses on liabilities due to the evolution of the entity's credit quality (Debt Valuation Adjustment, which went from €19.9m to €8m);

– interests of €179.7m in total in financial companies, almost entirely relating to the equity investment in Assicurazioni Generali (€166m).

No Additional Tier 1 (AT1) instruments have been issued.

Tier 2 capital includes subordinated liabilities, down from €1,167.3m to €911.8m due to amortization (€255.4m) and taking into account that there were no new issues. No subordinated Tier 2 issue benefits from grand-fathering, as permitted under Articles 483 and ff of the CRR.

Tier 2 also includes the difference of €51.1m between the higher book value adjustments compared to the expected prudential losses calculated using advanced models (referred to as "buffer"), in line with that of last June (€52.8m), calculating the maximum amount eligible corresponding to 0.6% of the risk-weighted exposure amounts calculated by using advanced models (pursuant to Article 159 CRR).

Issue	**30/6/22**		
	ISIN	**Nominal value**	**Book value ***
MB Subordinato Mar 29	XS1579416741	50,000	48,501
Mediobanca Mc Nv30 Sub Tier2 Call Eur	XS2262077675	248,900	241,368
MB OPERA 3.75 2026	IT0005188351	300,407	231,023
MB Valore a Tasso Variabile con minimo 3% annuo 2025	IT0005127508	499,153	312,889
MB CARATTERE 5,75% 2023 Lower Tier 2	IT0004917842	499,686	78,041
Total subordinated issues		1,598,146	911,822

* The value calculated differs from the book value due to the items measured at fair value and amortized cost and to buyback commitments entered into.

E-MARKET SDIR CERTIFIED

QUANTITATIVE INFORMATION

	30/6/22	30/6/21
A. Common equity tier 1 (CET1) prior to application of prudential filters	4,433,577	4,837,411
of which: CET1 instruments subject to phase-in regime	—	—
B. CET1 prudential filters (+/-)	(67,052)	(72,804)
C. CET1 gross of items to be deducted and effects of phase-in regime (A +/- B)	4,366,525	4,764,607
D. Items to be deducted from CET1	(867,001)	(883,011)
E. Phase-in regime - impact on CET1 (+/-), including minority interests subject to phase-in regime *	660,719	776,713
F. Total common equity tieer 1 (CET1) (C-D+/-E)	4,160,243	4,658,309
G. Additional tier 1 (AT1) gross of items to be deducted and effects of phase-in regime	—	—
of which: AT1 instruments subject to temporary provisions	—	—
H. Items to be deducted from AT1	—	—
I. Phase-in regime - impact on AT1 (+/-), including instruments issued by branches and included in AT1 as a result of phase-in provisions	—	—
L. Total additional tier 1 (AT1) (G-H+/-I)	—	—
M. Tier 2 (T2) gross of items to be deducted and effects of phase-in regime	962,893	1,220,057
of which: T2 instruments subject to phase-in regime	—	—
N. Items to be deducted from T2	(154,209)	(175,914)
O. Phase-in regime - Impact on T2 (+/-), including instruments issued by branches and included in T2 as a result of phase-in provisions	—	—
P. Total T2 (M-N+/-O)	808,684	1,044,143
Q. Total own funds (F+L+P)	4,968,927	5,702,453

* Adjustments include application of the phase-in provisions for the introduction of IFRS 9.

2.1 Capital adequacy

QUALITATIVE INFORMATION

At 30 June 2022, the Common Equity Ratio - ratio of Common Equity Class 1 to the total weighted assets - stood at 13.26%, a decrease compared to 30 June 2021 (14.60%) due to the new buyback plan (down 75 bps), as a result of higher deductions on the equity investment in Assicurazioni Generali (down 35 bps) and the decrease in the FVOCI reserve (down 20 bps); the negative difference between the profit for the year and the proposed dividend (down 35 bps) is offset by lower organic growth (growth of 14 bps for lower counterparty risk relating to transactions in Securities Financing Transactions), by lower deductions of other non-significant financial interests (growth of 6 bps) and other prudential changes (growth of 10 bps, in particular DVA).

Total Capital Ratio dropped to 15.84% (17.87% in the previous financial year).

Fully loaded ratios without Danish Compromise, i.e. with the full deduction of Assicurazioni Generali (loss of €658.8m including indirect effects) and with the full adoption of the IFRS 9 effect (loss of €1.9m considering the indirect effects), stood at 12.23% (CET1 ratio) and 15.06% (Total capital ratio) respectively, also down compared to 30 June last (respectively, 13.36% and 16.96%).

The Leverage ratio, calculated without excluding exposures to central banks, stood at 6.3% (7.9% at 30 June last), well above the regulatory limit of 3%. The fully loaded figure is also above the limit, i.e. 5.3% (6.7% last year).

B. QUANTITATIVE INFORMATION

Categories/Values	Unweighted amounts*		Weighted amounts/requirements	
	30/6/22	30/6/21	30/6/22	30/6/21
A. RISK ASSETS				
A.1 Credit and counterpart risk	81,772,807	72,143,181	26,960,682	28,076,826
1. Standard methodology	62,804,267	55,601,156	17,105,010	19,163,764
2. Internal rating methodology	18,640,008	16,345,077	9,752,165	8,799,909
2.1 Basic	—	—	—	—
2.2 Advanced	18,640,008	16,345,077	9,752,165	8,799,909
3. Securitization	328,531	196,948	103,507	113,153
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			2,156,855	2,246,146
B.2 Credit valuation risk			24,386	18,934
B.3 Settlement risk			—	—
B.4 Market risk			194,477	161,693
1. Standard methodology			194,477	161,693
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Other prudential requirements			134,374	126,181
1. Basic Indicator Approach (BIA)			134,374	126,181
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.6 Other calculation elements			—	—
B.7 Total prudential requirements			2,510,093	2,552,954
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			31,376,158	31,911,919
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			13.26%	14.60%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			13.26%	14.60%
C.4 Regulatory capital/risk-weighted assets (total capital ratio)			15.84%	17.87%

* For the standardized methodology, the "unweighted amounts", as provided by the regulations in force, correspond to the value of the exposure taking into account the prudential filters, risk mitigation techniques and credit conversion factors. For the AIRB ratings methodology, the "unweighted amounts" correspond to the "exposure at default" (EAD). For guarantees issued and commitments to disburse funds, credit conversion factors are also included in the EAD calculation.

Part G - Combinations involving Group companies or business units

SECTION 1

Transactions completed during the financial year

No new business combinations were completed during the year under review.

SECTION 2

Transactions completed since the reporting date

No transactions have taken place since the reporting date.

SECTION 3

Retrospective adjustments

No adjustments have been made to the accounts in connection with previous business combinations for the year under review.

Part H - Related-party disclosure

1. Information on remuneration for managers with strategic responsibilities

Compensation paid to members of governing and supervisory bodies and to key management personnel (Drawn up pursuant to CONSOB Decision No. 18049 of 23 December 2011)

	Compensation			
	Emoluments payable in connection to poat	**Non-cash benefits***	***Bonuses and other incentives***	**Other compensations**
BOARD OF DIRECTORS[1]	2,705.0	1,359.0	2,080.0	5,212.0
of which: management	576.0	1,359.0	2,080.0	5,212.0
MANAGEMENT with strategic responsibilities[2]	—	247.0	1,116.0	2,724.0
STATUTORY AUDIT COMMITTEE[3]	460.0	—	—	—

* This includes the amount of fringe benefits (according to a taxable basis) including any insurance policies and supplemental pension schemes. Therefore, equity-based compensation costs of €2.9m are excluded.
[1] There were 15 people in office at 30 June 2022.
[2] There were 7 people in office at 30 June 2022.
[3] There were 3 people in office at 30 June 2022.

2. Related-party disclosure

The Regulation on Related-Party Transactions, implementing CONSOB Regulation No. 17221 of 12 March 2010, as most recently amended by Resolution No. 21264 of 10 December 2020, was introduced in 2011 aiming to ensure the transparency and substantial correctness of transactions with related parties carried out directly or through subsidiaries. The Board of Directors of Mediobanca, having received favourable opinions from the Bank's Related Parties and Statutory Audit Committees, has incorporated the Bank of Italy's most recent instructions on this subject to this procedure, which introduce prudential limits for risk activities versus related parties; this Regulation came into force during December 2012, and was updated most recently in June 2021. The full document is published on the Bank's website at www.mediobanca.com.

For the definition of related parties adopted, please see part A of the Notes to the Accounts (Accounting Policies).

Accounts with related parties fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. Details of Directors' and strategic management's compensation are provided in a footnote to the table.

1.1 Regular financial disclosure: Most significant transactions

There were no such transactions to report during the period under review.

1.2 Quantitative information

During the year under review, the Caltagirone Group entered the scope of regulations on related parties, taking into account that the stake held in Mediobanca exceeded 3%.

The regulatory risk exposure of the Mediobanca group to the Caltagirone group amounted to €57m at 30 June 2022, of which €25m in reference to a loan granted, €10m to a loan in place to be disbursed and the residual amount for counterparty risk for operations in derivative instruments.

The overall exposure to related parties remains particularly low, with a slight decrease, after the above inflow.

Situation as at 30 June 2022

(€m)

	Group companies	Directors, statutory auditors and strategic management	Associates	Other related party	Total
Assets	29,844.2	—	0.1	106.8	29,951.1
of which: other assets	*5,209.3*	—	*0.1*	*81.9*	*5,291.3*
loans and advances	*24,634.9*	—	—	*24.9*	*24,659.8*
Liabilities	24,205.5	—	—	31.7	24,237.2
Guarantees and commitments	8,503.3	—	—	390.0	8,893.3
Interest income	225.3	—	0.1	0.4	225.8
Interest expense	(241.8)	—	—	(0.3)	(242.1)
Net fee income	13.1	—	2.8	(2.2)	13.7
Other income (cost)	(901.5)	(20.9)[1]	(0.1)	93.81[2]	(828.7)

[1] Of which short-term benefits of €(18.0)m and performance shares of €(2.9)m; the figure includes 7 key management personnel.

[2] This item also includes the valuation of derivative contracts, including bond forwards with underlying Government securities.

Situation as at 30 June 2021

(€m)

	Group companies	Directors, statutory auditors and strategic management	Associates	Other related party	Total
Assets	28,854.8	—	4.1	71.0	28,929.9
of which: other assets	*5,304.6*	—	*4.1*	*71.0*	*5,379.7*
loans and advances	*23,550.2*	—	—	—	*23,550.2*
Liabilities	22,979.6	—	—	77.5	23,057.1
Guarantees and commitments	8,917.3	—	—	380.0	9,297.3
Interest income	231.3	—	0.7	0,2	232.2
Interest expense	(239.7)	—	—	(0.4)	(240.1)
Net fee income	16.4	—	—	(1.8)	14.6
Other income (cost)	(193.8)	(23.6)[1]	0.4	13.5[2]	(203.5)

[1] Of which short-term benefits of €(20.5)m and performance shares of €(3.1)m; the figure includes 7 key management personnel.

[2] This item also includes the valuation of derivative contracts, including bond forwards with underlying Government securities.

Part I - Share-based payment schemes

A. QUALITATIVE INFORMATION

1. *Information on capital increases for use in share-based payment schemes using the Bank's own equity instruments*

The table below shows the resolutions taken by the Parent Company's Extraordinary Meeting with regard to performance share schemes in place:

Extraordinary general meeting	Maximum no. of shares approved	Final deadline for awards	No. of options and performance shares awarded
Performance Share schemes			
28/10/2015	20,000,000	X	2,162,197 [1]
28/10/2020	20,000,000	X	1,290,828 [1]
28/10/2021	4,000,000	X	—

[1] Refers to options awarded in 2017, 2018, 2019, 2020, 2021 and 2022.

2. Description of performance shares schemes and group LTI

In the area of equity instruments used for staff remuneration, Mediobanca has decided to adopt a performance shares scheme, the most recent version of which was approved by shareholders at the Annual General Meeting held on 28 October 2021. Starting from financial year 2021/2022, the General Meeting partially revoked the 2021-2025 incentive plan approved on 28 October 2020 in order to change over to a system based on resolutions to be taken annually.

Under the terms of the scheme, in certain conditions Mediobanca shares may be awarded to staff free of charge at the end of a vesting period. The rationale for the scheme is to:

– bring the Bank's remuneration structure into line with the regulations requiring that a share of the variable remuneration component to be paid in the form of equity instruments, over a time horizon of several years, subject to performance conditions and hence consistent with results sustainable over time;

– align the interests of Mediobanca's management with those of shareholders to create value over the medium/long term.

The maximum number of shares that can be awarded by the plan approved by the Shareholders' Meeting held on 28 October 2021 is 4,000,000 shares to the Group's personnel for the variable part of remuneration to be paid out for the financial year ending at 30 June 2022. Treasury shares will be used in connection with the scheme.

As part of the staff variable remuneration for financial year 2021, a total of 1,313,735 performance shares were allocated during the year under review: the shares, the award of which is conditional upon performance objectives being achieved over a five-year period, will be made available in tranches as follows: November 2022 (up to 576,120), November 2023 (up to 205,591), November 2024 (up to 314,236), November 2025 (up to 109,143), and November 2026 (up to 108,645).

On 26 November 2021, following the end of the beneficiaries' vesting period for the right to receive performance shares, a total of 2,124,262 shares were awarded by delivery of treasury shares. On 15 December 2021, the rights relating to 63,229 shares were forfeited.

Starting on 30 June 2022, in connection with the variable remuneration for financial year 2022, a total of 1,776,576 performance shares were awarded at a figurative cost of €10.3m, as part of the variable remuneration component only. These shares, the award of which is conditional upon performance objectives being achieved over a five-year period, will be made available in tranches as follows: November 2023 (up to 783,419), November 2024 (up to 233,567), November 2025 (up to 408,662), November 2026 (up to 175,833) and November 2027 (up to 175,095).

B. QUANTITATIVE INFORMATION

2. Changes in performance share scheme during the year

Performance shares	30/6/2022		30/6/2021	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	4,326,781	6.46	4,724,804	6.95
B. Additions				
B.1 New issues	1,313,735	7.94	1,235,209	5.96
B.2 Other additions	—	—	—	—
C. Reductions				
C.1 Performance shares canceled	—	—	—	—
C.2 Performance shares made available	2,124,262	7.09	1,566,239	6.71
C.3 Performance shares expired	—	—		
C.4 Other reductions	63,229	7.28	66,993	6.41
D. Balance at end of period	3,453,025	7.01	4,326,781	6.46

Part M - Disclosure on leasing

SECTION 1

Lessee

QUALITATIVE INFORMATION

With reference to IFRS 16 coming into force and the contracts which fall within its scope of application, the Bank's lease agreements essentially include real property leases and company car leases. There are some hardware leases only for a residual amount. The property leases mostly involve premises used as offices. Such leases normally have durations of more than twelve months, and typically contain renewal or termination clauses which both lessor and lessee can exercise in accordance with the provisions of law and/ or specific contractual arrangements, if any. Generally speaking such leases do not contain an option to buy at expiry or entail substantial reinstatement costs for the Bank. As for the car leases, these are long-term agreements for the fleet of company cars available for use by staff members for work-related purposes. The lease agreements in place other than those relating to real properties and cars are of an insignificant amount.

Please note that, when adopting the standard, it was decided to apply some simplifications as permitted by the same Standard by excluding leases with a duration of twelve months or less ("short-term leases"), leases involving amounts of less than €5,000 ("low value leases"), and leases for intangible fixed assets. It was also decided not to separate the service component from the lease proper; hence the full contract was recognized as a lease. The discount rate used was derived from the internal rate of return curve used in treasury management by the Group Treasury unit.

If the original contract has been sub-leased to a counterparty, the liability in respect of the original lease is balanced by an amount receivable from the subscriber rather than by the value in use at the date; Sub-leasing arrangements involve only negligible amounts.

QUANTITATIVE INFORMATION

For quantitative information on the impact on the Bank's financial and earnings situation, reference is made to the contents of the following sections of the Notes to the Accounts:

- Information on rights of use acquired, in "Part B Notes to the consolidated balance sheet - Assets - Section 8";
- Information on amounts due under leases, in the "Part B Notes to the consolidated balance sheet - Liabilities - Section 1";
- For the effects on earnings, "Part C Notes to the consolidated profit and loss account", in particular the headings for interest income and expense and net adjustments to tangible assets.

The value in use recorded in the balance sheet at 30 June 2022 was €25,079,000, broken down as follows:

- Value in use of properties: €21,672,000;
- Value in use of vehicles: €3,260,000;
- Value in use of other assets: €147,000.

SECTION 2

Lessor

QUALITATIVE INFORMATION

With regard to agreements within the scope of IFRS 16, only real property sub-lease agreements are relevant for the Bank. These agreements, relating to finance lease transactions, are non-recurring and for insignificant amounts (€3.8m at June 2022).

QUANTITATIVE INFORMATION

For quantitative information on the impact on the Bank's financial and earnings situation, reference is made to the contents of the following sections of the Notes to the Accounts:

– for receivables deriving from sub-lease agreements, "Part B Notes to the consolidated balance sheet - Assets - Section 4";

– for the effects on earnings, "Part C Notes to the consolidated profit and loss account", in particular the headings for interest income and expense and net adjustments to tangible assets.

1. Balance-sheet and earnings data

2. Finance leases

2.1 Maturity analysis of lease payments receivable by timing bracket and reconciliation of undiscounted lease payments to the net investment in the lease

Time bands	30/06/22 Lease payment to be received	30/06/21 Lease payment to be received
Up to 1 year	1,187	1,208
Between 1 and 2 years	1,172	1,209
Between 2 and 3 years	1,183	1,205
Between 3 and 4 years	297	1,210
Between 4 and 5 years	—	304
Over 5 years	—	—
Total lease payments to be received	**3,839**	**5,136**
Reconciliation with loans	**(19)**	**(71)**
Not accrued gains (+)	(19)	(71)
Unguaranteed residual value (-)	—	—
Loans for leases	**3,820**	**5,065**

The table provides a maturity analysis of the lease payments receivable, and a reconciliation of the undiscounted lease payments to the net investment in the lease, as required by IFRS 16, paragraph 94. In particular it should be noted that the payments receivable under the lease, which consist of the sum of minimum payments due by way of principal and interest, are stated net of any provisions and the unguaranteed residual value due to the lessor. These are reconciled with the net investment in the lease, recognized in the balance sheet under financial assets measured at amortized cost, by subtracting financial profits not accrued and adding the unguaranteed residual value.

3. Operating leases

The Bank currently has no operating leases in place in the capacity of lessor.

ANNEXES

Consolidated financial statements
Comparison between the restated Balance Sheet and the template contained in Bank of Italy Circular No. 262/05, seventh update

Regarding Assets, the balance sheet shown in the Review of Operations reflects the following restatements:

– The closing amount of "Treasury financial assets" includes "Cash and cash equivalents" (heading 10); receivables in respect of current accounts and untied deposits, reverse repos and other deposits in connection with securities lending operations and derivatives recognized as "Financial assets measured at amortized cost: loans to banks and loans to customers" (headings 40a and 40b, respectively), plus certain items booked as "Other assets" (heading 130);

– The closing amount of "Banking book securities" includes debt securities recognized as "Financial assets measured at fair value through other comprehensive income" (heading 30), "Financial assets measured at amortized cost" (heading 40c) and "Financial assets measured at fair value through profit or loss", either designated at fair value or mandatorily classified at fair value (headings 20b and 20c);

– The closing amount of "Equity investments" includes equities recognized as "Financial assets measured at fair value through other comprehensive income" (heading 30), "Equity investments" (heading 70) themselves, and funds mandatorily recognized at fair value in heading 20c "Financial assets measured at fair value through profit or loss";

– The closing amount of "Loans to customers" includes loans and receivables recognized as "Financial assets measured at amortized cost: loans to banks and loans to customers" (headings 40a and 40b, respectively), including those recognized mandatorily at fair value through profit or loss booked under heading 20c) after any "Adjustments of hedging financial assets" (heading 60) relating to loans and receivables;

– The closing amount of "Other assets" includes the headings 130 "Other assets", 110 "Tax assets" and 50 "Hedging derivatives", and sundry debtor items recognized as "Financial assets measured at amortized cost: loans to banks and loans to customers" (headings 40a and 40b) and Non-current assets and groups of assets held for sale, if any;

Regarding Liabilities:

– The closing amount of "Funding" includes amounts due to banks, amounts due to customers and securities in issue recognized under "Financial liabilities measured at amortized cost" (under headings 10a), 10b) and 10c), respectively), other than amounts recognized under "Treasury funding" and under "Other liabilities", in addition to "Financial liabilities measured at fair value" (heading 30);
– The closing amount of "Treasury deposits" includes amounts payable in respect of current accounts and untied deposits, repos and other deposits in connection with securities lending operations and derivatives recognized as "Financial liabilities measured at amortized cost – a) Due to banks" and "b) Due to customers" (headings 10a) and 10b), respectively);
– The closing amount of "Other liabilities" includes the headings 40 "Hedging derivatives", 60 "Tax liabilities" and 110 "Insurance reserves", plus sundry creditor items recognized as "Financial liabilities measured at amortized cost".

Balance sheet as at 30 June 2022 - Assets

(€m)

Assets	Financial assets held for trading	Treasury financial assets	Banking book securities	Customer loans	Equity Investments	Tangible and intangible assets	Other assets	Total assets
10. Cash and cash equivalents	—	8,578.8	—	—	—	—	—	**8,578.8**
20. Financial assets at fair value with impact taken to profit and loss	9,530.9	—	0.5	521.8	627.7	—	—	**10,680.9**
a) Financial assets held for trading	*9,530.9*	—	—	—	—	—	—	***9,530.9***
b) Financial assets designated at fair value	—	—	—	*516.5*	—	—	—	***516.5***
c) Other financial assets mandatorily at fair value	—	—	*0.5*	*5.3*	*627.7*	—	—	***633.5***
30. Financial assets at fair value with impact taken to comprehensive income	—	—	3,873.1	—	260.6	—	—	**4,133.7**
40. Financial assets at amortized cost	—	4,222.0	4,703.7	51,179.6	—	—	—	**60,105.3**
50. Hedging derivatives	—	—	—	—	—	—	872.4	**872.4**
60. Adjustment of hedging financial assets (+/-)	—	—	—	—	—	—	—	**—**
70. Equity investments	—	—	—	—	3,157.9	—	—	**3,157.9**
80. Reinsured portion of technical reserve	—	—	—	—	—	—	—	**—**
90. Property, plant and equipments	—	—	—	—	—	511.8	—	**511.8**
100. Intangible assets	—	—	—	—	—	838.4	—	**838.4**
110. Tax assets	—	—	—	—	—	—	808.3	**808.3**
120. Assets classified as held for sale	—	—	—	—	—	—	0.2	**0.2**
130. Other assets	—	—	—	—	—	—	880.7	**880.7**
Total assets	**9,530.9**	**12,800.8**	**8,577.3**	**51,701.4**	**4,046.2**	**1,350.2**	**2,561.6**	**90,568.4**

FORMAT RECOMMENDED BY BANK OF ITALY CIRCULAR NO. 262/05 6TH UPDATE

Balance sheet as at 30 June 2022 - Liabilities

(€m)

Liabilities and net equity	Funding	Treasury financial liabilities	Financial liabilities held for trading	Other liabilities	Provisions	Net equity and minority interests	Total liabilities and net equity
10. Financial liabilities at amortized cost	60,527.7	5,905.8	—	282.1	—	—	**66,715.6**
a) Due to banks	*12,141.5*	*3,604.9*	—	*5.4*	—	—	***15,751.8***
b) Due to customers	*30,146.2*	*2,300.9*	—	*276.4*	—	—	***32,723.5***
c) Debt securities in issue	*18,24—*	—	—	*0.3*	—	—	***18,240.3***
20. Trading financial liabilities	—	—	9,206.7	—	—	—	**9,206.7**
30. Financial liabilities designated at fair value	641.7	—	—	—	—	—	**641.7**
40. Hedging derivatives	—	—	—	1,361.9	—	—	**1,361.9**
50. Adjustment of hedging financial liabilities (+/-)	—	—	—	—	—	—	**—**
60. Tax liabilities	—	—	—	659.8	—	—	**659.8**
70. Liabilities included in disposal groups classified as held for sale	—	—	—	—	—	—	**—**
80. Oher liabilities	—	—	—	955.1	—	—	**955.1**
90. Staff severance indemnity provision	—	—	—	—	22.0	—	**22.0**
100. Provisions	—	—	—	—	137.7	—	**137.7**
110. Insurance reserves	—	—	—	119.0	—	—	**119.0**
120. Revaluation reserves	—	—	—	—	—	433.6	**433.6**
130. Redeemable shares repayable on demand	—	—	—	—	—	—	**—**
140. Equity instruments repayable on demand	—	—	—	—	—	—	—
150. Reserves	—	—	—	—	—	6,908.3	**6,908.3**
160. Share premium reserve	—	—	—	—	—	2,195.6	**2,195.6**
170. Share capital	—	—	—	—	—	443.6	**443.6**
180. Treasury share (-)	—	—	—	—	—	(240.8)	**(240.8)**
190. Minority interests (+/-)	—	—	—	—	—	101.6	**101.6**
200. Profit/(loss) for the period (+/-)	—	—	—	—	—	907.0	**907.0**
Total liabilities and net equity	**61,169.4**	**5,905.8**	**9,206.7**	**3,377.9**	**159.7**	**10,748.9**	**90,568.4**

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/05, seventh update

The profit and loss account shown in the Review of Operations reflects the following restatements:

- "Net interest income" includes the items stated under headings 10 "Interest and similar income", 20 "Interest and similar expense", Financial Guarantee Fees, gains/losses on derivatives trading stated under heading 80 "Net trading income", and the net gains or losses on hedges of customer loans and funding stated under heading 90 "Net hedging income". The portion of interest relating to securities lending collateral (loss of €5.8m) was reclassified in "Treasury income", while the portion relating to the pending tax dispute (€1.1m) was reclassified under heading "Income taxes";
- "Net treasury income" contains the amounts stated under heading 70 "Dividends and similar income", heading 80 "Net trading income" (except for amounts recognized as Net interest income and considering that €13.4m were reclassified as other gains and losses), Banking Book changes under heading 100 "Net gains (losses) on disposals/repurchases", the share of securities lending transactions stated under headings 40 "Fee and commission income", 50 "Fee and commission expense" and respective collaterals (loss of €7.4m), and lastly, the portion stated under heading 110 "Net result from other financial assets and liabilities measured at fair value through profit or loss" related to securities under the fair value option;
- The heading "Net fee and commission income and other net income (expense)" contains the amounts stated under heading 60 "Net fee and commission income", the operating income stated under heading 230 "Other operating income (expense)", the writebacks due to collections on NPLs acquired stated under heading 130 "Net write-offs (write-backs) for credit risk" and the "Net profit from insurance activities" of headings 160 and 170;
- The heading "Loan loss provisions" contains the amounts relating to loans stated under headings 130 "Net value adjustments for credit risk" (after writebacks of €44.4m on NPLs), 100 "Net gains (losses) on disposals/ repurchases" (€1.8m), 110 "Net result from other financial assets and liabilities measured at fair value through profit or loss" (€0.2m) and 140 "Gain (losses) from contractual amendments without derecognition", and

200 "Net provisions for risks and charges" relating to commitments and sureties (€2.9m);

– The heading "Provisions for other financial assets" includes the valuations of securities and provisions recognized under item 110 "Net result from financial assets and liabilities mandatorily measured at fair value through profit or loss" and adjustments and writebacks for credit risk relating to assets measured at fair value through OCI and other financial assets stated under item 130 (€3.1m);

– The heading "Overhead costs" includes amounts stated under heading 190 "Administrative expenses", net transfers to provisions stated under heading 200, after the amounts stated under the heading Loan loss provisions (€2.9m) and Other gains and losses (€3.1m), Net adjustments to tangible and intangible assets stated under headings 210 and 220 and Other operating income or charges stated under heading 230 "Other operating income / charges", after recoveries stated under Net fee and commission income;

– The item "Other gains / losses" includes non-recurring costs stated under heading 190 "Administrative expenses", in particular contributions paid into to the resolution and deposit protection funds and any non-recurring expenses (for example, the amount donated to Opera San Francesco during the year), in addition to the extraordinary writebacks of provisions for risks (€3.1m related to Selma BPM). The heading includes the one-off amounts of item 80 (€13.4m), in addition to the net capital gain on the Spafid Connect sale (€6.5m), of which €5.1m under the heading "Other operating expenses".

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/05, seventh update

(€m)

Profit-and-loss account	Net interest income	Net treasury income	Net fee and commission income	Equity-accounted companies	Operating costs	Loan loss provisions	Provisions for other financial assets	Other income (losses)	Income tax for the period	Minority interest	Net profit
10. Interest and similar income	1,847.9	1.2	—	—	—	—	—	—	(1.1)	—	1,848.0
20. Interest expense and similar charges	(346.7)	(7.0)	—	—	—	—	—	—	—	—	(353.7)
30. Net interest income	**1,501.2**	**(5.8)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1.1)**	**—**	**1,494.3**
40. Fee and commission income	2.0	6.0	826.7	—	—	—	—	—	—	—	834.7
50. Fee and commission expense	(9.7)	(7.6)	(149.4)	—	—	—	—	—	—	—	(166.7)
60. Net fee and commission income	**(7.7)**	**(1.6)**	**677.3**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**668.0**
70. Dividends and similar income	—	117.8	—	—	—	—	—	—	—	—	117.8
80. Net trading income	(12.2)	(59.2)	—	—	—	—	—	(13.4)	—	—	(84.8)
90. Net hedging income (expense)	(2.1)	—	—	—	—	—	—	—	—	—	(2.1)
100. Gain (loss) on disposal/repurchase	—	97.3	—	—	—	1.8	—	—	—	—	99.1
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	13.3	—	—	—	0.2	(34.3)	—	—	—	(20.8)
120. Total income	**1,479.2**	**161.8**	**677.3**	**—**	**—**	**2.0**	**(34.3)**	**(13.4)**	**(1.1)**	**—**	**2,271.5**
130. Net write-offs (write-backs) for credit risk	—	—	44.4	—	—	(247.4)	(3.1)	—	—	—	(206.1)
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—	(0.1)		—	—	—	(0.1)
150. Net income from financial operations	**1,479.2**	**161.8**	**721.7**	**—**	**—**	**(245.5)**	**(37.4)**	**(13.4)**	**(1.1)**	**—**	**2,065.3**
160. Premiums earned (net)	—	—	44.4	—	—	—	—	—	—	—	44.4
170. Other income (net) from insurance activities	—	—	(12.9)	—	—	—	—	—	—	—	(12.9)
180. Net profit from financial and insurance activities	**1,479.2**	**161.8**	**753.2**	**—**	**—**	**(245.5)**	**(37.4)**	**(13.4)**	**(1.1)**	**—**	**2,096.8**
190. Administrative expenses	—	—	—	—	(1,303.3)	—	—	(78.1)	—	—	(1,381.4)
200. Net transfers to provisions	—	—	—	—	(12.9)	2.9	—	3.1	—	—	(6.9)
210. Net adjustments to tangible assets	—	—	—	—	(57.1)	—	—	—	—	—	(57.1)
220. Net adjustments to intangible assets	—	—	—	—	(29.5)	—	—	—	—	—	(29.5)
230. Other operating income (expense)	—	—	97.3	—	90.7	—	—	(5.1)	2.8	(8.6)	177.1
240. Operating costs	**—**	**—**	**97.3**	**—**	**(1,312.1)**	**2.9**	**—**	**(80.1)**	**2.8**	**(8.6)**	**(1,297.8)**
250. Gain (loss) on equity investments	—	—	—	359.3	—	—	—	—	—	—	359.3
260. Net result from fair value valuation of tangible and intangible assets	—	—	—	—	—	—	—	—	—	—	—
270. Goodwill write-offs	—	—	—	—	—	—	—	(3.7)	—	—	(3.7)
280. Gain (loss) on disposal of investments	—	—	—	—	—	—	—	7.1	—	—	7.1
290. Profit (loss) on ordinary activity before tax	**1,479.2**	**161.8**	**850.5**	**359.3**	**(1,312.1)**	**(242.6)**	**(37.4)**	**(90.1)**	**1.7**	**(8.6)**	**1,161.7**
300. Income tax for the year on ordinary activities	—	—	—	—	—	—	—	—	(252.0)	—	(252.0)
310. Profit (loss) on ordinary activities after tax	**1,479.2**	**161.8**	**850.5**	**359.3**	**(1,312.1)**	**(242.6)**	**(37.4)**	**(90.1)**	**(250.3)**	**(8.6)**	**909.7**
320. Gain (loss) of ceded operating assets, net of tax	—	—	—	—	—	—	—	—	—	—	—
330. Net profit (loss) for the period	**1,479.2**	**161.8**	**850.5**	**359.3**	**(1,312.1)**	**(242.6)**	**(37.4)**	**(90.1)**	**(250.3)**	**(8.6)**	**909.7**
340. Net profit (loss) for the period attributabe to minorities	—	—	—	—	—	—	—	—	—	(2.7)	(2.7)
350. Net profit (loss) for the period attributable to Mediobanca	**1,479.2**	**161.8**	**850.5**	**359.3**	**(1,312.1)**	**(242.6)**	**(37.4)**	**(90.1)**	**(250.3)**	**(11.3)**	**907.0**

Individual Financial Statements

Balance sheet as at 30 June 2022 - Assets

(€m)

Assets	Financial assets held for trading	Treasury financial assets	Banking book securities	Customer loans	Equity Investments	Tangible and intangible assets	Other assets	Total assets
10. Cash and cash equivalents	—	7,420.1	—	363.4	—	—	—	**7,783.5**
20. Financial assets at fair value with impact taken to profit and loss	10,160.3	—	0.5	520.7	581.1	—	—	**11.262.6**
a) Financial assets held for trading	*10,160.3*	—	—	—	—	—	—	***10.160.3***
b) Financial assets designated at fair value	—	—	—	*516.5*	—	—	—	***516.5***
c) Other financial assets mandatorily at fair value	—	—	*0.5*	*4.2*	*581.1*	—	—	***585.8***
30. Financial assets at fair value with impact taken to comprehensive income	—	—	3,873.1	—	501.2	—	—	**4,374.3**
40. Financial assets at amortized cost	—	6,618.5	6,199.0	39,070.9	—	—	—	**51,888.4**
50. Hedging derivatives	—	—	—	—	—	—	157.1	**157.1**
60. Adjustment of hedging financial assets (+/-)	—	—	—	—	—	—	—	**—**
70. Equity investments	—	—	—	—	3,563.0	—	—	**3,563.0**
80. Property, plant and equipments	—	—	—	—	—	140.7	—	**140.7**
90. Intangible assets	—	—	—	—	—	28.7	—	**28.7**
100. Tax assets	—	—	—	—	—	—	259.3	**259.3**
110. Assets classified as held for sale	—	—	—	—	—	—	—	**—**
120. Other assets	—	—	—	—	—	—	208.0	**208.0**
Total assets	**10,160.3**	**14,038.6**	**10,072.6**	**39,955.0**	**4,645.3**	**169.4**	**624.4**	**79,665.6**

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Balance sheet as at 30 June 2022 - Liabilities

(€m)

Liabilities and net equity	Funding	Treasury financial liabilities	Financial liabilities held for trading	Other liabilities	Provisions	Net equity and minority interests	Total liabilities and net equity
10. Financial liabilities at amortized cost	54,771.0	6,994.1	—	28.1	—	—	**61,793.2**
a) Due to banks	*30,478.1*	*4,693.0*	—	—	—	—	***35,171.1***
b) Due to customers	*9,059.2*	*2,301.1*	—	*27.8*	—	—	***11,388.1***
c) Debt securities in issue	*15,233.7*	—	—	*0.3*	—	—	***15,234.0***
20. Trading financial liabilities	—	—	10,026.5	—	—	—	**10,026.5**
30. Financial liabilities designated at fair value	637.6	—	—	—	—	—	**637.6**
40. Hedging derivatives	—	—	—	1,386.0	—	—	**1,386.0**
50. Adjustment of hedging financial liabilities (+/-)	—	—	—	—	—	—	**—**
60. Tax liabilities	—	—	—	361.4	—	—	**361.4**
70. Liabilities included in disposal groups classified as held for sale	—	—	—	—	—	—	**—**
80. Oher liabilities	—	—	—	278.2	—	—	**278.2**
90. Staff severance indemnity provision	—	—	—	—	5.4	—	**5.4**
100. Provisions	—	—	—	—	114.5	—	**114.5**
110. Revaluation reserves	—	—	—	—	—	118.4	**118.4**
120. Redeemable shares repayable on demand	—	—	—	—	—	—	**—**
130. Equity instruments repayable on demand	—	—	—	—	—	—	**—**
140. Reserves	—	—	—	—	—	2,038.9	**2,032.9**
150. Share premium reserve	—	—	—	—	—	2,195.6	**2,195.6**
160. Share capital	—	—	—	—	—	443.6	**443.6**
170. Treasury share (-)	—	—	—	—	—	(240.8)	**(240.8)**
180. Profit/(loss) for the period (+/-)	—	—	—	—	—	513.1	**513.1**
Total liabilities and net equity	**55,408.6**	**6,994.1**	**10,026.5**	**2,053.8**	**119.9**	**5,062.8**	**79,665.6**

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/05, seventh update

Profit and loss account as at 30 June 2022

(€m)

Profit-and-loss account	Net interest income	Net fee and commission income	Dividends on investments	Operating costs	Gains (losses) on disposal of equity holdings	Loan loss provisions	Provisions for other financial assets	Impairment on investments	Other income (losses)	Income tax for the period	Net profit
10. Interest and similar income	651.0	1.2	—	—	—	—	—	—	—	(1.1)	651.1
20. Interest expense and similar charges	(536.2)	(7.0)	—	—	—	—	—	—	—	—	(543.2)
30. Net interest income	**114.8**	**(5.8)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1.1)**	**107.9**
40. Fee and commission income	7.9	6.1	347.8	—	—	—	—	—	—	—	361.8
50. Fee and commission expense	(9.7)	(10.3)	(52.2)	—	—	—	—	—	—	—	(72.2)
60. Net fee and commission income	**(1.8)**	**(4.2)**	**295.6**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**289.6**
70. Dividends and similar income	—	124.7	—	488.0	—	—	—	—	—	—	612.7
80. Net trading income	2.1	(70.3)	—	—	—	—	—		(12.3)	—	(80.5)
90. Net hedging income (expense)	(0.7)	—	—	—	—	—	—	—	—	—	(0.7)
100. Gain (loss) on disposal/repurchase	—	96.7	—	—	—	—	—	—	—	—	96.7
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	13.1	—	—	—	(0.1)	(34.9)	—	—	—	(21.9)
120. Total income	**114.4**	**154.2**	**295.6**	**488.0**	**—**	**(0.1)**	**(34.9)**	**—**	**(12.3)**	**(1.1)**	**1.003.8**
130. Net write-offs (write-backs) for credit risk	—	—	—	—	—	39.3	3.2	—	—	—	42.5
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—	—	—		—	—	—
150. Net income from financial operations	**114.4**	**154.2**	**295.6**	**488.0**	**—**	**39.2**	**(31.7)**	**—**	**(12.3)**	**(1.1)**	**1.046.3**
160. Administrative expenses	—	—	—	—	(457.9)	—	—	—	(44.3)	—	(502.2)
170. Net transfers to provisions	—	—	—	—	(0.4)	9.1	—	—		—	8.7
180. Net adjustments to tangible assets	**—**	**—**	**—**	**—**	**(8.7)**	**—**	**—**	**—**	**—**	**—**	**(8.7)**
190. Net adjustments to intangible assets	—	—	—	—	(0.5)	—	—	—	—	—	(0.5)
200. Other operating income (expense)	—	—	21.2	—	16.6	—	—	—	0.5	—	38.3
210. Operating costs	—	—	21.2	—	(450.9)	9.1	—	—	(43.8)	—	(464.4)
220. Gain (loss) on equity investments	—	—	—	—	—	—	—	(0.9)	—	—	(0.9)
230. Net result from fair value valuation of tangible and intangible assets	—	—	—	—	—	—	—	—	—	—	—
240. Goodwill write-offs	—	—	—	—	—	—	—	—	—	—	—
250. Gain (loss) on disposal of investments	—	—	—	—	—	—	—	—	—	—	—
260. Profit (loss) on ordinary activity before tax	**114.4**	**154.2**	**316.8**	**488.0**	**(450.9)**	**48.3**	**(31.7)**	**(0.9)**	**(56.1)**	**(1.1)**	**581.0**
270. Income tax for the year on ordinary activities	—	—	—	—	—	—	—	—		(68.0)	(68.0)
280. Profit (loss) on ordinary activities after tax	**114.4**	**154.2**	**316.8**	**488.0**	**(450.9)**	**48.3**	**(31.7)**	**(0.9)**	**(56.0)**	**(69.1)**	**513.1**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—	—	—	—	—	—	—	—	—
300. Net profit (loss) for the period	114.4	154.2	316.8	488.0	(450.9)	48.3	(31.7)	(0.9)	(56.0)	(69.1)	513.1

Table A

Details, as required by Article 10, Italian Law No. 72 of 19 March 1983, of assets still owned by the Bank for which the following revaluations have been carried out

(€)

Revalued assets	**Original revaluation**	**Decrease due to disposal or writedown**	**Current revaluation**
– property in Piazzetta Enrico Cuccia 1			
(formerly Via Filodrammatici 6-8-10)			
revaluation effected under Law no. 576 of 2 december 1975	2,609,651.24	—	2,609,651.24
revaluation effected under Law no. 72 of 19 march 1983	11,620,280.23	—	11,620,280.23
revaluation effected under Law no. 413 of 30 december 1991	4,174,707.04	—	4,174,707.04
			18,404,638.51
– property in Piazza Paolo Ferrari 6			
revaluation effected under Law no. 72 of 19 march 1983	815,743.67	—	815,743.67
			815,743.67

Balance sheets and profit and loss accounts of investments in Group undertakings (including indirect investments)

Banks (IAS/IFRS)

Table B

BALANCE SHEET

		CMB MONACO S.A.*	CHEBANCA!	COMPASS BANCA
		(€/000)	(€/000)	(€/000)
	ASSETS			
10.	Cash and cash equivalents	3,347,046	198,060	23,281
20.	Financial assets at fair value with impact taken to profit and loss	54,023	38,875	—
	a) Financial assets held for trading	*47,139*	—	—
	b) Financial assets designated at fair value	—	—	—
	c) Other financial assets mandatorily at fair value	*6,884*	*38,875*	—
30.	Financial assets at fair value with impact taken to comprehensive income	—	—	1,415
40.	Financial assets at amortized cost	3,577,201	28,539,549	14,043,638
	a) Due from banks	*824,764*	*16,658,848*	*287*
	b) Due from customers	*2,752,437*	*11,880,701*	*14,043,351*
50.	Hedging derivatives	2,450	568,590	287,261
60.	Adjustment of hedging financial assets (+/-)	—	—	—
70.	Equity investments	45,803	69	63,540
80.	Property, plant and equipments	26,073	138,089	64,559
90.	Intangible assets	21,710	5,887	355,865
	of which:			
	goodwill	—	—	*354,033*
100.	Tax assets	—	42,253	458,065
	a) current	—	*5,553*	*27,529*
	b) deferred	—	*36,700*	*430,536*
110.	Assets classified as held for sale	—	—	—
120.	Other assets	32,674	280,962	81,592
	TOTAL ASSETS	**7,106,980**	**29,812,334**	**15,379,216**

* Table compiled in accordance with the regulation provided under the Article 15 of CONSOB Market Regulation and Article 2, 6, 2 Italian stock exchange regulation (pro-forma, as at 30 June 2022, drawn up for the Group financial statements purpose).

Banks (IAS/IFRS)

Table B

BALANCE SHEET

	CMB MONACO S.A.* (€/000)	CHEBANCA! S.p.A. (€/000)	COMPASS BANCA S.p.A. (€/000)
LIABILITIES			
10. Financial liabilities at amortized cost	6,050,415	28,639,356	12,044,809
a) Due to banks	*1,023,308*	*11,072,617*	*9,796,920*
b) Due to customers	*5,027,107*	*17,566,739*	*2,147,774*
c) Debt securities in issue	—	—	*100,115*
20. Trading financial liabilities	47,004	—	—
30. Financial liabilities designated at fair value	—	—	—
40. Hedging derivatives	70	1,719	486
50. Adjustment of hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	—	7,946	170,379
a) current	—	*7,946*	*71,984*
b) deferred	—	—	*98,395*
70. Liabilities included in disposal groups classified as held for sale	—	—	—
80. Other liabilities	42,864	259,723	233,484
90. Staff severance indemnity provision	—	1,996	7,862
100. Provisions	2,650	17,618	26,673
a) commitments and financial guarantees	*511*	*405*	*8,222*
b) post-employment and similar benefits	—	—	—
c) other provisions	*2,139*	*17,213*	*18,451*
110. Revaluation reserves	—	(760)	193,219
120. Redeemable shares	—	—	—
130. Equity instruments	—	160,000	—
140. Reserves	785,250	(62,367)	1,673,439
150. Share premium reserves	4,573	233,750	—
160. Share capital	111,110	506,250	587,500
170. Treasury shares	—	—	—
180. Profit (loss) for the period (+/-)	63,044	47,103	441,365
TOTAL LIABILITIES AND NET EQUITY	**7,106,980**	**29,812,334**	**15,379,216**

* Table compiled in accordance with the regulation provided under the Article 15 of CONSOB Market Regulation and Article 2, 6, 2 Italian stock exchange regulation (pro-forma, as at 30 June 2022, drawn up for the Group financial statements purpose).

Banks (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	CMB MONACO S.A.*	CHEBANCA! S.p.A.	COMPASS BANCA S.p.A.
	(€/000)	**(€/000)**	**(€/000)**
10. Interest and similar income	57,547	362,944	1,063,288
of which: interest income calculated according to the effective interest method	*6,379*	*168,577*	*1,059,508*
20. Interest expense and similar charges	(10,346)	(126,799)	(131,483)
30. Net interest income	**47,201**	**236,145**	**931,805**
40. Fee and commission income	62,464	214,169	43,204
50. Fee and commission expense	(7,055)	(63,669)	(30,213)
60. Net fee and commission income	**55,409**	**150,500**	**12,991**
70. Dividends and similar income	2,314	—	50,002
80. Net trading income	8,296	1,797	—
90. Net hedging income (expense)	—	252	—
100. Gain (loss) on disposal/repurchase:	—	(78)	5,225
a) financial assets measured at amortized cost	—	*(78)*	*5,225*
b) financial assets valued at fair value with impact taken to comprehensive income	—	—	—
c) financial liabilities	—	—	—
110. Net result from other financial assets and liabilities measured atfair value with impact taken to profit and loss:	3,960	(3,400)	—
a) financial assets and liabilities designated at fair value	—	—	—
b) other financial assets mandatorily valued at fair value	*3,960*	*(3,400)*	—
120. Total income	**117,180**	**385,216**	**1,000,023**
130. Net write-offs (write-backs) for credit risk:	(7)	(12,220)	(194,524)
a) financial assets measured at amortized cost	*(7)*	*(12,221)*	*(194,524)*
b) financial assets valued at fair value with impact taken to comprehensive income	—	*1*	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—
150. Net income from financial operations	**117,173**	**372,996**	**805,499**
160. Administrative expenses:	(66,486)	(315,346)	(329,227)
a) commitments and financial guarantees	*(45,606)*	*(131,244)*	*(104,631)*
b) other sums set aside (net)	*(20,880)*	*(184,102)*	*(224,596)*
170. Net transfers to provisions:	(1,541)	(8,378)	(3,192)
a) commitments and financial guarantees	*(314)*	*83*	*(756)*
b) other sums set aside (net)	*(1,227)*	*(8,461)*	*(2,436)*
180. Net adjustments to tangible assets	(3,564)	(23,077)	(13,775)
190. Net adjustments to intangible assets	(6,803)	(3,237)	(601)
200. Other operating income (expense)	3,875	48,441	106,275
210. Operating costs	**(74,519)**	**(301,597)**	**(240,520)**
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill write-offs	—	—	—
250. Gain (loss) on disposal of investments	25,169	—	—
260. Profit (loss) on ordinary activity before tax	**67,823**	**71,399**	**564,979**
270. Income tax for the year on ordinary activities	(4,779)	(24,296)	(123,614)
280. Profit (loss) on ordinary activities after tax	**63,044**	**47,103**	**441,365**
290. Gain (loss) of ceded operating assets, net of tax	—	—	
300. Net profit (loss) for the period	**63,044**	**47,103**	**441,365**

* Table compiled in accordante with the regulation provided under the Article 15 of CONSOB Market Regulation and Article 2, 6, 2 Italian stock exchange regulation (pro-forma, as at 30 June 2022, drawn up for the Group financial statements purpose).

BALANCE SHEET

		MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A. (€/000)
	ASSETS	
10.	Cash and cash equivalents	696,131
20.	Financial assets at fair value with impact taken to profit and loss	180,401
	a) Financial assets held for trading	*176,885*
	b) Financial assets designated at fair value	*3,516*
	c) Other financial assets mandatorily at fair value	—
30.	Financial assets at fair value with impact taken to comprehensive income	—
40.	Financial assets at amortized cost	6,503,033
	a) Due from banks	*2,038,547*
	b) Due from customers	*4,464,486*
50.	Hedging derivatives	2,425
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	4,150
80.	Property, plant and equipments	1,401
90.	Intangible assets	—
	of which:	
	goodwill	—
100.	Tax assets	3,918
	a) current	*3,015*
	b) deferred	*903*
110.	Assets classified as held for sale	—
120.	Other assets	91,026
	TOTAL ASSETS	**7,482,485**
	LIABILITIES	
10.	Financial liabilities at amortized cost	6,914,839
	a) Due to banks	*3,907,765*
	b) Due to customers	*12,434*
	c) Debt securities in issue	*2,994,640*
20.	Trading financial liabilities	102,084
30.	Financial liabilities designated at fair value	7,591
40.	Hedging derivatives	—
50.	Adjustment of hedging financial liabilities (+/-)	—
60.	Tax liabilities	4,518
	a) current	*4,518*
	b) deferred	—
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	8,904
90.	Staff severance indemnity provision	—
100.	Provisions	1,459
110.	Revaluation reserves	80
120.	Redeemable shares	—
130.	Equity instruments	100,000
140.	Reserves	326,043
150.	Share premium reserves	—
160.	Share capital	10,000
170.	Treasury shares	—
180.	Profit (loss) for the period (+/-)	6,967
	TOTAL LIABILITIES AND NET EQUITY	**7,482,485**

Banks (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.
		(€/000)
10.	Interest and similar income	87,356
	of which: interest income calculated according to the effective interest method	*90,760*
20.	Interest expense and similar charges	(70,103)
30.	**Net interest income**	**17,253**
40.	Fee and commission income	19,001
50.	Fee and commission expense	(12,057)
60.	**Net fee and commission income**	**6,944**
70.	Dividends and similar income	—
80.	Net trading income	(4,706)
90.	Net hedging income (expense)	29
100.	Gain (loss) on disposal/repurchase:	90
	a) financial assets measured at amortized cost	*92*
	b) financial assets valued at fair value with impact taken to comprehensive income	—
	c) financial liabilities	*(2)*
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	411
	a) financial assets and liabilities designated at fair value	*411*
	b) other financial assets mandatorily valued at fair value	—
120.	**Total income**	**20,021**
130.	Net write-offs (write-backs) for credit risk:	3,999
	a) financial assets measured at amortized cost	*3,999*
	b) financial assets valued at fair value with impact taken to comprehensive income	—
140.	Gains (losses) from contractual modifications without derecognition	—
150.	**Net income from financial operations**	**24,020**
160.	Administrative expenses:	(11,993)
	a) personnel coss	*(2,405)*
	b) other administrative expenses	*(9,588)*
170.	Net transfers to provisions	394
180.	Net adjustments to tangible assets	(204)
190.	Net adjustments to intangible assets	—
200.	Other operating income (expense)	(601)
210.	**Operating costs**	**(12,404)**
220.	Gain (loss) on equity investments	—
230.	Net result from fair value valuation of tangible and intangible assets	—
240.	Goodwill write-offs	—
250.	Gain (loss) on disposal of investments	—
260.	**Profit (loss) on ordinary activity before tax**	**11,616**
270.	Income tax for the year on ordinary activities	(4,649)
280.	**Profit (loss) on ordinary activities after tax**	**6,967**
290.	Gain (loss) of ceded operating assets, net of tax	—
300.	**Net profit (loss) for the period**	**6,967**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	MBCREDIT SOLUTIONS S.p.A. (€/000)
ASSETS	
10. Cash and cash equivalents	17,639
20. Financial assets at fair value with impact taken to profit and loss	—
30. Financial assets at fair value with impact taken to comprehensive income	—
40. Financial assets at amortized cost	350,867
a) Due from banks	*2*
b) Due from financial companies	*184*
c) Due from customers	*350,681*
50. Hedging derivatives	—
60. Adjustment of hedging financial assets (+/-)	—
70. Equity investments	501
80. Property, plant and equipments	4,758
90. Intangible assets	558
100. Tax assets	12,303
a) current	*1,251*
b) deferred	*11,052*
110. Assets classified as held for sale	—
120. Other assets	23,811
TOTAL ASSETS	**410,437**
LIABILITIES	
10. Financial liabilities at amortized cost	246,507
a) Due to	*246,507*
20. Trading financial liabilities	—
30. Financial liabilities designated at fair value	—
40. Hedging derivatives	—
50. Adjustment of hedging financial liabilities (+/-)	—
60. Tax liabilities	195
a) current	*195*
b) deferred	—
70. Liabilities included in disposal groups classified as held for sale	—
80. Oher liabilities	12,654
90. Staff severance indemnity provision	3,433
100. Provisions	1,821
a) commitments and financial guarantees	*538*
b) post-employment and similar benefits	—
c) other provisions	*1,283*
110. Share capital	32,500
120. Treasury shares (-)	—
130. Equity instruments	—
140. Share premium reserve	—
150. Reserves	131,601
160. Valuation reserves	275
180. Profit (loss) for the period	(18,549)
TOTAL LIABILITIES AND NET EQUITY	**410,437**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	MBCREDIT SOLUTIONS S.p.A.
	(€/000)
10. Interest and similar income	31,793
of which: interest income calculated according to the effective interest method	—
20. Interest expense and similar charges	(3,277)
30. Net interest income	**28,516**
40. Fee and commission income	23,168
50. Fee and commission expense	(6,285)
60. Net fee and commission income	**16,883**
70. Dividends and similar income	—
80. Net trading income	8
90. Net hedging income (expense)	—
100. Gain (loss) on disposal/repurchase:	(3,400)
a) Financial assets measured at amortized cost	*(3,400)*
b) Financial assets valued at fair value with impact taken to comprehensive income	—
c) Financial liabilities	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
120. Total income	**42,007**
130. Net write-offs (write-backs) for credit risk:	(15,356)
a) Financial assets valued at amortized cost	*(15,356)*
140. Gains (losses) from contractual modifications without derecognition	—
150. Net income from financial operations	**26,651**
160. Administrative expenses:	(53,595)
a) personnel cost	*(14,021)*
b) other administrative expenses	*(39,574)*
170. Net transfers to provisions:	(185)
a) commitments and financial guarantees	*(240)*
b) other sums set aside (net)	*55*
180. Net adjustments to tangible assets	(705)
190. Net adjustments to intangible assets	(466)
200. Other operating income (expense)	2,391
210. Operating costs	**(52,560)**
220. Gain (loss) on equity investments	—
230. Net result from fair value valuation of tangible and intangible assets	—
240. Goodwill write-offs	—
250. Gain (loss) on disposal of investments	—
260. Profit (loss) on ordinary activity before tax	**(25,909)**
270. Income tax for the year on ordinary activities	7,360
280. Profit (loss) on ordinary activities after tax	**(18,549)**
290. Gain (loss) of ceded operating assets, net of tax	—
300. Net profit (loss) for the period	**(18,549)**

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Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		SELMABIPIEMME LEASING S.p.A. (€/000)
	ASSETS	
10.	Cash and cash equivalents	26,864
20.	Financial assets at fair value with impact taken to profit and loss	—
30.	Financial assets at fair value with impact taken to comprehensive income	—
40.	Financial assets at amortized cost	1,568,336
	a) Due from banks	*1,274*
	b) Due from financial companies	*25,174*
	c) Due from customers	*1,541,888*
50.	Hedging derivatives	—
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	—
80.	Property, plant and equipments	50,083
90.	Intangible assets	—
100.	Tax assets	28,143
	a) current	*807*
	b) deferred	*27,336*
110.	Assets classified as held for sale	—
120.	Other assets	27,548
	TOTAL ASSETS	**1,700,974**
	LIABILITIES	
10.	Financial liabilities at amortized cost	1,435,360
	a) Due to	*1,435,360*
20.	Trading financial liabilities	243
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	2,559
50.	Adjustment of hedging financial liabilities (+/-)	—
60.	Tax liabilities	7,215
	a) current	*753*
	b) deferred	*6,462*
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	23,830
90.	Staff severance indemnity provision	960
100.	Provisions	5,210
	a) commitments and financial guarantees	*53*
	b) post-employment and similar benefits	—
	c) other provisions	*5,157*
110.	Share capital	41,305
120.	Treasury shares (-)	—
130.	Equity instruments	—
140.	Share premium reserve	4,620
150.	Reserves	176,720
160.	Valuation reserves	(1,573)
180.	Profit (loss) for the period	4,525
	TOTAL LIABILITIES AND NET EQUITY	**1,700,974**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		SELMABIPIEMME LEASING S.p.A. (€/000)
10.	Interest and similar income	41,458
	of which: interest income calculated according to the effective interest method	*41,458*
20.	Interest expense and similar charges	(7,440)
30.	**Net interest income**	**34,018**
40.	Fee and commission income	2,768
50.	Fee and commission expense	(880)
60.	**Net fee and commission income**	**1,888**
70.	Dividends and similar income	—
80.	Net trading income	54
90.	Net hedging income (expense)	2
100.	Gain (loss) on disposal/repurchase:	—
	a) Financial assets measured at fair value	—
	b) Financial assets valued at fair value with impact taken to comprehensive income	—
	c) Financial liabilities	—
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
	a) Financial assets and liabilities designated at fair value	—
	b) Other financial assets mandatorily valued at fair value	—
120.	**Total income**	**35,962**
130.	Net write-offs (write-backs) for credit risk:	(16,749)
	a) Financial assets valued at amortized cost	*(16,749)*
	b) attività finanziarie valutate al fair value con impatto sulla redditività complessiva	—
140.	Gains (losses) from contractual modifications without derecognition	(56)
150.	**Net income from financial operations**	**19,157**
160.	Administrative expenses:	(18,323)
	a) personnel coss	*(11,294)*
	b) other administrative expenses	*(7,029)*
170.	Net transfers to provisions:	2,702
	a) commitments and financial guarantees	*7*
	b) other sums set aside (net)	*2,695*
180.	Net adjustments to tangible assets	(2,213)
190.	Net adjustments to intangible assets	—
200.	Other operating income (expense)	5,411
210.	**Operating costs**	**(12,423)**
220.	Gain (loss) on equity investments	—
230.	Net result from fair value valuation of tangible and intangible assets	—
240.	Goodwill write-offs	—
250.	Gain (loss) on disposal of investments	(749)
260.	**Profit (loss) on ordinary activity before tax**	**5,985**
270.	Income tax for the year on ordinary activities	(1,460)
280.	**Profit (loss) on ordinary activities after tax**	**4,525**
290.	Gain (loss) of ceded operating assets, net of tax	—
300.	**Net profit (loss) for the period**	**4,525**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MEDIOBANCA INTERNATIONAL IMMOBILIERE (€/000)	MB FUNDING LUX (€/000)	CAIRN CAPITAL LIMITED GROUP* (£/000)
	ASSETS			
10.	Cash and cash equivalents	—	887	13,439
20.	Financial assets at fair value with impact taken to profit and loss	—	—	1,372
	a) Financial assets held for trading	—	—	—
	b) Financial assets designated at fair value	—	—	—
	c) Other financial assets mandatorily at fair value	—	—	*1,372*
30.	Financial assets at fair value with impact taken to comprehensive income	—	—	—
40.	Financial assets at amortized cost	430	1,010,000	—
	a) Due from banks	*430*	*1,010,000*	—
	b) Due from financial companies	—	—	—
	c) Due from customers	—	—	—
50.	Hedging derivatives	—	—	—
60.	Adjustment of hedging financial assets (+/-)	—	—	—
70.	Equity investments	—	—	—
80.	Property, plant and equipments	1,575	—	385
90.	Intangible assets	—	—	78,385
	of which:			
	goodwill	—	—	*11,718*
100.	Tax assets	2	—	—
	a) current	*2*	—	—
	b) deferred	—	—	—
110.	Assets classified as held for sale	—	—	—
120.	Other assets	17	389	13,186
	TOTAL ASSETS	**2,024**	**1,011,276**	**106,767**

* Pro-forma scheme as at 30 June 2022, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MEDIOBANCA INTERNATIONAL IMMOBILIERE (€/000)	MB FUNDING LUX (€/000)	CAIRN CAPITAL LIMITED GROUP* (£/000)
	LIABILITIES			
10.	Financial liabilities at amortized cost	—	1,010,181	3,681
	a) Due to	—	—	*3,681*
	b) Securities in issue	—	*1,010,181*	—
20.	Trading financial liabilities	—	—	650
30.	Financial liabilities designated at fair value	—	—	—
40.	Hedging derivatives	—	—	—
50.	Adjustment of hedging financial liabilities (+/-)	—	—	—
60.	Tax liabilities	11	—	18,075
	a) current	*11*	—	*18,075*
	b) deferred	—	—	—
70.	Liabilities included in disposal groups classified as held for sale	—	—	—
80.	Oher liabilities	4	132	3,234
90.	Staff severance indemnity provision	—	—	—
100.	Provisions	—	—	—
	a) commitments and financial guarantees	—	—	—
	b) post-employment and similar benefits	—	—	—
	c) other provisions	—	—	—
110.	Share capital	40	831	—
120.	Treasury shares (-)	—	—	—
130.	Equity instruments	—	—	—
140.	Share premium reserve	—	—	79,344
150.	Reserves	1,895	104	(5,596)
160.	Valuation reserves	—	—	—
180.	Profit (loss) for the period	74	28	7,379
	TOTAL LIABILITIES AND NET EQUITY	**2,024**	**1,011,276**	**106,767**

* Pro-forma scheme as at 30 June 2022, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	MEDIOBANCA INTERNATIONAL IMMOBILIERE	MB FUNDING LUX	CAIRN CAPITAL LIMITED GROUP*
	(€/000)	**(€/000)**	**(£/000)**
10. Interest and similar income	—	7,469	4
of which: interest income calculated according to the effective interest method	—	—	—
20. Interest expense and similar charges	—	(7,469)	(116)
30. Net interest income	**—**	**—**	**(112)**
40. Fee and commission income	—	—	35,429
50. Fee and commission expense	—	—	—
60. Net fee and commission income	**—**	**—**	**35,429**
70. Dividends and similar income	—	—	199
80. Net trading income	—	—	(756)
90. Net hedging income (expense)	—	—	—
100. Gain (loss) on disposal/repurchase:	—	—	—
a) Financial assets valued at amortized cost	—	—	—
b) Financial assets valued at fair value with impact taken to comprehensive income	—	—	—
c) Financial liabilities	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	92
a) financial assets designated at fair value	—	—	—
b) Other financial assets mandatorily valued at fair value	—	—	*92*
120. Total income	**—**	**—**	**34,852**
130. Net write-offs (write-backs) for credit risk:	—	—	—
a) Financial assets valued at amortized cost	—	—	—
b) Financial assets valued at fair value with impact taken to comprehensive income	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—
150. Net income from financial operations	**—**	**—**	**34,852**
160. Administrative expenses:	(47)	(552)	(25,198)
a) personnel coss	—	—	*(16,719)*
b) other administrative expenses	*(47)*	*(552)*	*(8,479)*
170. Net transfers to provisions:	—	—	—
a) commitments and financial guarantees	—	—	—
b) other sums set aside (net)	—	—	—
180. Net adjustments to tangible assets	(61)	—	(180)
190. Net adjustments to intangible assets	—	—	(705)
200. Other operating income (expense)	187	588	—
210. Operating costs	**79**	**36**	**(26,083)**
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill write-offs	—	—	—
250. Gain (loss) on disposal of investments	—	—	—
260. Profit (loss) on ordinary activity before tax	**79**	**36**	**8,769**
270. Income tax for the year on ordinary activities	(5)	(8)	(1,390)
280. Profit (loss) on ordinary activities after tax	**74**	**28**	**7,379**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
300. Net profit (loss) for the period	**74**	**28**	**7,379**

* Pro-forma scheme as at 30 June 2022, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	CMG MONACO S.A.M.*	RAM ACTIVE INVESTMENTS S.A.*	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.*
	(€/000)	(CHF/000)	(CHF/000)
ASSETS			
10. Cash and cash equivalents	2,495	11,017	2,687
20. Financial assets at fair value with impact taken to profit and loss	—	5,215	—
a) Financial assets held for trading	—	*5,215*	—
b) Financial assets designated at fair value	—	—	—
c) Other financial assets mandatorily at fair value	—	—	—
30. Financial assets at fair value with impact taken to comprehensive income	—	—	—
40. Financial assets at amortized cost	400	—	—
a) Due from banks	—	—	—
b) Due from financial companies	—	—	—
c) Due from customers	*400*	—	—
50. Hedging derivatives	—	—	—
60. Adjustment of hedging financial assets (+/-)	—	—	—
70. Equity investments	—	793	—
80. Property, plant and equipments	—	995	27
90. Intangible assets	—	77	—
of which:			
goodwill	—	—	—
100. Tax assets	—	149	—
a) current	—	*149*	—
b) deferred	—	—	—
110. Assets classified as held for sale	—	—	—
120. Other assets	2,972	6,830	7,196
TOTAL ASSETS	**5,867**	**25,076**	**9,910**

* Pro-forma scheme as at 30 June 2022, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	CMG MONACO S.A.M.* (€/000)	RAM ACTIVE INVESTMENTS S.A.* (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.* (CHF/000)
LIABILITIES			
10. Financial liabilities at amortized cost	—	52	—
a) Due to	—	*52*	—
b) Securities in issue	—	—	—
20. Trading financial liabilities	—	—	—
30. Financial liabilities designated at fair value	—	—	—
40. Hedging derivatives	—	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	—	296	793
a) current	—	*296*	*793*
b) deferred	—	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—	—
80. Oher liabilities	4,705	2,244	7,241
90. Staff severance indemnity provision	—	—	—
100. Provisions	—	—	—
a) commitments and financial guarantees	—	—	—
b) post-employment and similar benefits	—	—	—
c) other provisions	—	—	—
110. Share capital	600	1,000	782
120. Treasury shares (-)	—	(4,421)	—
130. Equity instruments	—	500	—
140. Share premium reserve	—	—	—
150. Reserves	(1,376)	28,131	3,018
160. Valuation reserves	—	—	(11)
180. Profit (loss) for the period	1,938	(2,726)	1,913
TOTAL LIABILITIES AND NET EQUITY	**5,867**	**25,076**	**9,910**

* Pro-forma scheme as at 30 June 2022, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	CMG MONACO S.A.M.* (€/000)	RAM ACTIVE INVESTMENTS S.A.* (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.* (CHF/000)
10. Interest and similar income	—	—	—
of which: interest income calculated according to the effective interest method	—	—	—
20. Interest expense and similar charges	—	*(135)*	(24)
30. Net interest income	**—**	**(135)**	**(24)**
40. Fee and commission income	15,158	15,641	6,562
50. Fee and commission expense	(8,353)	(3,117)	(5,539)
60. Net fee and commission income	**6,805**	**12,524**	**1,023**
70. Dividends and similar income	—	—	—
80. Net trading income	—	(229)	(209)
90. Net hedging income (expense)	—	—	—
100. Gain (loss) on disposal/repurchase:	—	—	—
a) Financial assets valued at amortized cost	—	—	—
b) Financial assets valued at fair value with impact taken to comprehensive income	—	—	—
c) Financial liabilities	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—
a) financial assets designated at fair value	—	—	—
b) Other financial assets mandatorily valued at fair value	—	—	—
120. Total income	**6,805**	**12,160**	**790**
130. Net write-offs (write-backs) for credit risk:	—	—	—
a) Financial assets valued at amortized cost	—	—	—
b) Financial assets valued at fair value with impact taken to comprehensive income	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—
150. Net income from financial operations	**6,805**	**12,160**	**790**
160. Administrative expenses:	(4,181)	(14,594)	(2,409)
a) personnel coss	*(2,394)*	*(10,632)*	*(1,603)*
b) other administrative expenses	*(1,787)*	*(3,962)*	*(806)*
170. Net transfers to provisions:	—	—	—
a) commitments and financial guarantees	—	—	—
b) other sums set aside (net)	—	—	—
180. Net adjustments to tangible assets	—	(136)	(15)
190. Net adjustments to intangible assets	—	(76)	—
200. Other operating income (expense)	—	148	**—**
210. Operating costs	**(4,181)**	**(14,658)**	**(2,424)**
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill write-offs	—	—	—
250. Gain (loss) on disposal of investments	**—**	**—**	**(15)**
260. Profit (loss) on ordinary activity before tax	**2,624**	**(2,498)**	**(1,649)**
270. Income tax for the year on ordinary activities	(686)	(228)	(264)
280. Profit (loss) on ordinary activities after tax	**1,938**	**(2,726)**	**(1,913)**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
300. Net profit (loss) for the period	**1,938**	**(2,726)**	**(1,913)**

* Pro-forma scheme as at 30 June 2022, used for the Consolidated Financial Statements preparation.

E-MARKET SDIR CERTIFIED

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		Messier et Associés S.A.S.* (€/000)	Messier et Associés L.L.C.* (USD/000)
	ASSETS		
10.	Cash and cash equivalents	17,625	104
20.	Financial assets at fair value with impact taken to profit and loss	—	—
	a) Financial assets held for trading	—	—
	b) Financial assets designated at fair value	—	—
	c) Other financial assets mandatorily at fair value	—	—
30.	Financial assets at fair value with impact taken to comprehensive income	—	—
40.	Financial assets at amortized cost	—	—
	a) Due from banks	—	—
	b) Due from financial companies	—	—
	c) Due from customers	—	—
50.	Hedging derivatives	—	—
60.	Adjustment of hedging financial assets (+/-)	—	—
70.	Equity investments	751	—
80.	Property, plant and equipments	8,073	—
90.	Intangible assets	17,000	—
	of which:		
	goodwill	—	—
100.	Tax assets	2,308	—
	a) current	*2,308*	—
	b) deferred	—	—
110.	Assets classified as held for sale	—	—
120.	Other assets	19,891	60
	TOTAL ASSETS	**65,648**	**164**

* Pro-forma scheme as at 30 June 2022, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Tabella B**

BALANCE SHEET

		Messier et Associés S.A.S.* (€/000)	Messier et Associés L.L.C.* (USD/000)
	LIABILITIES		
10.	Financial liabilities at amortized cost	23,074	—
	a) Due to	*23,074*	—
	b) Securities in issue	—	—
20.	Trading financial liabilities	—	—
30.	Financial liabilities designated at fair value	—	—
40.	Hedging derivatives	—	—
50.	Adjustment of hedging financial liabilities (+/-)	—	—
60.	Tax liabilities	—	—
	a) current	—	—
	b) deferred	—	—
70.	Liabilities included in disposal groups classified as held for sale	—	—
80.	Oher liabilities	22,221	—
90.	Staff severance indemnity provision	—	—
100.	Provisions	—	—
	a) commitments and financial guarantees	—	—
	b) post-employment and similar benefits	—	—
	c) other provisions	—	—
110.	Share capital	50	—
120.	Treasury shares (-)	—	—
130.	Equity instruments	—	—
140.	Share premium reserve	17,732	—
150.	Reserves	(22,068)	161
160.	Valuation reserves	—	—
180.	Profit (loss) for the period	24,639	3
	TOTAL LIABILITIES AND NET EQUITY	**65,648**	**164**

* Pro-forma scheme as at 30 June 2022, used for the Consolidated Financial Statements preparation.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	Messier et Associés S.A.S.* (€/000)	Messier et Associés L.L.C.* (USD/000)
10. Interest and similar income	—	—
of which: interest income calculated according to the effective interest method	—	—
20. Interest expense and similar charges	—	—
30. Net interest income	**—**	**—**
40. Fee and commission income	62,729	—
50. Fee and commission expense	—	—
60. Net fee and commission income	**62,729**	**—**
70. Dividends and similar income	—	—
80. Net trading income	406	—
90. Net hedging income (expense)	—	—
100. Gain (loss) on disposal/repurchase:	—	—
a) Financial assets valued at amortized cost	—	—
b) Financial assets valued at fair value with impact taken to comprehensive income	—	—
c) Financial liabilities	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—
a) financial assets designated at fair value	—	—
b) Other financial assets mandatorily valued at fair value	—	—
120. Total income	**63,135**	**—**
130. Net write-offs (write-backs) for credit risk:	—	—
a) Financial assets valued at amortized cost	—	—
b) Financial assets valued at fair value with impact taken to comprehensive income	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—
150. Net income from financial operations	**63,135**	**—**
160. Administrative expenses:	(28,193)	(1,202)
a) personnel cost	*(21,662)*	*(537)*
b) other administrative expenses	*(6,531)*	*(665)*
170. Net transfers to provisions:	—	—
a) commitments and financial guarantees	—	—
b) other sums set aside (net)	—	—
180. Net adjustments to tangible assets	(523)	—
190. Net adjustments to intangible assets	—	—
200. Other operating income (expense)	(966)	1,208
210. Operating costs	**(29,682)**	**6**
220. Gain (loss) on equity investments	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—
240. Goodwill write-offs	—	—
250. Gain (loss) on disposal of investments	—	—
260. Profit (loss) on ordinary activity before tax	**33,453**	**6**
270. Income tax for the year on ordinary activities	(8,814)	(3)
280. Profit (loss) on ordinary activities after tax	**24,639**	**3**
290. Gain (loss) of ceded operating assets, net of tax	—	—
300. Net profit (loss) for the period	**24,639**	**3**

* Pro-forma scheme as at 30 June 2022, used for the Consolidated Financial Statements preparation.

E-MARKET SDIR CERTIFIED

Other financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MBFACTA S.p.A.	SPAFID S.p.A.	SPAFID FAMILY OFFICE SIM S.p.A.
		(€/000)	(€/000)	(€/000)
	ASSETS			
10.	Cash and cash equivalents	42,150	35,893	542
20.	Financial assets at fair value with impact taken to profit and loss	—	—	—
	a) Financial assets held for trading	—	—	—
	b) Financial assets designated at fair value	—	—	—
	c) Other financial assets mandatorily at fair value	—	—	—
30.	Financial assets at fair value with impact taken to comprehensive income	—	—	—
40.	Financial assets at amortized cost	2,760,173	7,749	450
	a) Due from banks	*4,314*	*3,371*	—
	b) Due from financial companies	*366,132*	*10*	*36*
	c) Due from customers	*2,389,727*	*4,368*	*414*
50.	Hedging derivatives	—	—	—
60.	Adjustment of hedging financial assets (+/-)	—	—	—
70.	Equity investments	—	2,950	—
80.	Property, plant and equipments	1,049	1,501	173
90.	Intangible assets	—	408	—
	of which:			
	goodwill	—	—	—
100.	Tax assets	16,417	939	256
	a) current	*15,139*	—	*9*
	b) deferred	*1,278*	*939*	*247*
110.	Assets classified as held for sale	—	—	—
120.	Other assets	99,330	2,748	21
	TOTAL ASSETS	**2,919,119**	**52,188**	**1,442**
	LIABILITIES			
10.	Financial liabilities at amortized cost	2,681,665	1,493	176
	a) Due to	*2,681,665*	*1,493*	*176*
	b) Securities in issue	—	—	—
20.	Trading financial liabilities	—	—	—
30.	Financial liabilities designated at fair value	—	—	—
40.	Hedging derivatives	—	—	—
50.	Adjustment of hedging financial liabilities (+/-)	—	—	—
60.	Tax liabilities	10,081	1,142	1
	a) current	*9,978*	*1,142*	—
	b) deferred	*103*	—	*1*
70.	Liabilities included in disposal groups classified as held for sale	—	—	—
80.	Oher liabilities	21,796	5,684	264
90.	Staff severance indemnity provision	221	727	—
100.	Provisions	751	—	70
	a) commitments and financial guarantees	*236*	—	—
	b) post-employment and similar benefits	—	—	—
	c) other provisions	*515*	—	*70*
110.	Share capital	120,000	6,100	1,000
120.	Treasury shares (-)	—	—	—
130.	Equity instruments	—	—	—
140.	Share premium reserve	—	3,500	—
150.	Reserves	63,675	34,119	297
160.	Valuation reserves	40	(49)	3
170.	Profit (loss) for the period	20,890	(528)	(369)
	TOTAL LIABILITIES AND NET EQUITY	**2,919,119**	**52,188**	**1,442**

Other financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		MBFACTA S.p.A.	SPAFID S.p.A.	SPAFID FAMILY OFFICE SIM S.p.A.
		(€/000)	**(€/000)**	**(€/000)**
10.	Interest and similar income	48,544	—	—
	of which: interest income calculated according to the effective interest method	*48,544*	—	—
20.	Interest expense and similar charges	(4,687)	(5)	*(2)*
30.	**Net interest income**	**43,857**	**(5)**	**(2)**
40.	Fee and commission income	11,399	9,929	1,299
50.	Fee and commission expense	(4,609)	(378)	(20)
60.	**Net fee and commission income**	**6,790**	**9,551**	**1,279**
70.	Dividends and similar income	—	—	—
80.	Net trading income	390	—	—
90.	Net hedging income (expense)	—	—	—
100.	Gain (loss) on disposal/repurchase:	—	—	—
	a) Financial assets valued at amortized cost	—	—	—
	b) Financial assets valued at fair value with impact taken to comprehensive income	—	—	—
	c) Financial liabilities	—	—	—
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—
	a) financial assets designated at fair value	—	—	—
	b) Other financial assets mandatorily valued at fair value	—	—	—
120.	**Total income**	**51,037**	**9,546**	**1,277**
130.	Net write-offs (write-backs) for credit risk:	(8,305)	(224)	—
	a) Financial assets valued at amortized cost	*(8,305)*	*(224)*	—
	b) Financial assets valued at fair value with impact taken to comprehensive income	—	—	—
140.	Gains (losses) from contractual modifications without derecognition	—	—	—
150.	**Net income from financial operations**	**42,732**	**9,322**	**1,277**
160.	Administrative expenses:	(12,029)	(10,017)	(1,647)
	a) personnel coss	*(4,568)*	*(6,944)*	*(1,145)*
	b) other administrative expenses	*(7,461)*	*(3,073)*	*(502)*
170.	Net transfers to provisions:	(163)	—	(53)
	a) commitments and financial guarantees	*(163)*	—	—
	b) other sums set aside (net)	—	—	*(53)*
180.	Net adjustments to tangible assets	(190)	(388)	(25)
190.	Net adjustments to intangible assets	—	(273)	(18)
200.	Other operating income (expense)	540	145	—
210.	**Operating costs**	**(11,842)**	**(10,533)**	**(1,743)**
220.	Gain (loss) on equity investments	—	—	—
230.	Net result from fair value valuation of tangible and intangible assets	—	—	—
240.	Goodwill write-offs	—	(3,610)	—
250.	Gain (loss) on disposal of investments	—	*5,569*	—
260.	**Profit (loss) on ordinary activity before tax**	**30,890**	**748**	**(466)**
270.	Income tax for the year on ordinary activities	(10,000)	(1,276)	97
280.	**Profit (loss) on ordinary activities after tax**	**20,890**	**(528)**	**(369)**
290.	Gain (loss) of ceded operating assets, net of tax	—	—	—
300.	**Net profit (loss) for the period**	**20,890**	**(528)**	**(369)**

Other financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MEDIOBANCA SGR S.p.A. (€/000)
	ASSETS	
10.	Cash and cash equivalents	50,707
20.	Financial assets at fair value with impact taken to profit and loss	—
	a) Financial assets held for trading	—
	b) Financial assets designated at fair value	—
	c) Other financial assets mandatorily at fair value	—
30.	Financial assets at fair value with impact taken to comprehensive income	—
40.	Financial assets at amortized cost	9,274
	a) Due from banks	—
	b) Due from financial companies	—
	c) Due from customers	*9,274*
50.	Hedging derivatives	—
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	—
80.	Property, plant and equipments	799
90.	Intangible assets	—
	of which:	
	goodwill	—
100.	Tax assets	45
	a) current	—
	b) deferred	*45*
110.	Assets classified as held for sale	—
120.	Other assets	5,442
	TOTAL ASSETS	**66,267**
	LIABILITIES	
10.	Financial liabilities at amortized cost	3,908
	a) Due to	*3,908*
	b) Securities in issue	—
20.	Trading financial liabilities	—
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	—
50.	Adjustment of hedging financial liabilities (+/-)	—
60.	Tax liabilities	1,614
	a) current	*1,540*
	b) deferred	*74*
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	6,826
90.	Staff severance indemnity provision	339
100.	Provisions	—
	a) commitments and financial guarantees	—
	b) post-employment and similar benefits	—
	c) other provisions	—
110.	Share capital	10,330
120.	Treasury shares (-)	—
130.	Equity instruments	—
140.	Share premium reserve	—
150.	Reserves	32,862
160.	Valuation reserves	117
170.	Profit (loss) for the period	10,271
	TOTAL LIABILITIES AND NET EQUITY	**66,267**

E-MARKET SDIR CERTIFIED

Other financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

		MEDIOBANCA SGR S.p.A. (€/000)
10.	Commission income	42,596
20.	Commission expenses	(10,273)
30.	**Net fee and commission**	**32,323**
40.	Dividends and similar income	—
50.	Interest and similar income	—
	of which: interest income calculated according to the effective interest method	—
60.	Interest and similar charges	(1)
70.	Net trading income	—
80.	Net hedging income (expense)	—
90.	Gain (loss) on disposal/repurchase:	—
	a) Financial assets valued at amortized cost	—
	b) Financial assets valued at fair value with impact taken to comprehensive income	—
	c) Financial liabilities	—
100.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
	a) financial assets designated at fair value	—
	b) Other financial assets mandatorily valued at fair value	—
110.	**Total income**	**32,322**
120.	Net write-offs (write-backs) for credit risk:	(677)
	a) Financial assets valued at amortized cost	*(677)*
	b) Financial assets valued at fair value with impact taken to comprehensive income	—
130.	**Net income from financial operations**	**31,645**
140.	Administrative expenses:	(16,928)
	a) personnel coss	*(9,937)*
	b) other administrative expenses	*(6,991)*
150.	Net transfers to provisions:	—
160.	Net adjustments to tangible assets	(355)
170.	Net adjustments to intangible assets	—
180.	Other operating income (expense)	142
190.	**Operating costs**	**(17,141)**
200.	Gain (loss) on equity investments	—
210.	Net result from fair value valuation of tangible and intangible assets	—
220.	Goodwill write-offs	—
230.	Gain (loss) on disposal of investments	—
240.	**Profit (loss) on ordinary activity before tax**	**14,504**
250.	Income tax for the year on ordinary activities	(4,233)
260.	**Profit (loss) on ordinary activities after tax**	**10,271**
270.	Gain (loss) of ceded operating assets, net of tax	
280.	**Net profit (loss) for the period**	**10,271**

Other financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	MEDIOBANCA COVERED BOND S.r.l. (€/000)	QUARZO S.r.l. (€/000)	QUARZO CQS S.r.l. (€/000)
ASSETS			
10. Cash and cash equivalents	—	—	—
20. Financial assets at fair value with impact taken to profit and loss	—	—	—
a) Financial assets held for trading	—	—	—
b) Financial assets designated at fair value	—	—	—
c) Other financial assets mandatorily at fair value	—	—	—
30. Financial assets at fair value with impact taken to comprehensive income	—	—	—
40. Financial assets at amortized cost	100	10	10
a) Due from banks	*100*	*10*	*10*
b) Due from financial companies	—	—	—
c) Due from customers	—	—	—
50. Hedging derivatives	—	—	—
60. Adjustment of hedging financial assets (+/-)	—	—	—
70. Equity investments	—	—	—
80. Property, plant and equipments	—	—	—
90. Intangible assets	—	—	—
of which:			
goodwill	—	—	—
100. Tax assets	—	*1*	—
a) current	—	*1*	—
b) deferred	—	—	—
110. Assets classified as held for sale	—	—	—
120. Other assets	663	69	76
TOTAL ASSETS	**763**	**80**	**86**
LIABILITIES			
10. Financial liabilities at amortized cost	—	—	—
a) Due to	—	—	—
b) Securities in issue	—	—	—
20. Trading financial liabilities	—	—	—
30. Financial liabilities designated at fair value	—	—	—
40. Hedging derivatives	—	—	—
50. Adjustment of hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	—	—	—
a) current	—	—	—
b) deferred	—	—	—
70. Liabilities included in disposal groups classified as held for sale	—	—	—
80. Oher liabilities	687	67	76
90. Staff severance indemnity provision	—	—	—
100. Provisions	—	—	—
a) commitments and financial guarantees	—	—	—
b) post-employment and similar benefits	—	—	—
c) other provisions	—	—	—
110. Share capital	100	10	10
120. Treasury shares (-)	—	—	—
130. Equity instruments	—	—	—
140. Share premium reserve	—	—	—
150. Reserves	(24)	3	—
160. Valuation reserves	—	—	—
170. Profit (loss) for the period	—	—	—
TOTAL LIABILITIES AND NET EQUITY	**763**	**80**	**86**

Other financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	MEDIOBANCA COVERED BOND S.r.l. (€/000)	QUARZO S.r.l. (€/000)	QUARZO CQS S.r.l. (€/000)
10. Interest and similar income	—	—	—
of which: interest income calculated according to the effective interest method	—	—	—
20. Interest expense and similar charges	—	—	—
30. Net interest income	**—**	**—**	**—**
40. Fee and commission income	—	—	—
50. Fee and commission expense	—	—	—
60. Net fee and commission income	**—**	**—**	**—**
70. Dividends and similar income	—	—	—
80. Net trading income	—	—	—
90. Net hedging income (expense)	—	—	—
100. Gain (loss) on disposal/repurchase:	—	—	—
a) Financial assets valued at amortized cost	—	—	—
b) Financial assets valued at fair value with impact taken to comprehensive income	—	—	—
c) Financial liabilities	—	—	—
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—	—
a) financial assets designated at fair value	—	—	—
b) Other financial assets mandatorily valued at fair value	—	—	—
120. Total income	**—**	**—**	**—**
130. Net write-offs (write-backs) for credit risk:	—	—	—
a) Financial assets valued at amortized cost	—	—	—
b) Financial assets valued at fair value with impact taken to comprehensive income	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—
150. Net income from financial operations	**—**	**—**	**—**
160. Administrative expenses:	(66)	(179)	(106)
a) personnel coss	—	*(36)*	*(36)*
b) other administrative expenses	*(66)*	*(143)*	*(70)*
170. Net transfers to provisions:	—	—	—
a) commitments and financial guarantees	—	—	—
b) other sums set aside (net)	—	—	—
180. Net adjustments to tangible assets	—	—	—
190. Net adjustments to intangible assets	—	—	—
200. Other operating income (expense)	**66**	179	106
210. Operating costs	**—**	**—**	**—**
220. Gain (loss) on equity investments	—	—	—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—
240. Goodwill write-offs	—	—	—
250. Gain (loss) on disposal of investments	**—**	**—**	**—**
260. Profit (loss) on ordinary activity before tax	**—**	**—**	**—**
270. Income tax for the year on ordinary activities	—	—	—
280. Profit (loss) on ordinary activities after tax	**—**	**—**	**—**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—
300. Net profit (loss) for the period	**—**	**—**	**—**

Banks

BALANCE SHEET

		CMB MONACO S.A.M 31.12.2021 (€/000)
	ASSETS	
10.	Cash and cash equivalents	298,877
20.	Financial assets at fair value with impact taken to profit and loss	2,351
	a) Financial assets held for trading	—
	b) Financial assets designated at fair value	—
	c) Other financial assets mandatorily at fair value	*2,351*
30.	Financial assets at fair value with impact taken to comprehensive income	507,984
40.	Financial assets at amortized cost	5,290,007
	a) Due from banks	*2,952,980*
	b) Due from customers	*2,337,027*
70.	Equity investments	8,327
80.	Property, plant and equipments	147,904
90.	Intangible assets	18,426
100.	Tax assets	—
	a) current	—
	b) deferred	—
110.	Assets classified as held for sale	—
120.	Other assets	30,418
	TOTAL ASSETS	**6,304,294**
	LIABILITIES	
10.	Financial liabilities at amortized cost	5,240,210
	a) Due to banks	*944,579*
	b) Due to customers	*4,295,631*
	c) Securities in issue	—
20.	Trading financial liabilities	—
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	—
60.	Tax liabilities	—
	a) current	—
	b) deferred	—
80.	Oher liabilities	54,854
90.	Staff severance indemnity provision	—
100.	Provisions	9,936
	a) commitments and financial guarantees	—
	b) post-employment and similar benefits	—
	c) other provisions	*9,936*
110.	Valuation reserves	—
120.	Redeemable shares	—
130.	Equity instruments	—
140.	Reserves	868,125
150.	Share premium reserve	4,573
160.	Shares capital	111,110
170.	Treasury shares (-)	—
180.	Profit (loss) for the year	15,486
	TOTAL LIABILITIES AND NET EQUITY	**6,304,294**

PROFIT AND LOSS

		CMB MONACO S.A.M 31.12.2021 (€/000)
10.	Interest and similar income	54,107
	of which: interest income calculated according to the effective interest method	—
20.	Interest expense and similar charges	(8,931)
30.	**Net interest income**	**45,176**
40.	Fee and commission income	70,176
50.	Fee and commission expense	(4,093)
60.	**Net fee and commission income**	**66,083**
70.	Dividends and similar income	1,514
80.	Net trading income	227
90.	Net hedging income (expense)	—
100.	Gain (loss) on disposal/repurchase:	1,152
	a) Financial assets valued at amortized cost	*1,152*
	b) Financial assets valued at fair value with impact taken to comprehensive income	—
	c) Financial liabilities	—
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
	a) financial assets designated at fair value	—
	b) Other financial assets mandatorily valued at fair value	—
120.	**Total income**	**114,152**
130.	Net write-offs (write-backs) for credit risk:	(1,172)
	a) Financial assets valued at amortized cost	*(1,172)*
	b) Financial assets valued at fair value with impact taken to comprehensive income	—
140.	Gains (losses) from contractual modifications without derecognition	—
150.	**Net income from financial operations**	**112,980**
160.	Administrative expenses:	(67,241)
	a) personnel coss	*(45,723)*
	b) other administrative expenses	*(21,518)*
170.	Net transfers to provisions:	4,500
	a) commitments and financial guarantees	—
	b) other sums set aside (net)	*4,500*
180.	Net adjustments to tangible assets	(18,850)
190.	Net adjustments to intangible assets	(7,436)
200.	Other operating income (expense)	(3,251)
210.	**Operating costs**	**(92,278)**
220.	Gain (loss) on equity investments	—
230.	Net result from fair value valuation of tangible and intangible assets	—
240.	Goodwill write-offs	—
250.	Gain (loss) on disposal of investments	—
260.	**Profit (loss) on ordinary activity before tax**	**20,702**
270.	Income tax for the year on ordinary activities	(5,216)
280.	**Profit (loss) on ordinary activities after tax**	**15,486**
290.	Gain (loss) of ceded operating assets, net of tax	—
350.	**Net profit (loss) for the period**	**15,486**

Financial companies

continued **Table B**

BALANCE SHEET

		MEDIOBANCA SECURITIES LLC ($/000)
	ASSETS	
10.	Cash and cash equivalents	—
20.	Financial assets at fair value with impact taken to profit and loss	—
	a) Financial assets held for trading	—
	b) Financial assets designated at fair value	—
	c) Other financial assets mandatorily at fair value	—
30.	Financial assets at fair value with impact taken to comprehensive income	—
40.	Financial assets at amortized cost	7,091
	a) Due from banks	*7,091*
	b) Due from financial companies	—
	c) Due from customers	—
50.	Hedging derivatives	—
60.	Adjustment of hedging financial assets (+/-)	—
70.	Equity investments	—
80.	Property, plant and equipments	69
90.	Intangible assets	—
	of which:	
	goodwill	—
100.	Tax assets	161
	a) current	—
	b) deferred	*161*
110.	Assets classified as held for sale	—
120.	Other assets	1,145
	TOTAL ASSETS	**8,466**
	LIABILITIES	
10.	Financial liabilities at amortized cost	16
	a) Due to	*16*
	b) Securities in issue	—
20.	Trading financial liabilities	—
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	—
50.	Adjustment of hedging financial liabilities (+/-)	—
60.	Tax liabilities	—
	a) current	—
	b) deferred	—
70.	Liabilities included in disposal groups classified as held for sale	—
80.	Oher liabilities	2,180
90.	Staff severance indemnity provision	—
100.	Provisions	—
	a) commitments and financial guarantees	—
	b) post-employment and similar benefits	—
	c) other provisions	—
110.	Share capital	2,250
120.	Treasury shares (-)	—
130.	Equity instruments	—
140.	Share premium reserve	—
150.	Reserves	3,746
160.	Valuation reserves	—
180.	Profit (loss) for the period	274
	TOTAL LIABILITIES AND NET EQUITY	**8,466**

Financial companies

continued **Table B**

PROFIT AND LOSS

		MEDIOBANCA SECURITIES LLC ($/000)
10.	Interest and similar income	—
	of which: interest income calculated according to the effective interest method	—
20.	Interest expense and similar charges	—
30.	**Net interest income**	**—**
40.	Fee and commission income	2,727
50.	Fee and commission expense	—
60.	**Net fee and commission income**	**2,727**
70.	Dividends and similar income	—
80.	Net trading income	—
90.	Net hedging income (expense)	—
100.	Gain (loss) on disposal/repurchase:	—
	a) Financial assets valued at amortized cost	—
	b) Financial assets valued at fair value with impact taken to comprehensive income	—
	c) Financial liabilities	—
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—
	a) financial assets designated at fair value	—
	b) Other financial assets mandatorily valued at fair value	—
120.	**Total income**	**2,727**
130.	Net write-offs (write-backs) for credit risk:	—
	a) Financial assets valued at amortized cost	—
	b) Financial assets valued at fair value with impact taken to comprehensive income	—
140.	Gains (losses) from contractual modifications without derecognition	—
150.	**Net income from financial operations**	**2,727**
160.	Administrative expenses:	(2,957)
	a) personnel coss	*(1,996)*
	b) other administrative expenses	*(961)*
170.	Net transfers to provisions:	—
	a) commitments and financial guarantees	—
	b) other sums set aside (net)	—
180.	Net adjustments to tangible assets	—
190.	Net adjustments to intangible assets	—
200.	Other operating income (expense)	621
210.	**Operating costs**	**(2,336)**
220.	Gain (loss) on equity investments	—
230.	Net result from fair value valuation of tangible and intangible assets	—
240.	Goodwill write-offs	—
250.	Gain (loss) on disposal of investments	—
260.	**Profit (loss) on ordinary activity before tax**	**391**
270.	Income tax for the year on ordinary activities	(117)
280.	**Profit (loss) on ordinary activities after tax**	**274**
290.	Gain (loss) of ceded operating assets, net of tax	—
350.	**Net profit (loss) for the period**	**274**

Financial companies

continued **Table B**

BALANCE SHEET

		CMB Asset Management S.A.M. 31.12.2021	CMG MONACO S.A.M. 31.12.2021
		(€/000)	(€/000)
	ASSETS		
10.	Cash and cash equivalents	268	6,456
20.	Financial assets at fair value with impact taken to profit and loss	—	—
	a) Financial assets held for trading	—	—
	b) Financial assets designated at fair value	—	—
	c) Other financial assets mandatorily at fair value	—	—
30.	Financial assets at fair value with impact taken to comprehensive income	—	400
40.	Financial assets at amortized cost	—	—
	a) Due from banks	—	—
	b) Due from financial companies	—	—
	c) Due from customers	—	—
50.	Hedging derivatives	—	—
60.	Adjustment of hedging financial assets (+/-)	—	—
70.	Equity investments	—	—
80.	Property, plant and equipments	—	—
90.	Intangible assets	—	—
	of which:		
	goodwill	—	—
100.	Tax assets	79	—
	a) current	*79*	—
	b) deferred	—	—
110.	Assets classified as held for sale	—	—
120.	Other assets	—	4,259
	TOTAL ASSETS	**347**	**11,115**
	LIABILITIES		
10.	Financial liabilities at amortized cost	—	—
	a) Due to	—	—
	b) Securities in issue	—	—
20.	Trading financial liabilities	—	—
30.	Financial liabilities designated at fair value	—	—
40.	Hedging derivatives	—	—
50.	Adjustment of hedging financial liabilities (+/-)	—	—
60.	Tax liabilities	79	—
	a) current	*79*	—
	b) deferred	—	—
70.	Liabilities included in disposal groups classified as held for sale	—	—
80.	Oher liabilities	28	8,122
90.	Staff severance indemnity provision	—	—
100.	Provisions	—	—
	a) commitments and financial guarantees	—	—
	b) post-employment and similar benefits	—	—
	c) other provisions	—	—
110.	Share capital	150	600
120.	Treasury shares (-)	—	—
130.	Equity instruments	—	—
140.	Share premium reserve	—	—
150.	Reserves	85	72
160.	Valuation reserves	—	—
180.	Profit (loss) for the period	5	2,321
	TOTAL LIABILITIES AND NET EQUITY	**347**	**11,115**

Financial companies

continued **Table B**

PROFIT AND LOSS

		CMB Asset Management S.A.M. 31.12.2021	CMG MONACO S.A.M. 31.12.2021
		(€/000)	(€/000)
10.	Interest and similar income	—	—
	of which: interest income calculated according to the effective interest method	—	—
20.	Interest expense and similar charges	—	—
30.	**Net interest income**	**—**	**—**
40.	Fee and commission income	695	13,405
50.	Fee and commission expense	—	—
60.	**Net fee and commission income**	**695**	**13,405**
70.	Dividends and similar income	—	—
80.	Net trading income	—	—
90.	Net hedging income (expense)	—	—
100.	Gain (loss) on disposal/repurchase:	—	—
	a) Financial assets valued at amortized cost	—	—
	b) Financial assets valued at fair value with impact taken to comprehensive income	—	—
	c) Financial liabilities	—	—
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	—
	a) financial assets designated at fair value	—	—
	b) Other financial assets mandatorily valued at fair value	—	—
120.	**Total income**	**695**	**13,405**
130.	Net write-offs (write-backs) for credit risk:	—	—
	a) Financial assets valued at amortized cost	—	—
	b) Financial assets valued at fair value with impact taken to comprehensive income	—	—
140.	Gains (losses) from contractual modifications without derecognition	—	—
150.	**Net income from financial operations**	**695**	**13,405**
160.	Administrative expenses:	(688)	(10,238)
	a) personnel coss	*(141)*	*(1,650)*
	b) other administrative expenses	*(547)*	*(8,588)*
170.	Net transfers to provisions:	—	—
	a) commitments and financial guarantees	—	—
	b) other sums set aside (net)	—	—
180.	Net adjustments to tangible assets	—	—
190.	Net adjustments to intangible assets	—	—
200.	Other operating income (expense)	—	(9)
210.	**Operating costs**	**(688)**	**(10,247)**
220.	Gain (loss) on equity investments	—	—
230.	Net result from fair value valuation of tangible and intangible assets	—	—
240.	Goodwill write-offs	—	—
250.	Gain (loss) on disposal of investments		—
260.	**Profit (loss) on ordinary activity before tax**	**7**	**3,158**
270.	Income tax for the year on ordinary activities	(2)	(837)
280.	**Profit (loss) on ordinary activities after tax**	**5**	**2,321**
290.	Gain (loss) of ceded operating assets, net of tax	—	—
350.	**Net profit (loss) for the period**	**5**	**2,321**

Financial companies

continued **Table B**

BALANCE SHEET

	CAIRN CAPITAL GROUP LTD 31.12.2021 (£/000)	CAIRN CAPITAL LTD 31.12.2021 (£/000)	BYBROOK CAPITAL LLP* 30.11.2021 (£/000)	BYBROOK CAPITAL SERVICES (UK) LTD 30.11.2021 (£/000)
ASSETS				
Non-current assets				
Intangible assets	78.082	—	—	—
Tangible assets	405	—	—	—
Equity interests	1.607	—	—	—
Total non-current assets	**8—94**	**—**	**—**	**—**
Current assets				
Trade receivables	14.295	9.440	—	3.546
Cash and liquid assets	11.065	4.215	3.164	334
Financial assets/liabilities	—	—	1.220	162
Total current assets	**25.360**	**13.655**	**4.384**	**4.042**
TOTAL ASSETS	**105.454**	**13.655**	**4.384**	**4.042**
LIABILITIES				
Share capital	—	13.200	805	—
Share premium reserve	79.344	—	—	—
Legal reserve	—	—	—	—
Other reserves	684	—	—	—
Gains (losses) carried forward	(4.335)	(6.605)	—	77
Gain (loss) for the period	(523)	745	14.849	2.851
Total net equity	**75.170**	**7.340**	**15.654**	**2.928**
Trade payable	14.641	5.315	36	1.070
Financial liabilities	—	1.000	3.543	—
Provisions	15.643	—	—	44
Total current liabilities	**30.284**	**6.315**	**3.579**	**1.114**
TOTAL LIABILITIES AND NET EQUITY	**105.454**	**13.655**	**19.233**	**4.042**

* Total assets, total liabilities and net equity do not match each other perfectly in the financial statements, as the former is stated net of the profit for the period, to be distributed in full to shareholders.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS

	CAIRN CAPITAL GROUP LTD 31.12.2021	CAIRN CAPITAL LTD 31.12.2021	BYBROOK CAPITAL LLP 30.11.2021	BYBROOK CAPITAL SERVICES (UK) LTD 30.11.2021
	(£/000)	**(£/000)**	**(£/000)**	**(£/000)**
Commission income	6,857	19,381	23,652	2,719
Dividends and similar income	135	—	—	3,514
Revenues	**6,992**	**19,381**	**23,652**	**6,233**
Administrative expenses	(4,374)	(18,774)	(8,786)	(2,633)
a) personnel costs	*(3,710)*	—	*(5,849)*	*(1,208)*
b) other administrative expenses	*(664)*	*(18,774)*	*(2,937)*	*(1,425)*
Other income and costs	(474)	(64)	—	—
Net writedowns/writebacks on tangible assets	(2,717)	—	(19)	—
Operating result	**(573)**	**543**	**14,847**	**3,600**
Interest and similar income	110	—	2	—
Interest expense and similar charges	—	(100)	—	—
Gain (loss) for the period before tax	**(463)**	**443**	**14,849**	**3,600**
Income tax	(60)	302	—	(749)
Gain (loss) for the period after tax	**(523)**	**745**	**14,849**	**2,851**

Financial companies

continued **Table B**

BALANCE SHEET

	RAM ACTIVE INVESTMENTS S.A. 31.12.2021 (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. 31.12.2021 (CHF/000)
ASSETS		
Non-current assets		
Intangible assets	94	3
Tangible assets	1,035	41
Equity interests	1,033	—
Total non-current assets	**2,162**	**44**
Current assets		
Trade receivables	5,943	1,734
Cash and liquid assets	17,937	2,783
Financial assets/liabilities	1,800	2,490
Total current assets	**25,680**	**7,007**
TOTAL ASSETS	**27,842**	**7,051**
LIABILITIES		
Share capital	1,000	782
Statutory retained earnings	500	—
Treasury shares	(4,421)	—
Revaluation reserve	—	(34)
Legal reserve	—	120
Other reserves	1,021	421
Equity instruments	500	—
Gains (losses) carried forward	27,702	3,028
Gain (loss) for the period	(2,255)	(2,098)
Total net equity	**24,047**	**2,219**
Trade payable	687	1,353
Financial liabilities	—	2,708
Provisions	168	—
Other liabilities	2,940	771
Total current liabilities	**3,795**	**4,832**
TOTAL LIABILITIES AND NET EQUITY	**27,842**	**7,051**

Financial companies (IAS/IFRS)

continued Table B

PROFIT AND LOSS

	RAM ACTIVE INVESTMENTS S.A. 31.12.2021 (CHF/000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. 31.12.2021 (CHF/000)
Revenues	12,852	6,207
Personnel costs	(10,933)	(1,581)
Other administrative expenses	(3,450)	(6,489)
Operating result	**(1,531)**	**(1,863)**
Net adjustments to tangible assets	(191)	(20)
Interest and similar income	38	—
Interest expense and similar charges	(306)	(184)
Non-operational income	15	31
Extraordinary costs	—	(40)
Gain (loss) for the period before tax	**(1,975)**	**(2,076)**
Income tax	(280)	(22)
Gain (loss) for the period after tax	**(2,255)**	**(2,098)**

Financial companies

continued **Table B**

BALANCE SHEET

	Messier et Associés S.A.S. 31.12.2021 (€/000)	Messier Maris et Associés L.L.C. 31.12.2021 (USD/000)
ASSETS		
Non-current assets		
Intangible assets	17,050	—
Tangible assets	1,329	—
Equity interests	1,795	—
Total non-current assets	**20,174**	**—**
Current assets		
Trade receivables	38,672	170
Cash and liquid assets	18,749	99
Financial assets/liabilities	10,000	—
Other assets	—	—
Total current assets	**67,421**	**269**
TOTAL ASSETS	**87,595**	**269**
LIABILITIES		
Share capital	17,782	235
Treasury shares	—	—
Revaluation reserve	—	—
Legal reserve	5	—
Other reserves	—	—
Equity instruments	—	—
Gains (losses) carried forward	3,010	(186)
Gain (loss) for the period	31,673	85
Total net equity	**52,470**	**134**
Provisions	—	10
Trade receivables (current accounts)	8,056	125
Due to Group societies	—	—
Tax liabilities	23,555	—
Other liabilities	3,514	—
Total current liabilities	**35,125**	**135**
TOTAL LIABILITIES AND NET EQUITY	**87,595**	**269**

Financial companies

continued **Table B**

PROFIT AND LOSS

	Messier et Associés S.A.S. 31.12.2021 (€/000)	Messier Maris et Associés L.L.C. 31.12.2021 (USD/000)
Revenues	72,729	1,781
Personnel costs	(10,390)	(1,052)
Other administrative expenses	(20,333)	(644)
Operating result	**42,006**	**85**
Adjustments to tangible assets and other writedowns	(212)	—
Interest and similar income	25	—
Interest expense and similar charges	(56)	—
Foreign exchange gains (losses)	—	—
Contributions to provisions	13	—
Gains (losses) on disposal of equity holdings	37	—
Other gains (losses)	1,412	—
Gain (loss) for the period before tax	**43,225**	**85**
Income tax	(11,552)	—
Gain (loss) for the period after tax	**31,673**	**85**

Non-financial undertakings

continued **Table B**

BALANCE SHEET

	MEDIOBANCA INNOVATION SERVICES S.C.p.A. (€/000)	SPAFID CONNECT (€/000)	SPAFID TRUST S.r.l. (€/000)	MEDIOBANCA MANAGEMENT COMPANY S.A. (€/000)	MB CONTACT SOLUTIONS (€/000)	COMPASS RENT (€/000)	COMPASS LINK (€/000)
ASSETS							
Non-current assets							
Intangible assets	20,798	140	—	—	29	—	50
Tangible assets	37,180	3	—	22	58	5	—
Other non-current financial assets	9,000	—	—	—	—	—	—
Advance tax assets	326	86	73	—	22	—	1
Total non-current assets	**67,304**	**229**	**73**	**22**	**109**	**5**	**51**
Current assets							
Inventory	—	—	—	—	—	—	—
Trade receivables	12,272	1,260	522	3,921	307	2,751	351
Other receivables	10,464	81	3	59	29	1,697	47
Curret tax assets	168	846	24	—	14	291	—
Other current financial assets	—	—	—	—	—	—	—
Cash and liquid assets	78	7,693	739	8,244	197	3,388	340
Total current assets	**22,982**	**9,880**	**1,288**	**12,224**	**547**	**8,127**	**738**
TOTAL ASSETS	**90,286**	**10,109**	**1,361**	**12,246**	**656**	**8,132**	**789**
LIABILITIES							
A) Shareholders' equity							
Share capital	35,000	6,000	500	500	500	400	500
Reserves	—	—	—	932	—	3,692	—
Share premium reserve	—	—	—	—	—	—	—
Gains (losses) carried forward	217	(1,283)	686	7,330	(157)	—	—
Legal reserve	—	—	70	50	—	—	—
Gain (loss) for the period	2	4,333	(82)	287	47	(1,686)	(114)
Total shareholders' equity	**35,219**	**9,050**	**1,174**	**9,099**	**390**	**2,406**	**386**
Non-current liabilities							
Provisions	820	—	—	50	—	9	4
Staff severance	1,399	—	81	—	8	7	—
Deferred tax liabilities	556	—	—	376	—	—	—
Other non-current liabilities	—	—	—	—	—	—	—
Total non-current liabilities	**2,775**	**—**	**81**	**426**	**8**	**16**	**4**
Current liabilities							
Due to banks	—	—	—	—	—	—	—
Trade payables	15,638	343	42	1,078	213	717	399
Due to associates	—	529	—	1,473	14	—	—
Current tax liabilities	—	8	17	—	31	—	—
Current financial liabilities	33,483	—	—	—	—	2,500	—
Other current liabilities	3,171	179	47	170	—	2,493	—
Total current liabilities	**52,292**	**1,059**	**106**	**2,721**	**258**	**5,710**	**399**
TOTAL LIABILITIES AND NET EQUITY	**90,286**	**10,109**	**1,361**	**12,246**	**656**	**8,132**	**789**

Non-financial undertakings

continued **Table B**

PROFIT AND LOSS ACCOUNTS

	MEDIOBANCA INNOVATION SERVICES S.C.p.A.	SPAFID CONNECT S.p.A.	SPAFID TRUST S.r.l.	MEDIOBANCA MANAGEMENT COMPANY S.A.	MB CONTACT SOLUTIONS S.r.l.	COMPASS RENT	COMPASS LINK
	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)	(€/000)
Revenues	133,047	7,741	732	12,615	1,091	504	1,415
Production costs	(92,635)	(1,192)	(572)	(10,401)	(813)	(1,763)	(1,444)
Employees' costs	(13,914)	(225)	(255)	(882)	(130)	(915)	(75)
Other operating costs	(8,823)	—	—	—	—	—	—
Sundry costs	—	—	—	(928)	—	(3)	(22)
Adjustments to tangible assets	(13,839)	(255)	—	—	(37)	—	(24)
Adjustments to intangible assets	(3,960)	(1)	—	—	—	(2)	—
Other writedowns	—	—	—	(6)	—	—	—
Writedowns of current receivables	—	(143)	(10)	—	—	(34)	—
Operating result	**(124)**	**5,925**	**(105)**	**398**	**111**	**(2,213)**	**(150)**
Financial gains	—	—	—	—	—	—	—
Financial expenses	(15)	—	—	—	—	(2)	—
Other gains	210	—	—	—	—	—	—
Other expenses	—	(3)	(2)	—	(6)	—	—
Profit (loss) before taxes	**71**	**5,922**	**(107)**	**398**	**105**	**(2,215)**	**(150)**
Fiscal gain (expense)	(69)	(1,589)	25	(111)	(58)	529	36
Taxes for the period	*(71)*	—	*(2)*	*(111)*	*(32)*	*523*	*36*
Deffered and advance taxes	*2*	*(1,589)*	*27*	—	*(26)*	*6*	—
Net profit (loss) for the period	**2**	**4,333**	**(82)**	**287**	**47**	**(1,686)**	**(114)**

Insurance companies

continued **Table B**

BALANCE SHEETS

	COMPASS RE S.A. (€/000)
ASSETS	
A) Amounts due from shareholderes by way of unpaid amounts on capital call	**—**
B) Intangible assets	**—**
C) Fixed assets	**266,756**
I) Lands and PPEs	—
II) Investments in affiliated undertakings and partecipating interests	
3) Loans to enterprises	266,756
a) parent company	*1,000*
e) others	*265,756*
III) Other financial investments	—
6) Banks deposits	—
D) Investments for the benefit of insured parties (life)	
E) Receivables	**6,020**
II Receivables arising out of reinsurance operations	6,020
III Other receivables	—
F) Other assets	**21,504**
II Cash at bank and in hand	21,504
G) Accrued income and deferred expenses	**13,295**
1. Due to interests	2,714
3. Others	10,581
TOTAL ASSETS	**307,575**
LIABILITIES	
A) Shareholders' equity	**50,506**
I Share capital	15,000
IV Legal reserve	1,500
VIII Gains (losses) carried forward	13,899
IX Net gain (loss) for the period	20,107
B) Subordinated liabilities	
C) Technical reserves	**253,583**
I Non-life business	
1. Premiums reserve	*108,097*
2. Claims reserve	*10,903*
3. Equalization reserve	*134,583*
D) Tchnical reserves where risk is borne by insured party	**—**
E) Provisions	**34**
2) Taxation-related provisions	34
F) Deposits received from reinsurers	
G) Payables and other liabilities	**2,836**
VII Other payables	
3. Due to social agencies	*2,836*
H) Accrued income and deferred expenses	**616**
3. Others accruals and deferrals	616
TOTAL LIABILITIES AND NET EQUITY	**307,575**

Insurance companies

continued **Table B**

PROFIT AND LOSS ACCOUNTS

	COMPASS RE S.A. (€/000)
I) TECHNICAL ACCOUNT	
Gross premiums written	32,074
Change in the gross provision for unearned premiums	12,300
Total net premiums written	**44,374**
Gains arising from non-technical accounts investments	—
1) TOTAL REVENUES	**44,374**
Claims incurred, net of reinsurance (Gross amount)	(8,927)
Change in the provision for claims (Gross amount)	50
Acquisition costs	(3,087)
Change in deferred acquisition costs	(952)
Administrative expenses	(888)
2) TOTAL COSTS	**(13,804)**
Change in deferred acquisition costs	3,975
Technical-account profit (loss)	**34,545**
II) NON-TECHNICAL ACCOUNT	
Income form other investments	4,863
Gains on the realisation of investments	—
Investment management charges, including interest	(172)
Value adjustments on investments	(11,447)
Losses on the realisation of investments	(348)
Underwriting profit (loss)	**(7,104)**
PROFIT (LOSS) FOR THE PERIOD BEFORE TAX	**27,441**
Income taxes for the period	(6,883)
Other taxes not shown under the preceding items	(451)
NET PROFIT (LOSS) FOR THE PERIOD	**20,107**

Associate companies

Table C

BALANCE SHEET

	ASSICURAZIONI GENERALI S.P.A. 31.12.2021 (€/000)
ASSETS	
A) Subscribed capital unpaid	**—**
B) Total intangible assets	**37,091**
C) Investments	
I) Land and buildings (total)	72,799
II) Investments in Group and other undertakings (total)	34,590,844
III) Other financial investments	
1) Shares and stock units	33,869
2) Mutual fund units	3,631,148
3) Bonds and other fixed-income securities	1,733,268
4) Loans	677
6) Deposits with banks	193,990
7) Other financial investments	—
Total other financial investments	5,592,952
IV) Deposits with reinsurers	4,650,990
Total investments (C)	**44,907,585**
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	**213,620**
Dbis) Reinsurers' share of technical reserves	
I) General business (total)	1,595,928
II) Life business (total)	630,008
Total reinsurers' share of technical reserves (Dbis)	**2,225,936**
E) Accounts receivable	
I) Amounts due in respect of primary insurances (total)	210,493
II) Amount due in respect of reinsurances (total)	726,488
III) Other accounts receivable	935,241
Total accounts receivable (E)	**1,872,222**
F) Other assets	
I) Tangible assets and inventories (total)	1,714
II) Cash (total)	366,742
IV) Other assets (total)	82,568
Total other assets (F)	**451,024**
G) Accruals and prepayments (total)	**123,791**
TOTAL ASSETS (A+B+C+D+Dbis+E+F+G)	**49,831,269**

Associate companies

Table C

BALANCE SHEET

	ASSICURAZIONI GENERALI S.P.A. 31.12.2021 (€/000)
LIABILITIES AND SHAREHOLDERS' EQUITY	
A) Shareholders' equity	
I) Share capital or equivalent fund	1,581,069
II-VII) Reserves (total)	14,569,290
IX) Profit (loss) for year	1,846,867
X) Negative reserve for treasury shares in portfolio	(76,178)
Total shareholders' equity (A)	**17,921,048**
B) Subordinated liabilities	8,334,498
C) Technical reserves	
I) General business (total)	4,715,240
II) Life business (total)	4,844,038
Total technical reserves (C)	**9,559,278**
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)	244,272
E) Provisions for risks and charges (total)	177,270
F) Deposits received from reinsurers	639,811
G) Accounts payable and other liabilities	
I) Amounts payable in respect of primary insurances	56,682
II) Amounts payable in respect of reinsurance	421,954
III) Bond issues	2,692,000
IV) Amounts payable to banks and financial institutions	972,893
VI) Loans and other debt	5,691,399
VII) Staff termination indemnity provision	1,339
VIII) Other accounts payable	2,640,956
IX) Other liabilities	236,259
Total accounts payable and other liabilities (G)	**12,713,482**
H) Accruals and deferrals (total)	241,610
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H)	**49,831,269**

Associate companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS (non-technical account)

	ASSICURAZIONI GENERALI S.P.A. 31.12.2021 (€/000)
1) Underwriting profit (loss) from general business	291,218
2) Underwriting profit (loss) from life business	175,164
3) Investment income in general business	
a) Dividends	1,374,056
b) Other investment income (total)	64,220
c) Writebacks in book value of investments	19,801
d) Gain on disposal of investments	15,674
Total investment income in general business (3)	1,473,751
4) (+) Portion of investment income transferred from technical accounts of life business	998,649
5) Operating and financial expenses in general business	
a) Investment management expenses and interest paid	7,631
b) Writedowns to investments	62,339
c) Loss on disposal of investments	14,947
Total operating and financial expenses in general business (5))	84,917
6) (-) Portion of investment income transferred from technical accounts of general business	224,269
7) Other income	363,294
8) Other expenditure	1,313,083
9) Profit (loss) on ordinary operations	1,679,807
10) Extraordinary income	34,897
11) Extraordinary expenditure	25,847
12) Net extraordinary income (expenditure) (10-11)	9,050
13) Earnings before tax	1,688,857
14) Taxation for the year	(158,010)
15) Profit (loss) for the year (13-14)	**1,846,867**

Associate companies

continued **Table C**

BALANCE SHEETS

	FINANZIARIA GRUPPO BISAZZA S.R.L. 31.12.2021
	(€/000)
ASSETS	
B) Fixed assets:	
I) Intangible	—
II) Tangible	—
III) Financial	5,528
Total B	**5,528**
C) Current assets:	
II) Receivables:	
Due w/i 12 months	968
Due over 12 months	—
Total receivables	968
IV) Cash and liquid assets	93
Total C	**1,061**
TOTAL ASSETS	**6,589**
LIABILITIES	
A) Shareholders' equity:	
I) Share capital	100
II) Share-premium reserve	—
IV) Legal reserve	45
VII) Other reserves	1,486
IX) Gain (loss) for the period	4,012
Total A	**5,643**
D) Payables:	
Due w/i 12 months	882
Due over 12 months	64
Total payables	946
Total D	**946**
TOTAL LIABILITIES AND NET EQUITY	**6,589**

Associate companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS

	FINANZIARIA GRUPPO BISAZZA S.R.L. 31.12.2021
	(€/000)
A) Revenues:	
Other gains	—
Total revenues and other gains (A)	**—**
B) Production costs:	
7) Services-related	50
14) Other expenses	1
Total production costs (B)	**51**
Operating result (A-B)	**(51)**
C) Financial gains (expenses)	
15) Proceeds from investments	4,100
16) Interest and similar income	—
17) Interest expense and similar charges	—
Total financial gains (expenses) (C)	**4,100**
Gain (loss) before taxes (A - B ± C ± D)	**4,049**
20) Income tax for the year (current, deferred and advance)	37
Gain (loss) for the period	**4,012**

Associate companies

continued **Table C**

BALANCE SHEETS

	ISTITUTO EUROPEO DI ONCOLOGIA 31.12.2021 S.r.l. (€/000)
ASSETS	
A) SUBSCRIBED CAPITAL UNPAID	—
B) FIXED ASSETS	
I - INTANGIBLE ASSETS	
3) Industrial patents right-of-use	—
4) Concessions, licences, brands and similar rights	2,512
6) Work-in-progress investments and advances	659
7) Others	612
TOTAL INTANGIBLE ASSETS	**3,783**
II - TANGIBLE ASSETS	
1) Lands and buildings	24,260
2) Plants and equipments	9,313
3) Industrial and commercial machineries	24,513
4) Other goods	3,856
5) Work-in-progress investments and advances	20,732
TOTAL TANGIBLE ASSETS	**82,674**
III - FINANCIAL ASSETS	
1) Investments in:	
a) Subsidiaries	58,068
d-bis) Others	685
Total investments	58,753
2) Receivables	
d-bis) Others	1,017
Total receivables	1,017
3) Other securities	
Total other securities	
TOTAL FINANCIAL ASSETS	**59,770**
TOTAL INVESTMENTS (B)	**146,227**
C) CURRENT ASSETS	
I - INVENTORIES	
1) Raw-materials and consumable goods	8,411
Assets held for sale	60
TOTAL INVENTORIES	**8,471**
II - RECEIVABLES	
1) From customers	48,052
2) From subsidiaries	167
3) From associates	0
5-bis) Tax-related receivables	1,493
5-ter) Deferred tax asset recevaibles	2,794
5-quater) From others	1,542
TOTAL RECEIVABLES	**54,048**
III - NON-FIXED FINANCIAL ASSETS	
6) Other securities	0
TOTAL NON-FIXED FINANCIAL ASSETS	**0**
IV - CASH AND LIQUID ASSETS	
1) Bank and postal deposits	46,314
3) Cash in hands	151
TOTAL CASH AND LIQUID ASSETS	**46,465**
TOTAL CURRENT ASSETS (C)	**108,984**
D) Prepaid income and deferred expenses	4,172
TOTAL PREPAID INCOME AND DEFERRED EXPENSES (D)	**4,172**
TOTAL ASSETS (A + B + C + D)	**259,383**

Associate companies

continued **Table C**

BALANCE SHEETS

	ISTITUTO EUROPEO DI ONCOLOGIA 31.12.2021 S.r.l (€/000)
LIABILITIES	
A) SHAREHOLDERS' EQUITY	
I - Share capital	80,579
IV - Legal reserve	7,489
V - Statutory reserve	0
- Research and development allowance	46,214
IX - Gain (loss) for the period	2,203
TOTAL SHAREHOLDERS' EQUITY (A)	**136,485**
B) PROVISIONS	
- SSN-receivable provision	530
- Provision for other risks	9,116
TOTAL PROVISIONS (B)	**9,646**
EMPLOYEES SEVERANCE PROVISION (C)	**5,233**
D) PAYABLES	
7) To suppliers	49,587
9) To subsidiaries	12,611
10) To associates	0
12) Fiscal liabilities	4,037
13) To social-securities entities and other social entities	4,436
14) Other payables	16,377
TOTAL PAYABLES (D)	**87,048**
E) DEFERRED INCOME AND ACCRUED EXPENSES	20,971
TOTAL DEFERRED INCOME AND ACCRUED EXPENSES (E)	**20,971**
TOTAL LIABILITIES AND NET EQUITY (A + B + C + D + E)	**259,383**

Associate companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS

	ISTITUTO EUROPEO DI ONCOLOGIA 31.12.2021 S.r.l.
	(€/000)
A) REVENUES	
1) Revenues from sales and services	207,868
5) Other gains:	50,505
- Sums received for research programmes	27,123
- Other proceeds	23,382
TOTAL REVENUES (A)	**258,373**
B) PRODUCTION COSTS	
6) Raw-materials and other goods	62,341
7) Services-related	59,499
8) Third-parties goods and services	6,741
9) Employees costs:	91,394
a) Remunerations	71,816
b) Social costs	15,725
c) Staff-severance	3,811
e) Other costs	42
10) Depreciations, amortizations and writedowns:	12,666
a) Amortizations	1,507
b) Depreciations	9,786
d) Writedowns of current financial assets and other liquid assets	1,373
11) Variations of inventory for raw-materials, consumables and other goods (±)	569
12) Contributions to provisions	4,878
14) Other operating expenses	17,453
TOTAL OPERATING COSTS (B)	**255,541**
OPERATING RESULT (A - B)	**2,832**
C) FINANCIAL GAINS (EXPENSES)	
15) Gains on equity investments	
- dividends and other income from other entity	167
16) Other financial gains	
d) gains other than preceding	
- interests on current accounts and other deposits	28
17) Interests and other financial expenses	
- others	177
17-bis) Gains and expenses on foreign exchange rates (±)	(18)
TOTAL FINANCIAL GAINS (EXPENSES) (C)	**—**
D) WRITEDOWNS ON FINANCIAL ASSETS	
18) Writebacks:	
a) on investments	651
19) Writedowns:	
a) on investments	—
TOTAL WRITEDOWNS (D)	**651**
GAIN (LOSS) BEFORE TAXES (A - B +/- C +/- D +/- E)	**3,483**
22) Taxes for the period (current, deferred and advance)	
- Current taxes	966
- Current and deferred taxes	314
GAIN (LOSS) FOR THE PERIOD	**2,203**

Associate companies

continued **Table C**

BALANCE SHEETS

	CLI HOLDINGS II LTD 31.12.2021 (€/000)
ASSETS	
Non Current Assets:	
Intangible	—
Tangible	—
Financial	83,046
Total Non Current Assets	**83,046**
Current Assets:	
Trade Receivables	753
Cash and liquid assets	133
Other assets	21
Total Current Assets	**907**
TOTAL ASSETS	**83,953**
LIABILITIES	
Share capital	—
Share-premium reserve	—
Legal reserve	—
Other reserves	—
Gains (Losses) carried forward	1
Gain (loss) for the period	1
Total Shareholders' equity	**2**
Trade and tax Payables	1
Financial liabilities	83,906
Other liabilities and provisions	44
Total Current Liabilities	**83,951**
TOTAL LIABILITIES AND NET EQUITY	**83,953**

Associate companies

continued **Table C**

PROFIT AND LOSS ACCOUNTS

	CLI HOLDINGS II LTD 31.12.2021 (€/000)
Commission income	**8,808**
Dividends and similar income	
Total revenues	**8,808**
Administrative expenses:	(86)
a) Personnel costs	*(86)*
b) Other administrative expenses	—
Other operating income (expense)	—
Net trading income	—
Net adjustments to tangible assets	—
Operating result	**8,722**
Financial gains and similar income	—
Financial expenses and similar charges	(8,720)
Gain (loss) before taxes	**2**
Current income tax for the year	(1)
Gain (loss) for the period	**1**

Table D

FEES PAID FOR AUDITING AND SUNDRY OTHER SERVICES
(pursuant to Article 149-duodecies of Consob resolution 11971/99)

(€/000)

Type of service	Mediobanca		Group companies*	
	EY	**EY network**	**EY**	**EY network**
Auditing	523	26	614	625
Statements**	161	—	31	31
Other services	—	—	—	—
– *Observation and analysis of the administrative/accounting internal control system*	—	—	—	—
Total	684	26	645	656

* Group companies and other companies consolidate line-by-line. From this year Mediobanca SGR (and related Funds) is also included in the scope; Futuro S.p.A. has been merged in Compass S.p.A..

** The services in respect of the parent company include the fees paid for the comfort letters for the bond issuance programmes, and activities relating to the annual Basel III Pillar III disclosure requirements and to the Consolidated Non-Financial Statement.

Figures shown above do not include VAT, expenses and the supervisory contribution paid to consob.

GLOSSARY

GLOSSARY

The definitions of some of the technical terminology and translations used in the Review of Operations and Notes to the Accounts are provided below.

ABS - Asset-Backed Securities: Financial instruments whose returns and redemptions are guaranteed by a portfolio of (collateral) assets of the issuer, exclusively allocated to satisfy the rights attached to those financial instruments.

Advisory: Activity performed by a financial intermediary assisting a client in corporate finance transactions, the duties covered by which may range from preparing valuations to drawing up documents and providing general consultancy services regarding the specific transaction.

AIRB Models - Advanced Internal Rating-Based Models: The Basel II Accord stipulates three different methodologies for calculating credit risk: the standard method, the "foundation" internal ratings-based method (FIRB – Foundation Internal Rating Based), and the "advanced" internal ratings-based method (AIRB – Advanced Internal Rating Based). Using the AIRB method, a bank develops its own internal models with which to estimate the indicators PD (Probability of Default), LGD (Loss-Given Default) and EAD (Exposure At Default) indicators necessary in order to calculate the capital requirement.

ALM - Asset and Liability Management: Integrated management of assets and liabilities to optimize allocation of resources on a risk/return basis.

Alternative Fund, Private Equity and Hedge Fund: Alternative investments comprise a vast range of different forms of investment, including those in private equity and hedge funds:

– Private equity investments: investments in the venture capital of companies, generally unlisted but with high growth potential and the capability to generate cash flows which are constant and stable over time;
– Hedge funds: generic term to refer to funds which use complex and sophisticated strategies to deliver returns which are higher on average than other funds.

Amortized cost (financial assets measured at amortized cost): This is one of the categories for financial assets and liabilities provided for in IFRS 9 (paragraph 4.1.2). A financial asset is measured at amortized cost when both the following conditions are met:

– The instrument is held according to a business model consisting of collection of the contractual cash flows (Hold to collect, see definition); and

– The contractual terms of the instrument are such that the contractual cash flows represent solely payments of principal and interest.

AT1 - Additional Tier 1: Additional Tier 1 capital consists of capital instruments apart from ordinary shares (which are included in common equity, see definition) which meet the regulatory requirements for inclusion in this level of own funds.

AUA - Asset Under Administration: Assets under administration represent the market value of the aggregate of securities held by a financial institution received on deposit from its clients and managed on behalf of them. Management of such securities involves their custody, collection of interest/dividends, verifying draws for the attribution of premiums or for capital repayment, arranging repayments on behalf of the clients, and generally checking that all rights pertaining to the securities have been respected. Sums collected must then be credited to the client.

AUC - Assets Under Custody: Assets under custody represent the market value of financial instruments and securities in general (equities, bonds, government securities, shares held in mutual investment funds, etc.) in paper or dematerialized from, held by a financial institution on behalf of clients.

AUM - Assets Under Management: Assets under management constitute the total market value of all funds managed by a financial institution on behalf of its clients or investors, including mutual funds, asset management in funds or securities, insurance products and funds under administration.

Backstop: Indicators used to understand whether the financial instrument has experienced a significant increase in credit risk since the date of initial recognition. For the Mediobanca Group, backstop indicators include the 30-days past due period and the existence of forbearance measures.

Bail-In: Procedure to resolve banking crises via the exclusive and direct involvement of the shareholders, bond holders and current account holders of the bank itself with deposits of over €100,000. Since 2016 and the introduction of the Bank Recovery and Resolution Directive (Directive 2014/59/EU), the bail-in procedure has replaced the bail-out procedure whereby banks were rescued solely through use of public funds. The basic principle underpinning the bail- in procedure is that of "no creditor worse off" (NCWO), i.e. no shareholder, current account holder or creditor should incur greater losses than they would have incurred if the institution had been would up under normal insolvency proceedings.

Banking book: The banking book consists of proprietary financial assets held for purposes other than short-term trading.

Basel Accords: Guidelines on capital requirements for banks, compiled by the Basel Committee with a view to establishing standard, harmonized regulation of banking supervision at supranational level. The first accord published by the Basel Committee was in 1988, and introduced a set of minimum capital requirements for banks to reduce credit and market risk deriving from the possibility of assets losing their value excessively.

a) Basel II: The short name given to the document entitled International Convergence of Capital Measurement and Capital Standards signed in Basel in 2004 which came into force in 2008.

b) Basel III: This name refers to the new prudential requirements introduced at European level by the CRD IV/CRR package (see definition).

c) Basel IV: New regulatory framework which includes a revision of Basel III provisions and standards; it will enter into force by different stages.

Benchmark test: A qualitative and quantitative analysis, to be carried out to verify whether the conditions of the SPPI test (see definition) are met, according to paragraph B4.1.9Aff of IFRS9 standard; it regards those financial instruments which show an interest rate mismatch between the duration and the interest rate, thus for them it results a modified remuneration related to the time value of money. In order to carry out the benchmark test, an hypothetical instrument is considered (the "benchmark" instrument), identical to the instrument for which the test is carried out apart from the characteristic which modifies the interest rate. Then, it is necessary to compare the undiscounted contractual cash flows of the instrument subject of the analysis with those of the benchmark instrument; the SPPI test is considered not to be met, whether the difference arising is significant.

Beta: Indicator representing the correlation between the expected return on an equity instrument and the overall return on the benchmark market. Beta can show readings which are above zero (positive correlation) or below zero (negative correlation). It is used in the Capital Asset Pricing Model (see definition).

Bid-Ask Spread: Margin between the price at which an intermediary commits to sell stocks ("ask"; letter) and the price at which it commits to buy them ("bid"; cash). On the interbank market this takes the form of the margin between the interest rate at which funds are offered on a given maturity (letter) and the rate at which the funds are requested on the same maturity (cash).

BRRD Directive - Bank Recovery and Resolution Directive (Directive 2014/59/EU): This directive introduces harmonized rules in all EU Countries to prevent and manage crises at credit institutions and investment firms. The BRRD confers on the authorities powers and instruments in order for them to be able to: plan management of the crisis; intervene in good time before the crisis fully occurs; and manage the "resolution" stages in optimal fashion.

Business Combination: A business combination comprises a set of assets or accounts which jointly may serve for the performance of an economic activity.

Business Model: The business model regards the way in which an entity manages its financial assets in order to generate cash flows (that is, it determines whether the cash flows derive from collection of cash flows stipulated contractually, from the sale of financial assets, or from both). The business model is not defined for individual assets but on the basis of like-for-like portfolios of assets. The classification of financial assets is based on the business model concept. Three types of business model are contemplated: Hold to collect, Hold to collect and sell, and Other.

CAGR - Compound Annual Growth Rate: Annual compound growth rate of an investment over a given period of time.

Capital Absorption: Absorbed capital is the amount of capital which the Group has to hold in order to cover potential losses and which is needed to support its business activities and the positions held. It consists of regulatory capital plus internal capital. Regulatory capital is obtained by multiplying risk- weighted assets by the target Common Equity Tier 1 ratio. Internal capital is obtained from the sum of economic capital estimated internally to cover the Pillar I and Pillar II (see Basel Accords) risks to which the Bank is exposed.

CAPM - Capital Asset Pricing Model: Mathematical model used to determine the price of a financial asset in view of the relationship between return and risk, as expressed by a single risk factor, namely beta (see definition).

Cash Flow Hedge: One of the types of contract permitted under IFRS 9 to neutralize the exposure to changes in future cash flows attributable to particular risks associated with given balance-sheet items.

CCF - Credit Conversion Factor: Percentage applied to convert an off-balance-sheet exposure (e.g. a guarantee) into its equivalent balance-sheet amount. This factor is applied in the procedure used to calculate the EAD (see definition).

CDO - Collateralized Debt Obligation: CDOs are fixed-income securities which have a portfolio of bonds, loans and other debt instruments as their collateral.

CDS - Credit Default Swap: Derivative contract whereby one party (the protection seller) undertakes, in return for payment of an amount of money, to pay another party (the protection buyer) an agreed amount if a given event occurs in relation to the deterioration in the credit of a third counterparty or reference entity.

Certificates: Certificates are financial instruments which in contractual terms are equivalent to derivatives with an option component, and which replicate the performance of an underlying asset. In acquiring a certificate the investor obtains the right to receive a sum linked to the value of the underlying instrument at a given date.

CET1 ratio - Common Equity Tier 1 ratio: The CET1 ratio is the ratio of a bank's core equity capital to its total risk-weighted assets or RWAs (see definition).

CGU - Cash-Generating Unit: According to the definition provided in IAS 36, paragraph 6, a cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The notion of CGU is used in the impairment test procedure (see definition)

CLO - Collateralized Loan Obligation: A particular type of CDO (see definition), in which the collateral is made up by receivables.

Commercial Paper: Short-term financing instrument with duration generally of one year or less.

Common Equity: Common equity consists of the highest-quality components of a Bank's capital, such as: ordinary shares in issue, every share premium (for ordinary shares), retained earnings, and every adjustment or prudential filter (see definition) applied to the foregoing categories for regulatory or supervisory purposes.

Contingency Funding Plan: Set of operating procedures developed internally by a bank in order to manage liquidity crisis (short-term and/or medium-/long- term).

CoR - Cost of Risk: Ratio between loan loss provisions and average net volumes of loans to customers.

Corporate Exposures: Class of credit exposures to companies which include also the following categories:

– Exposures to SMEs;
– Leveraged finance (see definition);
– Specialized lending.

Cost/Income Ratio: Operating costs (i.e. labour costs, overheads, administrative expenses and depreciation/amortization) as a percentage of total revenues.

Covenants: Covenants are contractual clauses which entitle the lender to renegotiate or revoke credit upon the occurrence of certain events defined in said clauses, the purpose of which being to formalize the undertakings entered into by the lender in terms of management and earnings/financial performance, and at the same time provide an instrument with which to record any differences relative to expectations to be noted.

Covered Bonds: Covered bonds are debt securities covered by assets that, in the event of failure by the issuer, serve to meet the claims of the bond-holders on a priority basis.

CRD - Capital Requirement Directive: Directives 2006/48/EU and 2006/49/EU, transposed by the Bank of Italy in its circular no. 263/06 as amended, which introduced the decisions taken as part of the Basel III agreements to the European regulatory framework. The CRD IV package in particular supersedes the foregoing Directives, and consists of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, and Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms, transposed by the Bank of Italy in its circular no. 285 of 17 December 2013 as amended.

Credit risk stage: Credit risk stage refers to the classification of financial assets valued at FVOCI or at amortized cost, commitments to disburse funds and financial guarantees issued subject to the impairment rules of IFRS 9 according to changes in their credit risk (paragraph 5.5). There are three risk stages:

a) Stage 1 comprises:
   a. Credit exposures originated or acquired;
   b. Exposures with no significant increase in credit risk compared to their initial recognition;
   c. Exposures subject to the low credit risk exemption.
b) Stage 2: significant increase in credit risk compared to initial recognition;
c) Stage 3: impaired exposures.

CRM - Credit Risk Mitigation: Set of techniques, ancillary contracts to credit or other instruments (such as financial assets and guarantees) which enables a reduction in the capital requirements to cover credit risk.

CRR/CRR2 - Capital Requirement Regulation: Regulation (EU) 575/2013, and subsequent updates, on prudential requirements for credit institutions and investment firms. The regulation was adopted in response to the financial crisis which broke out in 2007, and is intended to reduce the likelihood of financial institutions failing by increasing their equity, reducing their exposure to risk and reducing the financial leverage used by them.

CVA - Credit Value Adjustment: The adjustment of a portfolio's value to incorporate the counterparty credit risk into transaction prices. CVA has been explicitly introduced by the Basel III framework, and is mainly applied to over-the-counter (OTC) derivatives, i.e. derivatives not subject to specific regulations.

Default: The condition, either expected or already occurred, of failing to repay a debt.

DGS - Deposit Guarantee Scheme: The DGS (Directive 2014/49/EU) operate at national level, financed by the national credit institutions, and their principal aim is to ensure repayment of a share of bank deposits. Currently two such schemes operate in Italy: the FITD (see definition) and the FGD (Fondo di garanzia dei Depositanti del Credito Cooperativo). At EU level the process of implementing the third pillar of the European banking union by introducing a European Deposit Insurance Scheme (EDIS), to which the funds of the various national DGS will be transferred.

Direct Funding (retail): Cash amounts due to customers, resident or otherwise, in respect of sight or term deposits or with notice, current accounts, bonds, certificates of deposits, repos and subordinated liabilities. The definition does not include amounts due to other banks, third-party funds held under administration (received from governments, regions or public institutions), liabilities in respect of bankers' drafts and other securities.

Discounted Cash Flows Model: This is a valuation method, alternative to the Dividend Discount Model (see definition), suited for those companies which do not have to comply with capital strength requirements, and based on the assumption that the value of asset depends on cash flows generated by the asset, by the time horizon and by their riskiness. Also in this valuation model, cash flows are discounted using the Ke rate (determined pursuant to the CAPM methodology, see definition) over a time horizon forecast by the company into its plans and budgets, and taking also into account a terminal value obtained by using a constant growth rate "g".

Dividend Discount Model, Excess Capital version: This model is used in order to estimate the intrinsic value of a share based on the sum of its future dividends discounted back to their present value: in this version the dividend flows, taking into account the minimum capital limits set by the regulatory authorities, are discounted back using the cost of own capital Ke (calculated according to the CAPM method (see definition)) as the discount rate, while the period of time consists of the first years of explicit estimates and the terminal value (calculated via the capitalization at constant perpetual growth rate g).

Duration: Duration is a synthetic indicator of the interest rate risk of a bond, as bond prices have an inverse relation to interest rates. It is defined as the average maturity of expected cash flows, weighted by the contribution which the present value of each cash flow makes to the price. Duration is expressed in years.

EAD - Exposure At Default: The amount to which the bank is exposed at the point in time upon the default of an obligor.

EBA - European Banking Authority: The EBA is an independent regulatory agency of the European Union set up in 2011 and forming part of the European System of Financial Supervisors (ESFS, a group of authorities and supervisors which since 2008 has constituted the new European micro- and macro- prudential supervisory framework). The EBA has the objective of ensuring an effective and uniform level of regulation and prudential supervision in the European banking sector, thereby ensuring financial stability within the EU and guaranteeing the integrity, efficiency and proper functioning of the banking.

ECAI - External Credit Assessment Institution: Third-party agency in charge of assessing credit risk.

Effective Interest Rate: The rate of interest which renders the discounted value of future cash flows deriving from the loan or receivable by way of principal and interest equal to the amount disbursed, including costs/income attributable to the loan. This method of accounting enables the effect of the costs/income to be distributed over the expected outstanding life of the loan.

Embedded Derivative: An embedded derivative is a component of a hybrid security that is embedded in a non-derivative instrument (or "host"), and cannot be stripped out from its host. For an embedded derivative to be defined as such, a portion of the cash flows from the host contract must vary in relation to changes in an external variable (such as an interest rate, credit rating, the price of a commodity, or some other).

EONIA - Euro OverNight Index Average: Interest rate applied to interbank loans denominated in Euros with a duration of one day (overnight), calculated daily as the weighted average of overnight unsecured lending transactions undertaken by a sample of banks with high credit standing selected on a regular basis by the European Banking Federation.

EPS - Earnings per share: The ratio between the net income and the average number of shares outstanding during the period, possibly adjusted for taking into account potential equity instruments such as options and convertible bonds.

ESEF - European Single Electronic Format: This acronym indicates the name of the new harmonized reporting format across the entire EU.

ESG - Environmental, Social, Governance: The definition indicates non-financial criteria used to assess and measure the environmental, social and governance impact of corporations. Considering these parameters, it is also possible to rank corporations according to their degree of adaptation to these criteria.

ESMA - European Securities and Markets Authority: ESMA is a European Union institution which is responsible for supervising the functioning of financial markets in Europe, ensuring the stability of the EU financial system and safeguarding its integrity, transparency and proper functioning, and strengthening investor protection.

ESRB - European Systemic Risk Board: European committee for systemic risk which is part of the European System of Financial Supervision. It is tasked with the macro-prudential oversight of the financial system within the European Union and is responsible for preventing and mitigating systemic risks that could originate within the European financial system.

EURIBOR - EUro Interbank Offered Rate: This means the short-term interbank rate, calculated on a daily basis, at which the most important banks exchange among them euro-denominated funds.

Euro Short-Term Rate: This rate measures the cost of wholesale unsecured one-day funding for a sample of banks in the Euro area. The rate is calculated based on data collected as part of the Money Market Statistical Reporting (MMSR), introduced in 2016 for all money market transactions carried out by the largest banks in the Euro area.

Expected Loss: The expected loss is an estimate of the loss which a bank expects to incur in respect of a position or of a portfolio of assets. This amount, which by definition is predictable, in practice does not constitute a concrete risk for the Bank, and is already considered to be a component of the cost to be debited to the client when the interest rate is finalized in the loan contract.

Expected Shortfall: The expected shortfall represents the expected amount of losses over and above the VaR limit (see definition).

Fairness/Legal opinion: This means an opinion, given at request, by professionals of sure and certain competence and professionalism, in order to ensure the correctness of economic conditions and/or of the legitimacy and/or of technical aspects of a certain operation at a certain moment.

Fair Value: Fair value is the price at which an asset (or liability) can be traded (or paid off) in a free transaction between conscious and willing parties.

Fair Value Hedge: Type of hedge provided for by IAS 39 to neutralize exposure to changes in a balance-sheet item's fair value.

FINREP - Financial Reporting Standards: A document issued by the CEBS (Committee of European Banking Supervisors), a body which provides advisory services to the European Commission on banking regulations. The CEBS also promotes co-operation and convergence of regulatory practices within the European Union. In 2011 the EBA (European Banking Authority – see entry) began to define harmonized supervisory reporting schemes with statistical content. FINREP itself came into force in 2014.

FIRB Models - Foundation Internal Rating-Based Models: This is one of the three methods used to calculate credit risk under Basel II. Unlike the AIRB model (see definition), with the FIRB model the Bank only estimates PD internally, and uses regulatory values for the other parameters (LGD and EAD) needed to calculate the capital requirement.

FITD - Fondo Interbancario di Tutela dei Depositi: This is the fund to which Italian banks contribute to guarantee depositors up to the limits provided (€100,000). The Fund intervenes on the Bank of Italy's authorization in cases of insolvency or extraordinary administration; participant banks pay funds in after the crisis has occurred, at the Fund's request.

Forborne Exposures: Forborne exposures are defined as debt contracts in which concessions have been granted to a borrower which is in, or is shortly to find itself in, a situation where it is unable to meet its financial commitments (referred to as "financial difficulties"). This situation may apply to both performing and non-performing contracts.

Forward-looking information: According to the new impairment model introduced by IFRS 9, writedowns must be recorded on the basis of expected future losses in value which have not occurred yet. These expectations must incorporate forward-looking information, to anticipate the effects of possible future loss events. The expected loss calculation model applied for the Mediobanca Group considers three possible macroeconomic scenarios (baseline, mild-positive and mild-negative) which impact on PD (see definition) and LGD (see definition), including any sale scenarios where the Group's NPL strategy (see definition) envisages the possibility of recovering the loss through sale on the market.

FSB - Financial Stability Board: A international body set up following the G20 London summit in April 2009) to monitor and supervise the global financial system. Its mission is to promote international financial stability through extended co-ordination of national financial authorities and other global standard-setters.

FTA - First-Time Adoption: Governed by IFRS 1, FTA refers to entities applying IAS/IFRS for the first time and also in the event of material changes in standards already adopted. With reference to IFRS 9 coming into force, first adopters must provide adequate disclosure of the effects of applying the standard to allow users of financial statements to understand the impact on the entity's financial situation and net equity. First adopters are exempted from providing comparative information.

FTP - Funds Transfer Pricing: FTP is the rate to which each branch of the Institution resells the gathered funds to the central treasury; mirror-like it can also be the rate to which branches buy funds required to finance their own loans. FTP scheme aims to rebalance the profitability among each branch/area of the institution, rebalancing both funding and loans rates.

Funding: Sourcing in various forms of the funds required to perform a corporate activity or particular financial transactions.

Futures: Standardized contracts with which the parties undertake to exchange currencies, securities or assets at an agreed price on a future date. Future contracts are traded on regulated markets, where their execution is guaranteed.

FVO - Fair Value Option: A FVO is an option for classifying a financial instrument. By exercising this option a non-derivative instrument or an asset not held for trading purposes may also be recognized at fair value through being recorded in the profit and loss account.

FVOCI - Fair Value Through Other Comprehensive Income: FVOCI is one of the methods used for classifying financial assets contemplated by IFRS 9 (paragraph 4.1.2A). A financial asset must be recognized at FVOCI when all the following conditions are met:

- The asset is held according to a business model, the objective of which involves both collecting contractual cash flows and selling the financial asset (Hold to collect and sell; see definition); and
- The contractual terms of the asset are such that at given dates, the cash flows consist solely of payments of principal and interest on the principal amount for repayment.

FVTPL - Fair Value Through Profit or Loss: FVTPL is one of the methods used for classifying financial assets contemplated by IFRS 9 (paragraph 4.1.4). It is a residual category, given that assets are measured as FVTPL only if they do not meet the criteria for being recognized at amortized cost: it is not an instrument which pays only principal and interest and which is held for purposes other than the collection of contractual cash flows (e.g. for trading purposes). This category includes instruments for which the entity has chosen to apply the fair value option (see definition), derivative instruments and those which fail the SPPI test.

Goodwill: Goodwill is defined as the surplus in the purchase price over and above the target company's book value (obtained as the difference between acquired assets and assumed liabilities, both valued at fair value) at the acquisition date. Goodwill is thus the premium which a buyer pays in view of future economic benefits deriving from synergies or intangible assets which cannot be recorded separately.

Grand-fathering: In general terms, grand-fathering refers to any clause in a new regulation that exempts facts or behaviour put in place prior to the said regulation coming into force from application of the new provisions.

G-SIBs - Global Systemically Important Banks: These are larger banks which as such are subject to stricter or additional requisites and specific methods of supervision.

G-SIIs - Global Systemically Important Institutions: These are the largest financial institutions, of global systemic importance, which as such are subject to stricter or additional requisites and specific methods of supervision.

Harmonized Mutual Funds: Mutual funds covered by the provisions of Directive 1985/611/EEC as amended, which are open-ended, allow stock units to be offered to the public and have certain limits on investments, one of which is the obligation to invest primarily in listed financial instruments.

Hold to collect: A business model whose objective is to hold the financial assets for the purpose of collecting its contractual cash flows. Assets treated according to this model must undergo an SPPI test (see definition), and if they pass it, are recognized at amortized cost (see definition).

Hold to collect and sell: A business model whose objective is both to collect contractual cash flows and to sell the instrument. This business model should not be confused with the held for trading model, whereby assets are acquired chiefly for the purpose of selling them in a short period of time. Assets treated according to this model must undergo an SPPI test (see definition), and if they pass it, are recognized at FVOCI (see definition).

IASB - International Accounting Standards Board: An independent body of experts which, as part of the IFRS (International Financial Reporting Standards) Foundation, has since 2001 replaced the IASC (International Accounting Standards Committee) in issuing international accounting standards. The Board is a group of independent experts with an appropriate mix of recent practical experience in setting accounting standards, in preparing, auditing, or using financial reports, and in accounting education.

ICAAP - Internal Capital Adequacy Assessment Process: Pillar II of the Basel Accord (see definition) requires all intermediaries to put in place a process for ongoing assessment of the adequacy of their internal capital (ICAAP). The process must be formalized, documented and approved by the relevant bodies and submitted to internal review on a regular basis.

ILAAP - Internal Liquidity Adequacy Assessment Process: Directive 2013/36/EU stipulates that all intermediaries must put in place sound strategies, policies, processes and systems to identify, measure, manage and monitor liquidity risk, to ensure that adequate liquidity reserves are maintained.

Impairment test: Test aimed at checking the book value of each financial assets: in case of a permanent reduction in the value, the value of the assets should be reduced (with impact taken to profit and loss). This test should take place once a year both for intangible assets with indefinite life and for goodwill originated by a business combination (see definition); in all other cases, the entity should check, at the end of each reporting date, whether there are evidences of permanent reduction in value.

Indirect Funding: Equities and other value items not issued by the deposit bank but received by it to hold as a deposit under custody, administration or in connection with asset management activity. For purposes of financial reporting, the category consists of: Assets Under Management (see definition); Assets Under Custody; and Assets Under Advice (see definition): i.e. the sum of funds under administration (shares, bonds, mutual funds and government securities) and funds under management (policies, insurances and pension schemes).

Internal Dealing: Trades involving the shares of issuers listed in Italy or elsewhere which are executed by "relevant parties" of the issuer itself or by persons closely related to them. The subject is governed by the Italian Banking Act and by CONSOB, with the parties involved being obliged to make disclosure to the market in timely fashion of any purchase or sale of securities in their company.

Investment Grade: Term used to refer to counterparties and/or bonds which are highly reliable and have received a medium/high rating (see definition), e.g. not lower than BBB- on the Standard & Poor's scale.

IOSCO - International Organization of Securities Commission: IOSCO is the International body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. It works intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.

IRS - Interest Rate Swap: A contract which falls within the category of derivative contracts, and in particular that of swaps, in which counterparties exchange streams of payments which may or may not be indexed to interest rates calculated based on a notional benchmark capital

iXBRL - Inline eXtensible Business Reporting Language: This is the evolution of the XBRL language. It enables inserting an XBRL document into an HTML document so that it can be viewed in Web browsers with the typical HTML formatting.

Joint Venture (JV): Agreement pursuant to which two or more parties, usually companies, undertake to work together to pursue a joint project (industrial or commercial) or decide to jointly leverage their synergies, expertise or capital.

Junior: In a securitization, the junior tranche is the lowest-ranking of all securities issued, and is the first to incur the losses which may crystallize the course of recovering the underlying assets.

Large Institution: Definition introduced by CRR2 regulation (see definition). A corporation falls under the definition of Large Institution when it meets one of the following conditions:

– it is a G-SII;
– it has been identified as an O-SII (systemically-important institution), according to article 131, point 1 and 3 of Directive 2013/36/EU (CRD, see definition);
– in the EU Member State it is incorporated in, it represents one of the three major corporations in terms of total assets;
– its total assets, at individual level or (when applicable) at consolidated level, amount to or exceed at least €30bn.

LGD - Loss-Given Default: The loss that the lender incurs if the borrower defaults. In order to calculate capital requirements using the internal ratings-based method, the LGD value may be calculated using the approach set by the regulator (the FIRB method) or determined internally by the Bank using its own model (the AIRB model).

LIBOR - London InterBank Offered Rate: It represents a reference rate for the interbank market transactions, calculated on a daily basis by the British Bankers' Association, and represents the rate at which most important English and European banks exchange funds with short term horizon.

Low credit risk exemption: Pursuant to paragraph 5.5.10ff of IFRS 9, a company can assume that for a certain instrument the credit risk has not experienced a significant increase when this instruments shows, at the reporting date, a low credit risk. This definition is met for Stage 1 exposures, which show a low insolvency risk since they can be qualified as investment grade instruments.

LTV ratio - Loan To Value Ratio: Obtained as the ratio between the loan amount granted and the value of the asset which is supposed to be bought with this amount. The LTV Ratio is commonly used by banks as an indicator of credit risk.

Macroeconomic scenario: Description of the economic system at aggregate level, which factors in expected projections of material economic indicators.

Mark to Market: Valuation used in the futures and options markets, whereby the value of the net position for each operator is established daily on the basis of the most recent market prices.

Maturity: it indicates the reimbursement date or the expiring date of the instrument.

Mezzanine: In a securitization (see definition), the mezzanine tranche is the one with intermediate ranking between the junior and senior tranches.

MiFID - Markets In Financial Instruments Directive: Directive 2004/39/EC (transposed into Italian law under Legislative Decree 164/07) which has the objective of creating a single market for investment services and activities across the EU. It has recently been amended by Directive 2014/65/EU ("MiFID II").

MREL - Minimum Requirement for own funds and Eligible Liabilities: MREL is a requirement introduced by the BRRD Directive (see definition), the purpose of which is to ensure that the bail-in mechanism (see definition) works smoothly by increasing the Bank's capacity to absorb losses. The MREL indicator is calculated as follows:

(own funds + eligible liabilities) / (total liabilities + own funds)

New regulatory provisions require a MREL ratio of 21.85% on risk-weighted assets (RWAs, see definition) and of 5.91% on the leverage exposure.

NAV - Net Asset Value: NAV is the value assigned to a fund's net equity: it is calculated by dividing the value of all assets, securities and liquidity held in the portfolio by the number of stock units in issue. For mutual investment NAV is calculated and disclosed at different intervals: daily for open-ended funds, monthly for closed-end funds.

NFD - Non-Financial Disclosure: Document, drawn up in accordance with the provisions of Article 4 of Italian Legislative Decree 254/16, which contains information on environmental, social and staff-related issues and on human rights and measures to tackle bribery and corruption, of use to provide an understanding of the activities performed by the Group, its performance, results and the impact produced by it on the social and environmental point of view.

NPL - Non-Performing Loan: A loan whose collection is uncertain both in terms of expiry and amount of the exposure.

NSFR - Net Stable Funding Ratio: The NSFR is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The ASF is defined as the portion of equity and liabilities considered to be reliable over the time horizon considered by the NSFR, i.e. one year. The amount of RSF required for a specific bank depends on its liquidity characteristics and the outstanding maturities of the various on- and off-balance-sheet assets held by it. The ratio must remain at a level of at least 100% on an ongoing basis.

Options: Derivative contracts which include the right, but not the obligation, for the option holder, by paying a premium, to acquire (call option) or sell (put option) a financial instrument at a given price (strike price) by (US-type option) or at (European-type option) a future date.

OSI - On-Site Inspection: Activity included in supervisory regulation carried out by different regulator (ECB, for instance) to better analyse particular aspects of the corporation under scrutiny. These inspections are carried out at the headquarter of the Bank or institution subject to the supervisory process.

OTC - Over-The-Counter: OTC refers to markets with no contracts or standardized trading methods which are not linked to a series of regulations (admission, controls, disclosure obligations, etc.) such as those regulating official markets.

Outsourcing: Outsourcing is when a given company process and/or corporate function held to be non-core is contracted to a supplier external to the company.

OVT - Overtime - and PIT - Point in Time: According to IFRS 15, OVT and PIT are the two possible methods by which a performance obligation (see definition) can be realized. In particular, OVT is when one of these conditions is met:

- The client simultaneously receives and uses the benefits deriving from the entity's performance in the process of its being made;
- The entity's performance creates or enhances the activity (e.g. work in progress) which the client is able to monitor in the process of its being created or enhanced; or

– The activity created by the entity's performance does not have an alternative use, and the entity has the enforceable right to receive payment for the performance completed to date.

If none of these conditions is met, then the PIT method is applicable.

Past due: This definition includes exposures, other than those classified as non-performing or unlikely to pay, which at the reference date have expired and/or are more than 90 days past due and which exceed a given materiality threshold. This limit is established with reference either to each individual borrower, or for retail exposures only, for each individual transaction.

Payout Ratio: The payout ratio is the percentage of net profit distributed to shareholders in the form of a dividend. This share depends chiefly on the company's need to retain earnings in order to finance its own activities and the returns expected by the shareholders on their investment.

PD - Probability of Default: PD expresses the likelihood of a counterparty being unable to fully repay a loan at its expiry. The probability of the borrower defaulting within one year is estimated and a rating assigned to the counterparty accordingly.

Performance obligation: This is a definition introduced by IFRS 15 which refers to "each promise to transfer to the client:
– A distinct good or service (or a combination of both); or
– A series of distinct goods/services which are substantially similar and which follow the same transfer method to the client".

Performance Shares: In share-based payment schemes, performance shares are shares in the company itself (or the same Group) which are granted to certain categories of staff contingent upon previously defined performance objectives being met.

Pillar III: Pillar III is a disclosure document come into force with EU Regulation n. 575/2013 (CRR, see definition) which introduces into European Union the bank supervisory rules of Basel Committee (see definition) known as "Basel 3". This includes both capital adequacy (Pillar I) and disclosure to the public (Pillar III). These disclosures enable market operators to make a more accurate assessment of banks' capital solidity and exposure to risks.

Plain Vanilla (derivatives): Plain vanilla derivatives are the simplest and least complex form of derivative instrument. The prices of such products depend on the price of their underlying instrument which is listed on regulated markets.

POCI assets - Purchased or Originated Credit-Impaired assets: POCI refers to financial assets that were already credit-impaired when they were purchased or originated. POCI assets are usually recognized as Stage 3 exposures.

PPA - Purchase Price Allocation: PPA refers to the process of allocating the purchase price of the assets and liabilities of an acquired entity, which must be performed by the acquiring company, within the scope of application for IFRS 3 (Business combinations).

Pricing: In the broad sense, the term refers to the means by which the returns on and/or costs of products or services offered by the Bank are determined; in a narrower sense, it refers to the process of establishing the price of a financial asset.

Provisioning (loans): This term refers to transfer to provisions made in order to cover the expected credit loss. In particular:

– if at the reporting date there is no significant increase in the financial asset credit risk since its initial recognition, the corresponding provision should be valued for 12-months expected losses;
– if at the reporting date there is a significant increase in the financial asset credit risk since its initial recognition, the corresponding provision should be valued for its lifetime expected losses.

Prudential filters: These are adjustments made to accounting items in calculating regulatory capital, with a view to safeguarding the quality of the capital and reducing the potential volatility brought about by application of IAS/IFRS.

Right-of-Use Asset: According to IFRS 16 (Appendix A) it is defined as "An asset that represents a lessee's right to use an underlying asset for the lease term".

ROAC - Return On Allocated Capital: Ratio between net profit and average capital allocated/absorbed for the period under review. In percentage form it expresses earnings capacity per unit of capital allocated/absorbed.

ROE - Return On Equity: The return on equity is a measure of the profitability of a company's own equity, as expressed through the formula of net profit divided by average net equity for the period (excluding minority interest and dividends proposed and/or paid).

ROTE - Return on Tangible Equity: ROTE is calculated by dividing net profit by average "tangible" net equity (excluding minority interest and dividends proposed and/or paid as well as goodwill and other intangible assets).

Royalty Relief Method: This is a valuation method used for an intangible asset (such as brands or patents), which is based on the assumption that the company that owns the asset does not have to license it from a third party and therefore does not have to pay any royalties. The value of the intangible asset is equal to the net present value of all potentially payable royalties.

RWA - Risk-Weighted Asset: Summary of principal risk factors attributable to a given financial asset. The asset's nominal value is "adjusted" in order to express a more accurate measurement of its value. The more risky the asset is, the higher the risk weighting assigned to it (i.e. as the risk increases, so too do RWAs).

Sale with Recourse: Transfer of a receivable where the selling party guarantees payment for the third party. The selling party thus guarantees both the existence of the receivable and the borrower's solvency to the recipient.

Sale without Recourse: Transfer of a receivable without the selling party offering any guarantee in the event of the borrower not meeting its obligations. Only the existence of the receivable being sold is guaranteed by the selling party to the recipient, and nothing else, not even the borrower's solvency.

Senior: In a securitization, the senior tranche is the one which ranks highest in terms of priority of remuneration and repayment.

Sensitivity Analysis: Analysis carried out in order to estimate the changes in a given indicator according to the changes in one or more of the parameters which determine it (interest rates, exchange rates, market prices etc.), in order to establish the relations between the two of them.

Servicer: Intermediary regulated by the Bank of Italy (included in the special register instituted pursuant to Article 107 of the Italian Banking Act; see definition), responsible, under the provisions of Italian Law 130/99, for checking that securitizations are compliant with the provisions of the law and the contents of the information prospectus, and for collecting receivables sold and the related cash and payment services.

SGR - Società di Gestione del Risparmio: SGRs are limited companies which are authorized to provide collective and individual asset management services jointly. In particular they are authorized to set up mutual investment funds, manage mutual funds (on a proprietary basis or other parties' instructions) and assets held as part of SICAVs, and to provide investment portfolio management services on an individual basis.

Short term: According to para. 5 of IFRS 16, it represents one of the two cases when the lessee can decide not to apply the requirements of the principle itself. The lessee can make use of this faculty if the lease has a lease term of 12 months or less.

SICR - Significant Increase in Credit Risk: Pursuant to paragraph 5.5.3ff of IFRS 9 standard, it is necessary to assess at each reporting date whether an instrument has experienced a significant increase in credit risk since the date of initial recognition. This assessment has to take into account qualitative as well as quantitative factors, typical of each facility. The granting of forbearance measures as well as the failing of the 30-days past-due period criterion are considered backstop events. Exposures showing a significant increase in credit risk at the reference date are classified into Stage2.

Significant bank: Regulation (EU) 1024/2013 (this regulation establishes the Single Supervisory Mechanism, see definition) states three criteria to define whether a financial institution can be considered significant (if even one of these requirements is met):

- Total assets over €30bn;
- The ratio between total assets and GDP of the EU state in which it resides is more than 20%, unless total assets value is below 5 billions;
- The ratio between total assets/liabilities of the institution and total assets/liabilities of at least another EU state is more than 20%.

A financial institution is also considered to be significant when it has applied for or has received financial aid. Significant Institution are subject to direct supervision of ECB.

SIM - Società di Intermediazione Mobiliare: SIMs are entities which are not banks or regulated financial intermediaries which are authorized to provide investment services as defined in the Italian Finance Act (see definition). SIMs are subject to supervision by the Bank of Italy as far as regards risk management and capital solidity and to regulation by CONSOB on issues of transparency and proper conduct.

Speculative grade: Term used to refer to counterparties and/or bonds with a low rating (see definition), e.g. lower than BBB- on the Standard & Poor's scale; bonds of this type are often referred to as high-yield bonds.

Spline: mathematical function consisting of a series of curve arcs used to interpolate a series of points so that the resulting function is continuous and smooth.

Sponsor: The sponsor of a securitization, unlike the deal's originator, institutes and manages the SPV used to acquire the assets to be securitized from third parties.

SPPI (Solely Payments of Principal and Interest) test: The SPPI test is the test required by the new IFRS 9 in order to classify financial instruments according to the business model (see definition) in which they have been categorized by the bank. The test is carried out at the initial recognition stage, and for it to be passed, the contractual cash flows provided for must involve only the regular interest payments and repayment of the principal amount. If the test is failed, the instrument is recognized at FVTPL (see definition).

Spread: The spread is the difference in return, expressed in basis points, between two debt securities: such difference is usually due to the fact that the bonds belong to different rating classes, but also to considerations regarding the risk inherent in the bonds themselves. The comparison may be between debt securities of different sovereign states or issued by the same state but with different maturities, or between bonds issued by companies operating in different sectors.

SPV - Special Purpose Vehicle: This means a company set up to pursue specific objectives, such as to ring-fence financial risk or obtain special regulatory or tax treatment for different portfolios of financial assets. SPVs do not normally have operating or management structures of their own, but use those of the other stakeholders involved in the transaction.

SRB - Single Resolution Board: The SRB is an authority which has been operational since January 2015 with the aim of bringing resolution to banking crises as part of the SRM (see definition) and the European Banking Union. The authority's objective is the effective resolution of banks in difficulty, with minimal impact on the real economy and public finances in countries which are member states of the European Union.

SREP - Supervisory Review and Evaluation Process: SREP is the regular assessment and measurement of risks at the individual bank level. In SREP decisions, the supervisory authority can require each bank to hold additional capital and/or set qualitative requisites (known as Pillar II). SREP is performed by the Single Supervisory Mechanism, on the basis of the regulations contained in the Capital Requirement Directive (see definition).

SRM - Single Resolution Mechanism: The SRM is the second pillar in the process of European Banking Union. It was established pursuant to Regulation (EU) 806/2014 of 15 July 2014, and consists of two related entities: the Single Resolution Board (SRB, see definition), which is the central authority, and the Single Resolution Fund (or SRF), the supranational fund.

Steepener: With reference to interest rates, a Steepener is a phenomenon in which the interest rate curve becomes steeper through a simultaneous decrease in short-term rates and an increase in long-term interest rates.

Stress Test: A stress test is a simulation procedure used to measure the impact of extreme market scenarios on the Bank's total exposure to risk, to allow the Bank's capital adequacy and liquidity profile to be assessed accordingly.

Sublease: According to IFRS 16 (Appendix A) it is "A transaction for which an underlying asset is re-leased by a lessee ('intermediate lessor') to a third party, and the lease ('head lease') between the head lessor and the lessee remains in effect".

Swap: Transaction in which cash flows are exchanged between market operators in accordance with specific contractual provisions. Such contracts may have different underlying instruments, including interest rates (the parties to such interest rates undertake to pay cash flows calculated according to different interest rates, typically one party fixed and the other floating interest rates), exchange rates, inflation and so forth.

Taxonomy: A classification system for identifying and structuring information. ESEF uses the standard elements of the ESEF / IFRS taxonomy.

Tax Rate: This refers to the effective tax rate, as expressed by the ratio between income tax and profit before tax.

Tier 2: Tier 2 capital is the secondary component of bank capital and consists mainly of subordinated liabilities which in turn may be split between Upper Tier 2 (bonds with an original duration of more than ten years which may be used to cover losses deriving from the entity's operations which would make it unable to continue its activities), and Lower Tier 2 (bonds with an original duration of more than five years).

TLAC - Total Loss-Absorbing Capacity: TLAC represents the prudential standard defined by the Financial Stability Board (see definition) in 2015. It serves the same purpose as MREL (see definition), namely, to ensure that the banks involved (G-SIBs) have sufficient securities in issue to be able to absorb losses.

T-LTRO - Targeted Long-Term Refinancing Operation: The T-LTRO is a non-conventional monetary policy actions implemented by the ECB in order to tackle the financial crisis. Through this action, long-term liquidity is provided to banks.

Total Capital Ratio: A capitalization ratio referring to the aggregate of constituent elements which go to make up Own Funds (Tier 1 and Tier 2). It is expressed by the ratio between total regulatory capital (i.e. Tier 1 + Tier 2 capital consisting of equity instruments other than ordinary shares meeting the regulatory requirements) and the value of RWAs (see definition).

Trading Book: The term "trading book" usually refers to securities or financial instruments in general which go to make up a portfolio of assets for use in trading activities.

Transaction price: Under IFRS 15, the transaction price is "the amount to which the entity deems itself to be entitled in exchange for the transfer of the promised goods or services to the customer, excluding amounts collected on behalf of third parties". IFRS 15 stipulates four elements that can create difficulties in its valuation: variable fees (and limits on them), contractual provision for a significant financial component, non-monetary fees, and fees to be paid to the customer.

TUB - Testo Unico Bancario: The Italian Banking Act, i.e. Italian Legislative Decree 385/93 as amended.

TUF - Testo Unico dell'Intermediazione Finanziaria: The Italian Finance Act, i.e. Italian Legislative Decree 58/98 (also known as the "Draghi" law) as amended.

UCITS - Undertakings for Collective Investment in Transferable Securities: As defined by the Italian Banking Act, there are two types of UCITS:

- Mutual investment funds, i.e. vehicles which group the financial resources of numerous investors to form a single, indistinguishable equity for investment in financial assets; and
- SICAVs (Società d'Investimento a Capitale Variabile; or investment companies with variable capital), i.e. companies whose sole purpose is to invest their own equity, which is raised by selling their shares to the general public.

UTP - Unlikely to Pay: UTP is one of the categories of impaired or non-performing loans (see definition). These are exposures for which the bank thinks the borrower will be unlikely to be able to fully comply with its contractual obligations without recourse to actions such as the enforcement of collateral.

VaR - Value at Risk: Value at Risk is the maximum loss possible on a portfolio as a result of market performance, measured with a given confidence level and over a given time horizon, based on the assumption that the positions require a certain period of time to be sold.

Warrant: A warrant is a tradable instrument that entitles the holder to buy or sell fixed-income securities or shares from or to the instrument's issuer.

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Writeoff: A writeoff is an event that entails an item being deleted from the accounts when there is no longer any reasonable expectation of being able to recover the amount receivable. It may refer to the entire amount or only a portion of the receivable. An item may be written off before legal action to recover the amount has been completed, and does not necessarily imply that the company has waived its legal right to recover it.

XBRL - Extensible Business Reporting Language: This is an XML-based language, mainly used for the electronic communication and exchange of accounting and financial information.

XHTML - Extensible HyperText Markup Language: This is a markup language based on the HTML 4.01 format. XHTML ensures the structuring and semantic markup of content in documents, such as text, images and hyperlinks.