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MEDIOBANCA

MEDIOBANCA BANCA DI CREDITO FINANZIARIO

Annual Accounts and Report as at 30 June 2023

MEDIOBANCA

LIMITED COMPANY
SHARE CAPITAL € 444,169,467.50
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 2023

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 identification number and Milan-Monza-Brianza-Lodi Companies' Register Enrolment No. 00714490158
VAT No. 10536040966
Fully paid-up share capital: €444,169,467.50
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

			Term of office
	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

MEDIOBANCA GROUP REVIEW OF OPERATIONS AS AT 30 JUNE 2023

MEDIOBANCA GROUP REVIEW OF OPERATIONS AS AT 30 JUNE 2023

The Mediobanca Group continues with its long-term growth path, ending the financial year with record results in terms of revenues (€3,304.5m, up 15.9% YoY), net profit (€1,026.8m, up 13.2% YoY), earnings per share (EPS €1.21 up 15% YoY), ROTE[1] (13%, up 2pp YoY), and RORWA[2] (2.4%, up 40 bps YoY), in an operating scenario affected by significant geopolitical events, the abrupt change in monetary policies, and high volatility on financial markets. The results posted significantly exceed the targets set four years ago in the 2019-23 Strategic Plan (revenues €3bn, ROTE 11%, EPS €1.1).

Revenues reached a record total of €3.3bn (up 15.9% YoY; CAGR 4Y +7%). The growth was driven by net interest income (€1.8bn; up 21.8% YoY; CAGR 4Y +7%), improving progressively in the past four quarters as a result of the Group's ALM position in view of the scenario with interest rates rising sharply. The growth in lending (€52.5bn; up 1.6% YoY) reflects a healthy balance between Corporate & Investment Banking (CIB) (37%), Wealth Management (WM) (32%) and Consumer Finance (CF) (28%), and is coupled with the increase in banking book securities which now total €10.5bn (compared with €8.6bn last year). The higher assets are financed by the funding stock which remains high (€60.5bn) but is well diversified in terms of the technical forms, meaning the cost of funding remains lower. Total Financial Assets (TFAs) amounted to €88bn (up 9.7% on last year), with deposits of €28.2bn (almost 50% of the Group's funding), and contributed to the growth in fee income (€843.9m), which has risen at an average rate of 8% per annum over the past four years, in Wealth Management in particular (WM contribution: €449.6m; up 6.6% YoY; CAGR 4Y +12.5%), and which, in the latter stages of this year, has enabled the lower contribution from Investment Banking to be absorbed.

The gross operating profit for the twelve months totalled €1,621.3m (up 25.1% YoY; CAGR 4Y +9%), with the cost/income ratio decreasing to 42.8% (from 46% last year) and the cost of risk at low levels (Group: 52 bps; Consumer

[1] ROTE = Adjusted Return On Tangible Equity.

[2] RORWA = Adjusted Return On RWAs.

Finance: 145 bps) despite maintaining the majority of the overlays intact to cushion the impacts of persistent inflation on businesses and households (the stock of overlays decreased from €293.4m to €268m, €208.6 of which in Consumer Finance). The quality of the loan book remains high, with the NPL ratio stable at 2.5%, and the Consumer Finance component falling to 5.6% (30/6/22: 5.7%).

In view of these solid results, the Board has adopted a resolution to submit the following proposals to the approval of shareholders at the next Annual General Meeting:

– Distribution of an €0.85 per share dividend, corresponding to a payout ratio of 70%, meeting the target set in the 2019-23 Strategic Plan (€1.9bn cumulative dividends to be distributed);
– In line with the guidance contained in the new 2023-26 Strategic Plan, for FY 2023-24 the first tranche of the new share buyback and cancellation scheme, for a total amount as of today of some €200m (17 million shares, or approx. 2% of the company's share capital).

The top-line performance was driven by growth at all divisions (Wealth Management revenues up 12.9% to €820.5m, equal to 25% of the Group total; Corporate & Investment Banking, up 11.4% to €712.4m, 22%; Consumer Finance, up 6.1% to €1,122.5m, 34%; Insurance, up 24.8% to €463.6m, 14%; Holding Functions, up virtually 3x to €220.4m; and by growth in all income sources (net interest income up 21.8% to over €1,800m, fees stable at €843.9m, net trading income up 27.1% to €205.7m).

The main income items performed as follows:

– Net interest income rose by 21.8%, from €1,479m to €1,801m, helped by the rising interest rates which drove increasing QoQ growth to reach €502.1m in 4Q (up 10% QoQ). The following factors contributed to this performance: greater selectiveness in lending volumes (lower relatively low-margin corporate loans, higher consumer loans and mortgages); and resilience in the cost of funding, which increased because of the interest rate trend and the substantial position in debt securities, but for which the increase was limited, being mitigated by the WM deposits (the external cost of which rose from 0.2% to 0.60%). Overall the spread between lending and funding widened by approx. 60 bps, enhanced further by positive interest rate risk management in treasury operations and the increase in the securities portfolio;

- Net fee and commission income totalled €843.9m, on healthy contributions from Wealth Management[3] (€410m; up 7%; approx. 50% of the total) and lending operations[4] (€245m up 8%), more than half of which by the CF division. Compared to last year (€850.5m), the slight reduction is due to the lower contribution from Investment Banking[5] already referred to (where fees were down 10%, from €225m to €200m) in line with the market. By division the results were as follows: CF reported growth in fee income of 12.1%, to €138.4m, reflecting the new operations in BNPL (which contributed €12m); WM (fees up 6.6%, to €449.6m) managed to absorb the reduced contribution from performance fees by an increase in the upfront component; while CIB (fees down 5.5%, to €289.4m) reflects the marked downturn in business levels in the early months of 2023 following a very healthy performance in 1H (€185.3m);
- Net trading income totalled €205.7m, higher than last year (up 27.1%) as a result of the proprietary portfolio's contribution doubling (from €44.2m to €104.9m), that of the trading book in particular (€62.1m, compared to a €4.1m loss last year). Client trading retreated slightly from last year's levels, at €72.7m (€83.1m), due to substantial one-off items for arbitrage trades on the equity side (which reduced from €68m to €55.5m, €43.6m of which in 1H), while fixed-income desk's performance improved slightly, to €16.1m (€14.8); proactive banking book hedging activity delivered a net €42.7m, offsetting the lack of gains realized on disposals of securities (which last year contributed €23.2m); while the other segments (Wealth Management and Insurance-PI) contributed trading income of €25.4m (€30.4m);
- The contribution from Assicurazioni Generali, accounted for using the equity method, was €442.8m, much higher than last year (€356.6m), helped by the improvement in ordinary operations, plus the contribution of certain one-off items which also coincided with the introduction of the new IFRS 17 and IFRS 9; the other investments in associates defined by IAS 28 contributed €11.1m (€2.7m last year).

[3] Wealth Management fee income composition: gross management and upfront fees reported by the WM division.

[4] Lending fee income composition: Corporate Lending, DCM and Factoring (CIB), Leasing (HF). Retail Lending (consumer finance, CF division) and mortgages and sale of Compass products (WM).

[5] Investment banking and corporate services fee income: investment banking and equity placements; sales fees and capital market activities, NPL portfolio management (CIB division).

Operating costs totalled €1,413.1m, higher than last year (€1.312,1m); such growth (7.7%) was more pronounced for the labour cost component (up 8.5%, from €671.5m to €728.3m), split equally between the trend in terms of rising headcounts (staff numbers up from 5,016 to 5,227; fixed costs up 8.5%) and the variable cost component (up 9%) in line with the top-line performance and the need to retain talent; the rise in administrative expenses (up 6.9%, from €640.6m to €684.8m) was concentrated in the following areas: projects (IT expenses: up 10%; consultancy expenses: up 17%), marketing and communications (up 19%); plus travel and entertainment expenses, which have returned to normal levels (up 32%).

Loan loss provisions were up 11%, from €242.6m to €270.1m, reflecting a cost of risk (CoR) of 52 bps (48 bps last year, the lowest ever); provisioning in CIB, which took charges of €32m (compared with a writeback of €42m last year), reflect one performing exposure being reclassified as UTP (70%-covered) and one item being reclassified among bad loans (written off in full), mitigated only in part by writebacks in respect of the performing portfolio following repayments and improvements in ratings. The increase in CF, where loan loss provisions increased from €190m to €204m (CoR up from 142 bps to 145 bps), was due mostly to the higher volumes, while WM, where LLPs decreased from €14m to €10.5m, was helped by the low default rates. Provisioning in HF (for leasing and the Revalea NPLs acquired from third parties) remain at purely structural levels (€23.4m). At the consolidated level the credit quality remains excellent and the level of provisioning high (NPLs: 72.1%; performing: 1.34%), not least due to the large stock of overlays (which has reduced slightly, from €294m to €268m).

Net profit of €1,026.8m includes approx. €190m in non-operating/one-off charges (approx. €80m of which taken in 4Q), net of which the bottom line would have been almost €1.2bn:

- Payments to the Single Resolution Fund of €45.4m (which come to an end with this financial year); conversely, the payments to the Deposit Guarantee Scheme (which this year totalled €25m) will continue next year as well;
- Asset impairment charges totalling €67.2m, due to the RAM goodwill being written off (€49.5m) in view of the way in which the new interest rate scenario has affected the systematic funds market, reducing its growth prospects, and to the loss taken on the disposal of Revalea (€17.7m, in application of IFRS 5);
- Provisions totalling €26m for the launch of an early retirement scheme to encourage generational turnover in view of the Strategic Plan;

– Other items totalling €22.2m, including contingent liabilities for client activities, increases in the risk provisions, adjustments for financial assets, and costs related to acquisitions (Soisy and Polus).

Provisions for financial assets were also taken in an amount of €7.3m, €5.4m of which due to holdings in funds being recognized at fair value and €1.9m in adjustments for banking book securities, and net tax totalled €394.7m, €375.7m of which in ordinary taxation (tax rate of 26.3%) and €19.2m deriving from the release of €320m in CMB Monaco reserves.[6]

* * *

On the balance-sheet side, total assets amounted to €91.6bn (30/6/22: €90.6bn), with the main items reflecting the following performances:

– Customer loans rose from €51.7bn to €52.5bn (up 1.6%), reflecting increases in WM (up 10%, from €15.3bn to €16.8bn) and CF (up 5.2%, from €13.8bn to €14.5bn), which offset the reduction in CIB (down 5.3% to €19.6bn, €16.8bn of which in Wholesale Banking; a decrease of 6.7%);

– Banking book securities increased €8.6bn to €10.5bn (€4.7bn of which in the HTC portfolio and €5.8bn in the HTC&S portfolio), following higher purchases of government securities (up €1.2bn), most of which were Italian; the interest rate trend increased the negative balance on the OCI reserve (from minus €60.9m to minus €73.2m, in part due to payment of inflation-linked coupons), and unrealized losses on HTC securities rose from €70.4m to €119.7m);

– Net treasury assets decreased from €7.2bn to €5bn, largely in order to make the early repayments on the TLTRO ahead of the contractual expiry (which accounted for €2.9bn) by using surplus liquidity (indeed, the ECB deposits halved, from €6.9bn to €3.5bn). The market scenario required a more prudent approach to the equity component, benefiting the fixed-income side which more than doubled (to €1.4bn). The Counterbalancing Capacity totalled €16.6bn (from €14.7bn), and serves to support the liquidity ratios which remain excellent: NSFR 119%, LCR 180%;

– Funding was stable at €60.5bn, virtually stable compared to last year (€61.2bn), due to the TLTRO repayment mentioned earlier (€2.9bn, reducing the facility to €5.6bn), most of which was offset by the higher debt security

[6] Cf. Italian Budget Law 2023 (Article 1, paras 87-95); Italian Law 197/2022.

funding (up from €18.5bn to €22.3bn); Wealth Management deposits decreased slightly, to €28.2bn, while other forms of funding totalled €4.5bn (compared with €28.8bn and €5.4bn respectively);

– Total Financial Assets (TFAs) rose to €88bn (up 9.7% YoY), driven by AUM/AUA inflows of over €7.9bn coupled with the €511m positive market effect. AUM/AUA refer to Premier Banking as to €20.6bn, and to Private Banking as to €27.6bn; Asset Management is responsible for €25.9bn, €11.7bn of which external to the Group.

As at 30 June 2023 the CET1 ratio, phase-in and fully loaded including the Danish Compromise, totalled 15.9%,[7] with a buffer of over 700 bps compared to the SREP minimum requirement. CET1 rose by approx. 30 bps in the twelve months: the organic growth (65 bps added from retained earnings, net of the 70% payout, corresponding to a DPS of €0.85) was in part eroded by the LGD Foundation being restored for the Large Corporate portfolio (which accounted for 45 bps in 1Q). Conversely, the impact of the Assicurazioni Generali deductions (25 bps) was offset by the ongoing RWAs efficiency activity (which added 25 bps).

The total capital ratio, phase-in and fully loaded with the Danish Compromise, rose from 17.6% to 17.9%, due to the new subordinated issue worth a nominal €300m.

The leverage ratio remained stable at 8.4%, as the higher Tier 1 equity was offset by the higher exposures.

The MREL ratio remained high and stable during 12M: 36.8% of RWAs and 19.5% of LREs, once again comfortably above the minimum requirements, which were set at 22.13% of RWAs and 5.91% of LREs.

* * *

The divisional performances for the twelve months were as follows:

– *Wealth Management* (WM): Net profit for the twelve months totalled €161.9m, up 20.6% on last year, with ROAC[8] of 35% (28%) and the *cost/income* decreasing to 67.7% (from 71.1%). Revenues were up 12.9% to €820.5m reflecting increases in net interest income (up 22.7%, to €361.5m), and fees (up 6.6%, to €449.6m) linked to the trend in assets (AUM/AUA up

[7] CET1 fully loaded, pro forma including the Danish Compromise applied on a permanent basis (benefit approx. 100 bps).

[8] Adjusted Return On Allocated Capital.

16.2% to €59.8bn), on indirect NNM of €7.9bn. Costs also increased but less sharply (rising by 7.4%, to €555.1m);

- *Corporate & Investment Banking* (CIB):[9] net profit totalled €225.2m (following the €32.3m loan loss provisions for the items referred to above), with ROAC of 13% and a cost/income ratio of 45.9% (46.6%). Growth of 11.4% in revenues, to €712.4m, was driven by higher net interest income (up 14%, to €288m) and net trading income (up 67.9%, to €135m), which by far offset the reduction in fees (down 5.5% to €289.4m); operating costs rose by 9.8% to €327.3m, the labour component in particular (up 8.2%);
- *Consumer Finance* (CF): this division delivered a net profit of €374.3m, reflecting ROAC of 32%. The higher lendings (up 5%), driven by regular flows of new business (€1.9-€2bn per quarter) drove top-line growth of 6% (to €1.1bn); while a cost/income ratio of 30.9% (29.7%) reflects the investments in technology and marketing to support the new initiatives (Buy Now Pay Later in particular) and the upturn in credit recovery expenses; the quality of the loan book remained high, with a CoR of 145 bps (142 bps);
- *Insurance-Principal Investing* (PI): this division delivered a net profit of €439.5m, up 37.5% on last year (€319.7m), with a contribution from Assicurazioni Generali for the twelve months of €442.8m (€356.6m). The company's results have been positive in all four quarters and in 4Q in particular, when the performance was boosted by certain non-recurring items as well as the impact of application of the new IFRS 17/IFRS 9. Dividends and other income from holdings in funds amounted to €16m (€30.2m); recognized at fair value the holdings in funds reflect a positive valuation of €2.4m (versus minus €32.4m last year);
- *Holding Functions* (HF): The net loss incurred by the Holding Functions division decreased from €165m to €95.3m, reflecting the excellent performance in terms of net interest income (in positive territory at €145.1m) which offset the reduction in net treasury income (down from €48m to €42.8m) and in fees (from €52.9m to €32.5m) linked to Revalea's NPL business. Operating costs were stable at €202m, with the central cost component (€107.4m) representing 7.7% of the consolidated total. As at end-June 2023 the stock of NPLs attributable to the Leasing business totalled €32.8m, and for Revalea (subsequently sold) €238.8m.

* * *

[9] On 1 July 2022, the NPL acquisition business owned first by MBCS prima and then – since 1 January 2023 – by Revalea was transferred to the Holding Functions. On 22 May 2023 an agreement was signed to sell the business to Banca Ifis, since when the company has been treated as a non-current asset held for sale in accordance with IFRS 5.

Significant events in the twelve months include the following:

- On 24 May 2023, the Board of Directors approved the guidelines of the new 2023-26 Strategic Plan, with which the Group aims to deliver positive growth in all segments in which it operates, by leveraging on its distinctive features: a responsible approach to banking, focus and distinctive positioning in highly specialized and highly profitable business segments, a solid capital position, and the strength of the Mediobanca brand, which as from the coming financial year will underpin the repositioning of CheBanca! which will be rebranded as Mediobanca Premier. In particular the Group intends to achieve ongoing growth in annual revenues to €3.8bn (3Y CAGR +6%), driven by all business segments, with RWAs remaining stable due to the focus on capital-light activities and optimization actions to allow capital to be managed more efficiently. The growth in earnings (EPS up 15% ,from ~€1.15 to €1.80) and profitability (ROTE 15% from 12%, RORWA 2.7% from 2.1%) will enable the Group to generate capital (~220 bps per annum, compared to 150 bps at present);
- Launch of a growth strategy in the Buy Now Pay Later (BNPL) segment by Compass Banca through the acquisition of 100% of fintech operator Soisy and the partnership with Swiss company HeidiPay AG, specialized in the development of digital platforms in the e-commerce segment, with the acquisition of an initial 19.5% stake in HeidiPay, followed by the acquisition of 100% of its subsidiary HeidiPay Switzerland AG, which grants finance through the over 400 commercial agreements it has in place with major distributors, luxury brands and technology operators (the deal is expected to close by end-2023);
- Investment banking operations in low capital absorption, high fee-generating businesses has been strengthened through strategic investment in Arma Partners LLP and US Arma Partners LP, leader in advisory services for the digital technologies field. The deal is expected to close by end-2023, having obtained the authorisation from the European Central Bank (ECB), and both the acquired companies will be fully consolidated;
- The Group's exit from the third-party NPH acquisition and management business through the sale of Revalea[10] to Banca Ifis as part of a wide-ranging servicing agreement, whereby MBCredit Solutions will continue to support the buyer in managing the portfolio and in credit collection activity. The deal is scheduled to close by end-2023, subject to receipt of the relevant

[10] Group Legal Entity set up in April 2022 following the spinoff of assets deriving from the NPL portfolio acquisition business.

authorizations; in the financial statements for the year ended 30 June 2023, as required under IFRS 5, the assets and liabilities being disposed of have been classified as non-current assets/liabilities held for sale, and a €17.7m charge has been taken to profit and loss representing the difference between the price agreed for the company and its book value;

– Release and distribution of CMB Monaco profit reserves for a total of €320m, as permitted by the Italian Budget Law for 2023, against payment of €29m in withholding tax, approx. €10m of which has been set aside in previous years;

– Complete writeoff of RAM goodwill (€49.5m); the continuing low interest rates and abundant liquidity seriously affected the systematic funds market in previous years and reduced its growth prospects, even though the good performances by the company's funds (which are well positioned in the Morningstar rankings) limited outflows. However, in the current market scenario, a return to the company's historical profitability levels appears incompatible with the timeframe required by the reporting standards (i.e. 3-5 years); but the existing funds' performances justify retaining the brand's value which is still well viewed by the market.

* * *

The Group, which has always assigned great importance to Environmental, Social and Governance (ESG) issues, has stepped up its efforts in the area of sustainability, which remains one of the fundamental pillars on which its growth model is based.

This is model is based on ESG criteria being incorporated increasingly and more rigorously into every area of the Group's activity, and has been recognized by the leading ESG rating companies, including: MSCI, which has raised its rating for Mediobanca from "A" to "AA", and Morningstar, which has included us in its annual list of the best companies in the Sustainalytics ESG Risk Ratings that have distinguished themselves in the ESG space by developing and implementing responsible investment strategies.

These results, coupled with delivery of the ESG targets included in the 2019-23 Strategic Plan, are doubly significant because they have been achieved in a geopolitical and market scenario marked by instability and uncertainty, where consolidation of a sustainable, fair and inclusive model for growth is demanded by the initiatives implemented by the regulators, supervisory bodies and international organizations, and confirmed by the increasing attention being focused on such issues by institutional investors and savers' decisions.

The Group's commitment to consolidating the responsible approach to banking for which it has always been known, has contributed to defining the qualitative and quantitative targets set in the new 2023-26 Strategic Plan and the staff performance evaluation and remuneration policies, for the entire corporate population and for senior management in particular.

The objectives will be pursued through a series of cross-divisional actions to help contribute to a more sustainable future in terms of reducing impacts on the environment, being sensitive to the issues of inclusion and diversity, and expressing support for the local community.

The Group has renewed its commitment to the Global Compact, the Principles for Responsible Banking and the Net-Zero Banking Alliance and has become a signatory to the Task Force on Climate-related Financial Disclosures (TCFD).

The decision to adhere to these global protocols is line with the Group's commitment to achieve carbon neutrality by 2050, with the interim target of cutting emissions financed by 35% before 2030, by when Mediobanca expect to exit the coal industry completely.

In order to further address the issue of climate change, the Group also intend to continue the path undertaken to reduce its direct impact, confirming the decision for 100% of its electricity to come from renewable sources and remaining carbon neutral with regard to our emissions.

In addition to these actions, climate and environmental factors are being increasingly integrated into risk management processes, and lending and investment policies.

The pursuit of such challenging objectives is made possible by the Group's people, whose welfare is promoted through a collaborative and inclusive working environment which values the contributions of everyone and seeks to improve the level of social cohesion.

To this end a Group Diversity, Equity and Inclusion Code has been adopted, published on the Bank's website, defining the approach in terms of objectives, strategies and active practices in this area.

Social inclusion is a priority for Mediobanca, including versus the communities of which it forms part. The Group has supported these communities with donations of approx. €6m in FY 2022-23, developing numerous initiatives for the benefit of the more socially vulnerable categories at the greatest risk of exclusion, especially young people from disadvantaged areas.

* * *

Developments on capital markets

The 2022-23 financial year was marked by the Chinese government's decision to abandon its Zero Tolerance Policy towards the spread of Covid, the continuing war between Russia and Ukraine, and the decisive monetary policy action taken to combat inflation in many jurisdictions with the exception of Japan (where monetary policy remains accommodating). China's decision, which was taken towards the end of 1H, reversed the loss of momentum in the global economy that had set in during the second half of 2021, and restored impetus in 3Q as the constraints that had throttled production chains began to ease. In 2H, a combination of the turmoil seen in the US and Swiss banking sectors, plus the emergence of the economic effects of the monetary restrictions, caused the recovery in economic activity to slow, and resulted in the economic cycles being desynchronized in the economic areas of North America, the European continent and the Far East.

In 1H there were average increases in GDP of 0.7% QoQ in the United States, 1.9% in China, and 0.2% in the Eurozone, against a 0.2% reduction in Japan.

In the Western economies, planning investments with more favourable prospects was helped from the end of 2H by the momentum coming from spending from Eastern countries, allied to the use of savings accumulated by households for final purchases (directed primarily towards services rather than assets).

In 3Q there was a material rebound in growth prospects driven by the demand coming from China, even though the changes in GDP for the three months continued to vary: in the United States growth was 0.5% QoQ, in China

2.2%, in the European Union 0.0%, and in Japan 0.7%. The production sector confidence surveys suggest an acceleration in growth in 4Q as well, despite the turmoil in the financial system in the United States and Switzerland (which subsequently abated) and despite the structural weaknesses of the Chinese economy. The average GDP growth rates reported in 2H were 0.6% QoQ in the United States, 1.5% in China, 0.2% in the European Union, and 1.2% in Japan, and prospects for growth remain generally modest the coming quarters.

After a sharp drop in oil prices in 1H (down 25%), due to the reduction in combined raw industrial materials prices (down 8%) against a modest increase in the price of copper (up 3%), the downward trend for both oil and raw industrial material prices continued in 2H well (down 12% and 3% respectively).

Food prices declined significantly from the record prices reported in 1H 2022, down 15% in 1H FY 2022-23 and down 7% in 2H. This drove a material reduction in the contribution from inflation in all geographies.

In the twelve months deflationary phenomena directly related to the food and energy components began to consolidate. This led to differing trends in inflation and underlying inflation (the latter defined as inflation net of the energy and food components). From June to December 2022 inflation in the Eurozone increased from 8.6% YoY to 9.2% YoY before ending the financial year at 5.5% YoY, whereas in the United States it decreased from 9.1% YoY to 6.5% YoY in December 2022, and to 3.0% YoY at end-June 2023. Conversely, the trend in underlying inflation net of the energy and food components in the Eurozone in the same period increased from 3.7% YoY to 5.2% YoY in December 2022, and to 5.5% YoY at end-June 2023. In the United States the same indicator fell from 5.9% YoY in June 2022 to 5.7% YoY in December 2022, before ending the financial year at 4.8% YoY.

During the year, the central bankers remained firm in their conviction that a significant tightening in financial conditions was necessary to bring inflation back in line with the objectives. Of the main players, only the Bank of Japan continued its monetary stimulus, leaving interest rates unchanged in the twelve months. The European Central Bank raised interest rates from -0.50% to 3.50%, the Bank of England from 1.25% to 5.00%, the Federal Reserve increased the range from 1.75-2.00% to 5.25-5.50%. The policies of gradually reducing the central banks' balance sheets 2022 (the Fed at a rate of USD 95bn per month, the ECB at €15bn per month).

In this scenario, share prices remained virtually unchanged in the first half of the financial year (MSCI World Index up 1.7%), and accelerated sharply in the second (MSCI World Index up 14.0%), with those in the Far East retreating marginally in 1H (MSCI Asia Pacific down 1.4%) before recovering in 2H (MSCI Asia up 4.8%). In this region in particular, the substantial gains by the Japanese market (Nikkei up 27.2%) more than offset the weakness of China (MSCI China down 6.1%), due to the weak economic cycle and regulatory uncertainties that increased risk levels in the eyes of non-domestic investors. Credit spreads narrowed from the start of the period (iTraxx Europe 118 bps, US high grade 101 bps), when the Chinese government announced it was abandoning its Zero Tolerance Policy, and the narrowing trend continued in the second half as well, even after the financial turmoil that originated in the United States and Switzerland had ended (overall, in 2H the iTraxx Europe narrowed by a further 15 bps to 75 bps at end-June 2023, and the US high-grade CDS narrowed by 15 bps to 67 bps), while absolute interest rate levels increased, as the restrictive policies by the central banks spread in the first half of the financial year in particular, before stabilizing in the second. The yield on 10Y Treasury bonds increased from 3.01% to 3.87% at end-December 2022 before closing at 3.84% at end-June 2023; the corresponding yields on 10Y *Bund* were 1.34%, 2.57% and 2.39% respectively.

The short-term prospects for the global economy depend on how the production chain unfolds for sectors with important production phases carried out in China: whether allied countries are targeted as an alternative to China (known as “friend-shoring”), or other competitors are sought in addition (known as the “China plus one” strategy). Other factors include the ongoing Russia-Ukraine conflict and the geopolitical tensions in the Far East.

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The European economy’s performance has been affected by the weakening of the global economy due to the continuation of the Zero Tolerance Policy in China, the weakening of the fiscal momentum post-Covid in the Western economies, and the ongoing uncertainties linked to the Russia-Ukraine conflict. The structural reforms imposed by the Chinese government on the country’s economy have impacted on growth and indirectly hampered European exports. The resolution of Credit Suisse imposed by the Swiss Confederation authorities also triggered a shock to the financial stability which compounded the one caused by the structural weaknesses in the peripheral US banking system. Only swift intervention by the public authorities and public institutions was able to calm fears on financial markets and assuage investors' concerns. The roadmap to economic growth has been underpinned by the Next Generation EU (NGEU) programme, but difficulties have emerged in the transition from the project to the implementation phase. As in the wider international scenario, the trend in price changes has been significantly affected by changes in the price of raw materials since the second half of the previous year. As already mentioned, the HICP Index EU rose from 8.6% YoY in June 2022 to 9.2% YoY in December 2022, before falling back to 5.5% YoY in June 2023. Conversely, the trend in underlying inflation was upward in 1H and roughly stable at 5.5% YoY in 2H. In the twelve months, inflationary pressure from the energy sector also affected the other basket components, and this, together with the robust job market, contributed to prices continuing to increase in 2H.

The GDP growth trend for the year under review was sluggish, with a modest average of 0.2% QoQ. The growth prospects for Europe continue to be linked to the economic consequences of the Russia-Ukraine conflict and the growth dynamics of the Chinese economy.

Against this scenario, the ECB has accelerated the process of removing its accommodative monetary policy by combining, starting from March 2023, the reduction in the stock of paper accumulated during the expansive phases at a rate of €15bn a month, with the process of rapidly increasing base interest rates (which have been raised from -0.50% to 3.50% as already mentioned).

It should also be noted that Croatia joined both the Eurozone and the *Schengen* area on 1 January 2023. The Croatian Republic's contribution to the ECB's capital is 0.66%, as compared, for example, to that of Italy, which is 13.81%.

The modest level of economic growth, declining inflation rates (with underlying inflation stabilizing at high levels) and low unemployment rates, have led to the following in the course of the twelve months:

– Stabilization of market inflation expectations: five-year average expectations fell from 2.9% in 1H to 2.5% in 2H, while ten-year expectations averaged around 2.5% with slight fluctuations;
– Rising share prices: the Euro Stoxx 600 climbed by 13%, the German, French and Italian stock market indexes by between 25% and 33%, and the Spanish index by 18%;

- After widening in 1Q, spreads on EU government securities tightening to levels not far off those seen at the start of the year; the spread on 10Y Italian paper narrowed by approx. 25 bps to 170 bps, and that on Spanish paper by approx. 10 bps to 100 bps;
- Narrowing spreads on high-yield credit; the Xover decreased from 575 bps to 475 bps at end-December 2022 before closing at approx. 475 bps at end-June 2023;
- After 1Q was marked by the weakness due to the Chinese economy's difficulties and the ECB's cautious approach to tackling inflation, the EUR began to gain value, ending the twelve months 4.1% stronger versus the USD and 3.8% stronger than the trade-weighted average of other currencies.

* * *

In line with the European economy, Italy saw economic growth slow in the first half of the financial year, before recovering strongly in 3Q 2023 as a result of the change in Chinese public healthcare policy, before ending the twelve months weakly with the emergence of structural issues in China and the restrictive monetary policies launched from the end of the previous financial year starting to take effect. GDP growth slowed from 0.4% QoQ in 1Q to -0.1% QoQ in 2Q (in line with the Eurozone), recovered strongly in 3Q to 0.6% QoQ, before declining strongly in 4Q to -0.3%.

Against this backdrop, the growth prospects for the Italian economy depend primarily on the external scenario, in particular developments in the Russia-Ukraine conflict, the prospects of economic recovery in the Far East, and the ability to implement the structural reforms underpinning the National Recovery and Resilience Plan (NRRP). Economic activity will be driven by the enhanced purchasing capability afforded to nominal salaries as a result of the decreasing inflation and by stabilization of the international scenario.

For the longer-term prospects, it is important that business expectations should be consistent with investment plans that do not rely exclusively on NRRP guidance but are based also on original projects. The Bank of Italy surveys of companies' prospects confirm that investment expectations are stable at historically high levels, and that the difficulties in sourcing raw materials and energy costs are impacting less and less on investment decisions.

On financial markets Italian stock prices have recorded some of the best performances in Europe, having started from some relatively unchallenging valuations. The movement towards non-Italian and non-European risk assets was kick-started by China's decision to abandon its Zero Tolerance Policy at the start of 2Q, and driven by the prospect of less aggressive action by the central banks than had been seen at the end of the financial year: the FTSE MIB gained 11.3% in 1H (Eurostoxx 600 4.3%) and 19.1% in 2H (Eurostoxx 600 8.7%), for an overall change in the twelve months of 32.6% (Eurostoxx 600 16.5%).

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Regarding the Italian consumer credit market, the data for 1H 2023 confirms the slowdown that began in 4Q 2022: new loans granted in the six months ended 30 June 2023 were up 0.2% year-on-year, totalling €27.2bn.

This result reflects differing trends in the individual products: the reduction in new business in the personal loans segment (down 4.1%), due to the wait-and-see attitude adopted by households and to greater selectivity on the part of operators, was in part offset by the good performance in special purpose loans. In particular the "other" special purpose loan segment reported growth of 10.9%, due to the healthy trend in loans to support the acquisition of equipment to improve residential energy efficiency, while the cars and motorbikes segment reported an increase of 9.7% as a result of the state incentives being repackaged and the supply chain crisis starting to ease. Salary-and pension-backed finance also remained in positive territory, posting growth of 1%, chiefly from private sector employees and pensioners. Credit cards and instalment credit, by contrast, posted reductions, with the latter down 2.5% in the period.

	2018		2019		2020		2021		2022		1 H 2023	
	(€/m)	%	(€/m)	%	(€/m)	%	(€/m)	%	(€/m)	%	(€/m)	%
Vehicle credit	7,088	14.9	7,657	14.7	6,664	16.6	7,896	16.6	7,416	14.0	4,122	15.1
Specific purpose loans	4,997	10.5	5,635	10.8	4,965	12.4	5,686	12.0	6,419	12.1	3,199	11.7
Personal loans	24,726	52.0	26,387	50.8	17,563	43.7	22,370	47.0	26,454	49.8	13,829	50.9
Credit cards	5,128	10.8	6,254	12.0	5,516	13.7	5,347	11.2	5,664	10.7	2,678	9.8
Salary-backed finance	5,632	11.8	6,067	11.7	5,491	13.6	6,262	13.2	7,109	13.4	3,398	12.5
	47,571	100.0	52,000	100.0	40,199	100.0	47,561	100.0	53,062	100.0	27,226	100.0

Source: Assofin – for the car/motorbike segment, the figures refer to volumes generated by independent operators; while for credit cards only volumes generated by pure credit cards and cards with instalment options have been considered.

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In 2022 the Italian real estate sector reported a total of 784,000 sales, up 5% on 2021, whereas in 1Q 2023, the 167,000 sales recorded reflects an over 8% decrease compared to the same period in 2022.

The mortgage market for the purchase of properties by Italian households reflects the rising trend in interest rates, and slowed by 9.2% compared to 2021 (down from €60.9bn to €55.3bn). The contraction became more pronounced in 1Q 2023, declining by 26% YoY to €10.3bn (€13.9bn).

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In 2022 the Italian leasing market financed €31.5bn worth of new investments, up 9.7% on 2021. The trend in volumes was positive at all times during the year, but accelerated sharply in December, up 15.8% YoY and up 31.3% on November 2022. This trend was confirmed also in terms of the number of transactions: new leases started to rise year-on-year from 2H 2022, with the high recorded in 4Q (up nearly 40% on the same period in 2021). Overall, a total of over 648,000 new leases were executed, 5.6% higher than in the previous year.

In 1H 2023 over 411,000 new leases were taken out (22.2% more than in 1H 2022), worth a total of over €17.8bn (up 13.1%).

	2019		2020		2021		2022		1 H 2023	
Leases executed	(€/m)	%	(€/m)	%	(€/m)	%	(€/m)	%	(€/m)	%
Automotive	14,132	50.6	11,775	51.4	13,991	48.6	15,967	50.6	10,936	61.3
Plant and equipment	9,426	33.7	7,762	33.9	11,526	40.1	12,297	39.0	5,483	30.7
Property	3,805	13.6	2,720	11.9	2,964	10.3	2,835	9.0	1,203	6.7
Shipping	516	2.1	631	2.8	291	1.0	449	1.4	224	1.3
	27,879	100.0	22,888	100.0	28,772	100.0	31,548	100.0	17,846	100.0

Source: Dataforce data compiled by Assilea.

Consolidated profit-and-loss/balance-sheet data

The consolidated profit and loss account and balance sheet have been restated – including by business area – based on the structure that provides the most accurate reflection of the Group's operations.

CONSOLIDATED BALANCE SHEET

(€m)

	30 June 2023	30 June 2022
Assets		
Financial assets held for trading	9,546.2	9,530.9
Treasury financial assets and cash	10,378.5	12,800.8
Banking book securities	10,471.3	8,577.3
Customer loans	52,549.2	51,701.4
Equity Investments	4,367.7	4,046.2
Tangible and intangible assets	1,327.6	1,350.2
Other assets	2,998.5	2,561.6
Total assets	**91,639.0**	**90,568.4**
Liabilities and net equity		
Funding	60,506.2	61,169.4
Treasury financial liabilities	5,470.0	5,905.8
Financial liabilities held for trading	9,436.7	9,206.7
Other liabilities	4,614.3	3,377.9
Provisions	182.6	159.7
Net equity	10,298.3	9,740.3
Minority interests	104.1	101.6
Profit for the period	1,026.8	907.0
Total liabilities and net equity	**91,639.0**	**90,568.4**

Key Performance Indicators (KPI)

(€m)

	30 June 2023	30 June 2022
KPI		
Tier 1 capital	*8,177.6*	*7,894.3*
Regulatory capital	*9,217.0*	*8,874.4*
RWA[1]	*51,431.5*	*50,378.0*
CET1 ratio (Phase-in)[2]	*15.9%*	*15.7%*
RWA density[3]	*56.1%*	*55.6%*
Regulatory capital / risk-weightes assets	*17.9%*	*17.6%*
Leverage ratio[4]	*8.4%*	*8.4%*
Gross NPL/ Gross loans ratio[5]	*2.48%*	*2.50%*
Net NPL / Net loans ratio[6]	*0.72%*	*0.70%*
No. of shares in issue (million)	*849.3*	*864.7*

[1] Risk Weighted Assets.

[2] CET1/RWAs.

[3] RWAs/total assets.

[4] CET1/total leveraged exposures.

[5] Gross NPLs (net of positions acquired by Revalea)/gross loans.

[6] Net NPLs (net of positions acquired by Revalea)/net loans.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg. (%)
Profit-and-loss data			
Net interest income	1,801.0	1,479.2	21.8%
Net treasury income	205.7	161.8	27.1%
Net fee and commission income	843.9	850.5	-0.8%
Equity-accounted companies	453.9	359.3	26.3%
Total income	**3,304.5**	**2,850.8**	**15.9%**
Labour costs	(728.3)	(671.5)	8.5%
Administrative expenses	(684.8)	(640.6)	6.9%
Operating costs	**(1,413.1)**	**(1,312.1)**	**7.7%**
Loan loss provisions	(270.1)	(242.6)	11.3%
Provisions for other financial assets	(7.3)	(37.4)	-80.5%
Other income (losses)	(185.8)	(90.1)	106.2%
Profit before tax	**1,428.2**	**1,168.6**	**22.2%**
Income tax for the period	(394.7)	(250.3)	57.7%
Minority interest	(6.7)	(11.3)	-40.7%
Net profit	**1,026.8**	**907.0**	**13.2%**

Key Performance Indicators (KPI)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg (%)
KPI			
ROTE adj.[1]	*13.0%*	*10.3%*	*26.2%*
Cost / Income ratio	*42.8%*	*46%*	*-7.1%*
CoR (bps)[2]	*52*	*48*	*8.3%*
EPS[3]	*1.21*	*1.05*	*15.1%*
DPS[4]	*0.85*	*0.75*	

[1] Adjusted Return On Tangible Equity.

[2] Cost/income ratio.

[3] Cost of Risk.

[4] Earnings Per Share.

[5] Dividend Per Share.

EARNINGS/BALANCE-SHEET DATA BY DIVISION*

(€m)

12 mths ended 30/6/23	Wealth Management	Consumer Finance	Corporate and Investment Banking	Insurance - Principal Investing	Holding Functions	Group[1]
Profit-and-loss						
Net interest income	361.5	984.9	288.0	(7.1)	145.1	1,801.0
Net treasury income	9.4	—	135.0	16.0	42.8	205.7
Net fee and commission income	449.6	138.4	289.4	—	32.5	843.9
Equity-accounted companies	—	(0.8)	—	454.7	—	453.9
Total income	**820.5**	**1,122.5**	**712.4**	**463.6**	**220.4**	**3,304.5**
Labour costs	(294.2)	(113.8)	(183.0)	(4.0)	(133.4)	(728.3)
Administrative expenses	(260.9)	(233.6)	(144.3)	(1.0)	(68.6)	(684.8)
Operating costs	**(555.1)**	**(347.4)**	**(327.3)**	**(5.0)**	**(202.0)**	**(1,413.1)**
Gain/(loss) on disposal of investments	—	—	—	—	—	—
Loan loss provisions	(10.5)	(203.9)	(32.3)	—	(23.4)	(270.1)
Provisions for other financial assets	(1.2)	—	(10.1)	2.4	1.8	(7.3)
Other income (losses)	(20.9)	(14.0)	—	—	(83.5)	(185.8)
Profit before tax	**232.8**	**557.2**	**342.7**	**461.0**	**(86.7)**	**1,428.2**
Income tax for the period	(70.0)	(182.9)	(113.8)	(21.5)	(6.5)	(394.7)
Minority interest	(0.9)	—	(3.7)	—	(2.1)	(6.7)
Net profit	**161.9**	**374.3**	**225.2**	**439.5**	**(95.3)**	**1,026.8**
Cost/Income (%)	*67.7*	*30.9*	*45.9*	*n.m.*	*n.m.*	*42.8*
ROAC adj.[2]	*35%*	*32%*	*13%*	*20%*	—	
Balance-sheet data						
Loans and advances to customers	16,827.3	14,465.0	19,625.9	—	1,631.0	52,549.2
Risk-weighted assets	5,959.4	13,516.9	19,410.2	8,713.9	3,831.2	51,431.5
No. of staff	2,197	1,520	648	9	853	5,227

Notes:

* Divisions comprise:
- Wealth Management (WM): this division brings together all wealth management services offered to the various client segments, plus asset management. It includes CheBanca!, which targets the Premier client brackets; the MBPB and CMB Monaco private banking networks, and the asset management companies (Polus Capital, Mediobanca SGR, Mediobanca Management Company, and RAM Active Investments), plus Spafid;
- Consumer Finance (CF): this division provides retail clients with a full range of consumer credit products, ranging from personal loans to salary-backed finance, to the Pagolight solution (Compass Banca, Soisy 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 activities for third parties 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, NPL management 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 see p. 69.

[1] The sum of divisional data differs from Group total due to adjustments/differences arising on consolidation between business areas (equal to €11.6m), and, for FY 2022-23, the net impact through profit and loss of the RAM goodwill impairment charge (€49.5m) plus the effect of the Revalea disposal on earnings under IFRS 5 (€17.7m) not attributable to any single business line.

[2] Adjusted Return On Allocated Capital.

(€m)

12 mths ended 30/6/22	Wealth Management	Consumer Finance	Corporate and Investment Banking	Insurance - Principal Investing	Holding Functions	Group[1]
Profit-and-loss						
Net interest income	294.6	934.3	252.6	(7.1)	(22.0)	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	306.3	(0.7)	52.8	850.5
Equity-accounted companies	—	—	—	359.3	—	359.3
Total income	**726.5**	**1,058.2**	**639.3**	**371.6**	**78.8**	**2,850.8**
Labour costs	(265.7)	(105.9)	(169.2)	(4.0)	(126.0)	(671.5)
Administrative expenses	(251.0)	(208.9)	(128.9)	(1.0)	(75.5)	(640.6)
Operating costs	**(516.7)**	**(314.8)**	**(298.1)**	**(5.0)**	**(201.5)**	**(1,312.1)**
Gain/(loss) on disposal of investments	—	—	—	—	—	-
Loan loss provisions	(14.0)	(190.1)	41.7	—	(80.1)	(242.6)
Provisions for other financial assets	(0.1)	—	(3.8)	(32.4)	(1.2)	(37.4)
Other income (losses)	(4.7)	—	(0.6)	—	(86.2)	(90.1)
Profit before tax	**191.0**	**553.3**	**378.5**	**334.2**	**(290.2)**	**1,168.6**
Income tax for the period	(55.9)	(182.9)	(122.9)	(14.5)	127.0	(250.3)
Minority interest	(0.9)	—	(8.6)	—	(1.8)	(11.3)
Net profit	**134.2**	**370.4**	**247.0**	**319.7**	**(165.0)**	**907.0**
Cost/Income (%)	*71.1*	*29.7*	*46.6*	*n.m.*	*n.m.*	*46.0*
ROAC adj.[2]	*35%*	*32%*	*13%*	*20%*	—	
Balance-sheet data						
Loans and advances to customers	15,297.9	13,750.1	20,734.1	—	1,919.3	51,701.4
Risk-weighted assets	5,685.7	12,981.1	20,164.5	8,203.8	3,342.8	50,378.0
No. of staff	2,104	1,454	626	11	821	5,016

[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 €90.6bn to €91.7bn, with parent company Mediobanca's contribution totalling 54%. The main balance-sheet items showed the following trends for the twelve months under review (comparative data as at 30 June 2022).

Funding – funding totalled €60.5bn (30/6/22: €61.2bn); the uncertain economic scenario that affected much of the year did not prevent the Group from implementing an ambitious and diversified funding strategy, which involved major primary market activity, with record bond issuance of €7bn, more than twice the redemptions (€3.3bn), at a cost of approx. 148 bps and consistent with the planned T-LTRO funding replacement (€2.9bn repaid in the period). Debt securities, the stock of which rose from €18.5bn to €22.3bn, include €1.9bn in notes sold to Wealth Management clients through the proprietary network and €2.8bn through third-party networks. Wealth Management deposits declined slightly (from €28.8bn to €28.2bn), reflecting the increasing competition with demand deposits being converted into AUA, but continue to reflect an extremely low cost of funding (60 bps), albeit increasing slightly. Interbank funding decreased from €5.4bn to €4.5bn, despite a positive contribution of €220m from the new financial bills of exchange programme. The twelve months also saw the ABS Quarzo €450m issue at Euribor 3M +95 bps (duration 2.5 years), the €500m Sustainable Senior Preferred Bond issue with six-year duration and fixed rate at 4.625%, and the issue of a €300m subordinate note at Euribor 3M +480 bps with expiry at ten years and callable at five.

	30 June 2023		30 June 2022		Chg.
	(€ m)	%	(€ m)	%	
Debt securities (incl. ABS)	22,282.8	37%	18,536.9	30%	20.2%
Premier Banking deposits	16,983.6	28%	17,449.8	29%	-2.7%
Private Banking deposits	11,194.6	19%	11,347.5	19%	-1.3%
LTRO	5,586.2	9%	8,442.2	14%	-33.8%
Interbank funding (+CD/CP)	4,459.0	7%	5,393.0	8%	-17.3%
Total funding	**60,506.2**	**100%**	**61,169.4**	**100%**	**-1.1%**

Interest rate risk hedging activity, which is used for virtually all the Bank's funding using plain vanilla swaps with qualified market counterparties, regards the transformation of funding to floating rate (for bond issues and part of the modelled deposits). The sharp increase in interest rates drove a significant reduction in the fair value of fixed-rate funding, the value of which (€1.8bn) is perfectly offset by the valuations for the derivatives (which are booked as other liabilities).

Loans and advances to customers – the loan book continues to grow, up 1.6% (from €51.7bn to €52.5bn), albeit at a slower rate than in previous half-years. All sectors performed well, in particular Wealth Management, where customer loans climbed by 10%, from €15.3bn to €16.8bn) with good flows in mortgages (up 8.9%, from €11.4bn to €12.4bn, including approx. €707.7m in downward adjustments to reflect the fair value of the mortgages hedged) and Private Banking loans (up 13.1%, from €3.9bn to €4.4bn). Customer loans in Consumer Finance were up 5.2% (from €13.8bn to €14.5bn), on a higher contribution from vehicle finance (up 12.6% from €3.1m to €3.5m), special purpose loans (up 8.1%, from €1.2bn to €1,3bn), and personal loans (up 2.6%, from €6.9bn to €7.1bn). Conversely, customer loans decreased in Corporate & Investment Banking (down 5.3%, from €20.7bn to €19.6bn) and Leasing (down 11.2%, from €1.6bn to €1.4bn), reflecting the reduced demand, in part generated by the rising interest rates and the abundant liquidity on the market. For the CIB division specifically, the reduction in lending (down 7.5%, from €15.6bn to €14.4bn) was markedly higher than the increase in factoring (up 3.7%, from €2.7bn to €2.9bn).

Consumer Finance reported 2.5% growth in new loans for the twelve months, from €7.7bn to €7.8bn, on higher vehicle loans (up 7.5%, from €1.5bn to €1.6bn) and special purpose loans (up 5.7%, from €1.1bn to €1.2bn), which offset the slight reduction in personal loans (down 2.2%, from €3.6bn to €3.5bn) despite a strong performance from the direct channel (up 14%, to €2.7bn). CheBanca! mortgage loans grew by 3.7% (from €2.1bn to €2,2bn). The performance by Corporate & Investment Banking reflects the difficulties encountered in Wholesale Banking, which was impacted by the reduced demand (new loans down 24.4%, to €7.2bn) plus a major flow of early repayments (€8.4bn), marginally offset by the increase in factoring turnover (up 12.6%, from €10.7bn to €12.1bn). Customer loans in Leasing were down more than 8% (from €335m to €307m).

	30 June 2023		30 June 2022		Chg.
	(€ m)	%	(€ m)	%	
*Corporate and Investment Banking**	19,625.9	37%	20,734.1	40%	-5.3%
Consumer Banking	14,465.0	28%	13,750.1	27%	5.2%
Wealth Management	16,827.3	32%	15,297.9	30%	10.0%
Holding Functions (leasing and NPL management)	1,631.0	3%	1,919.3	3%	-15.0%
Total loans and advances to customers	**52,549.2**	**100%**	**51,701.4**	**100%**	**1.6%**

* Data regarding NPLs purchased by MBCredit Solutions as at 30 June 2022 have been restated from Corporate & Investment Banking to Holding Functions.

(€m)

	30 June 2023				30 June 2022			
	Performing		NPL[1]	Total	Performing		NPL[1]	Total
	Stage1	Stage2			Stage1	Stage2		
*Corporate and Investment Banking**	19,279.9	323.7	22.3	19,625.9	20,118.4	590.9	24.8	20,734.1
Consumer Banking	12,901.4	1,364.2	199.4	14,465.0	12,091.7	1,476.7	181.7	13,750.1
Wealth Management	15,981.3	726.1	119.9	16,827.3	14,346.3	838.1	113.5	15,297.9
Holding Functions (leasing)	1,281.8	77.6	271.6	1,631.0	1,380.2	124.0	415.0	1,919.2
Total loans and advances to customers	**49,444.4**	**2,491.6**	**613.2**	**52,549.2**	**47,936.6**	**3,029.7**	**735.0**	**51,701.4**
As % of total	94.1%	4.7%	1.2%	100%	92.7%	5.9%	1.4%	100%
Total loans and advances to customers excluding POCI	**49,444.4**	**2,491.6**	**374.3**	**52,310.3**	**47,936.6**	**3,029.7**	**384.4**	**51,350.8**
As % of total	94.5%	4.8%	0.7%	100%	93.4%	5.9%	0.7%	100%

[1] Including Stage 3 and POCI held by Revalea (previously MB Credit Solutions).

* Data regarding NPLs purchased by MBCredit Solutions as at 30 June 2022 have been restated from Corporate & Investment Banking to Holding Functions.

(€m)

	30 June 2023			30 June 2022		
	Gross	Net	Coverage ratio %	Gross	Net	Coverage ratio %
*Corporate and Investment Banking**	135.7	22.2	83.6%	106.1	24.8	76.6%
Consumer Banking	878.0	199.4	77.3%	858.3	181.7	78.8%
Wealth Management	218.2	119.9	45.1%	222.2	113.5	48.9%
Holding Functions (leasing)	107.8	32.8	69.6%	140.7	64.4	54.2%
Total net non-performing loans**	**1,339.7**	**374.3**	**72.1%**	**1,327.3**	**384.4**	**71.0%**
– of which: bad loans	*430.8*	*41.2*		*419.1*	*53.5*	
As % of total loans and advances	2.5%	0.7%		2.5%	0.7%	

* Data regarding NPLs purchased by Revalea (prevously MBCredit Solutions) Solutions as at 30 June 2022 have been restated from Corporate & Investment Banking to Holding Functions.

** Excluding NPLs purchased by Revalea (HF).

Gross NPLs totalled €1.339,7m, virtually unchanged from last year both in absolute terms (30/6/22: €1,327.3m) and relative terms, at 2.5% of total loans (unchanged).[11] Consumer Finance continues to show extremely low default rates (approx. 20% below pre-Covid levels), despite the introduction of stricter forbearance, UTP and definition of default classification rules; although one large corporate position in CIB was reclassified as UTP during the twelve months. The prudent provisioning policy (with the coverage ratio rising from 71% to 72.1%) is reflected in the reduction in net NPLs (from €384.4m to €374.3m, €41.3m of which bad debts), which represent less than 1% of total loans, albeit slightly higher than last year (0.7%). This item does not include the NPLs acquired by the Group which decreased from €360.2m to €242.3m, and will exit the scope of operations entirely once the Revalea disposal has been completed.

Net Stage 2 positions decreased from €3,029.7m to €2,491.6m, and represent 4.7% of net loans; of these positions, €1,364.2m relate to CF (9.3% of the stock), €323.7m to CIB (1.7%), €726.3m to WM (4.3%), and €77.6m Leasing.

The coverage ratio for all performing loans remains at 1.34% for the Group and at 3.75% for CF, because of the overlays available to cushion possible increases in provisioning triggered by the deterioration in the macroeconomic scenario, linked in particular to inflation remaining at high levels.

Direct exposures outstanding versus the Russian Federation, Ukraine and Belarus are not significant as almost all of them refer to counterparties not subject to restrictions.

Investment holdings[12] – these increased from da from €4bn to €4.4bn, €3.6bn of which involves the IAS 28 investments accounted for using the equity method, €562.9m investments in funds, and €241m investments in equities (listed and unlisted), for which changes in fair value are taken through net equity.

[11] The Finrep gross NPL ratio (calculated net of NPLs acquired) was stable at 2.1% (30/6/22: 2%); please see Part E of the Notes to the Accounts for further details.

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

The book value of the Assicurazioni Generali investment[13] increased over the twelve months, from €3,069.4m to €3,472.2m, after profits of €442.8m, changes to equity totalling €197m, and payment of the dividend (€237m). The book value of the Group's investment as at 30 June 2023 (calculated on the basis of the company's net equity as at 31 March 2023), also reflecting the impact of the adoption of the new IFRS 17 and IFRS 9 as from 1 January 2023[14] which generated a substantial reduction in the valuation reserves (from minus €8.6bn to minus €2.4bn) due to a substantial share of it being transferred to liability heading il Contractual Service Margin (CSM). The profit for 4Q was also boosted by certain non-recurring components (in particular the sale of a property asset in London) and the positive effects of liabilities being valued in accordance with IFRS 17 in a rising interest rate scenario.

The Group's investment in IEO (25.37%) remained stable at €39.1m following a slight loss (€0.2m); while the holding in Finanziaria Gruppo Bisazza S.r.l. (22.67%) was worth €7.1m (30/6/22: €7.4m), after profits for the period of €160,000, distribution of dividends totalling €272,000, and other downward value adjustments of €172,000; while the investment in CLI Holdings II Limited decreased from €41.8m to €38.6m, following the collection of dividends (€8.4m) and profits for the period (€5.2m).

During the twelve months Compass acquired a 19.45% stake in HeidiPay for an outlay of €7.4m, with a book value of €6.6m (including the losses for 9M).

Holdings in investments in funds decreased from €627.7m to €562.9m; of this, approx. €312.4m of which involve funds managed by the Group (seed capital), which decreased by some €91.9m in the twelve months, after downward adjustments to reflect fair value totalling €13.6m and fund liquidations amounting to €78.3m; other holdings in funds (mostly private equity) totalled €250.5m, after investments of €38.8m and downward valuations of €9.9m.

Holdings in equities (including equity-like instruments) decreased from €260.7m to €241m, following the redemption of the Burgo equity-like instrument (minus €54m), the holding in MB INV AG exiting the scope of consideration

[13] During the year under review, the 1.6 million shares owned by MB INV AG were added to those held by Mediobanca S.p.A. (202.7 million) The book value refers to the whole stake owned by the Group (13.25%).

[14] For further details regarding the application of the new financial reporting standards and their impact on the investee company's valuation, please refer to Part A and Part B of the Notes to the Accounts.

post-demerger (vminus €12.1m), fair value adjustments totalling €40m, €25.7m of which in respect of the equity-like instruments (Tirreno Power and Burgo), and new investments amounting to approx. €7.4m.

(€m)

	30 June 2023		30 June 2022	
	Book value	HTC&S reserve	Book value	HTC&S reserve
IAS28 investments[1]	3,563.8	n.a.	3,157.8	n.a.
Listed shares	115.1	56.8	114.6	56.3
Other unlisted shares	125.9	90.8	146.1	118.0
Seed capital	312.4	—	404.3	—
Private equity	142.5	—	103.8	—
Other funds	108.0	—	119.6	—
Total equity holdings	**4,367.7**	**147.6**	**4,046.2**	**174.3**

[1] Differs from the figure shown in the following table by €0.1m due to minor associate companies (30/6/22: €0.1m).

The Group's investment in Assicurazioni Generali at 30 June 2023 had a market value of €3,804.8m (€18.6 per share), which is higher than its book value (€17 per share); based on current stock market prices, the value rises to €3.9bn. As required by IAS 36 the impairment test was carried out on the investment which it passed; the value in use too was calculated according to the Group policy, and was significantly higher than the book value.

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

(€m)

	% ownership	30 June 2023	30 June 2022
Assicurazioni Generali	13.25	3,472.2	3,069.4
CLI Holding II*	35.67	38.6	41.8
Finanziaria Gruppo Bisazza	22.67	7.1	7.4
Istituto Europeo di Oncologia	25.37	39.1	39.1
HeidiPay	19.45	6.6	n.a.
Total IAS28 investments		**3,563.6**	**3,157.7**

* Percentage calculated based on the nominal among of the notes issued.

Banking book debt securities – Fixed-income securities held as part of the banking book totalled €10.5bn, split between Hold to Collect & Sell (€5.8bn) and Hold to Collect (€4.7bn). The book's low duration facilitated turnover (approx. €2.1bn), which benefited quickly from the increase in yields.

Conversely, the rise in interest rates is reflected in the stocks' valuations: the OCI reserve has declined further into negative territory, from minus €60.9m at 30 June 2022, to minus €73.2m, mainly due to Italian debt securities (down €36.5m) only in part mitigated by corporate and financial bonds (up €25m), while unrealized losses on the Hold to Collect portfolio (which are recognized at cost) amount to €119.7m (€70.4m), in part offset by the positive performance of hedges (€34.4m).

Approx. 72% of the banking book is made up of sovereign debt (€7.9bn), split equally between HTC and HTC&S, with a very short duration (approx. 2 years); the share accounted for by Italian government securities totals €5.1bn (approx. 49% of the entire portfolio, with a duration of approx. 2.6 years).

(€m)

	30 June 2023		30 June 2022	
	(€m)	%	(€m)	%
Hold to Collect	4,669.3	45%	4,703.7	55%
Hold to Collect & Sell	5,801.1	55%	3,873.1	45%
Other (Mandatorily measured at FV)	0.9	n.m.	0.5	n.m.
Total banking book securities	**10,471.3**	**100%**	**8,577.3**	**100%**

	30 June 2023			30 June 2022		
	Book value		OCI reserve	*Book value*		OCI reserve
	HTC	HTC&S		HTC	HTC&S	
Italian government bonds	2,111.1	3,020.0	(35.0)	2,197.5	1,698.4	1.5
Foreign government bonds	1,278.2	1,528.3	(7.7)	1,090.9	1,198.5	(5.7)
Bond issued by financial institutions	446.0	829.7	(16.3)	534.5	458.5	(27.0)
Corporate bonds	204.2	236.5	(11.8)	135.6	242.1	(26.1)
Asset Backet Securities (ABS)	629.8	186.6	(2.4)	745.2	275.6	(3.6)
Total banking book securities	**4,669.3**	**5,801.1**	**(73.2)**	**4,703.7**	**3,873.1**	**(60.9)**

Net treasury assets – net treasury assets totalled €5bn, down €2.2bn in the twelve months due to part of the deposits being used to repay a share of the T-LTRO ahead of the contractual expiry dates. The new interest rate scenario and geopolitical tensions have required approx. €800m in assets to be converted from equities to bonds. In detail, deposits payable were eliminated due to the repo market being tapped less, matched by the reduction in ECB deposits receivable which halved to €3.5bn, with no effect on the indicators, all of which reflect the abundant liquidity position. Liquid assets deposited on current accounts were stable at €1.5bn (€1.4bn), with priority being given to instruments that are more sensitive to the central banks' money market rate interventions.

(€m)

	30 June 2023 (€m)	30 June 2022 (€m)	Chg.
Financial assets held for trading	9,546.2	9,530.9	0.2%
Treasury financial assets and cash	10,378.5	12,800.8	-18.9%
Financial liabilities held for trading	(9,436.7)	(9,206.7)	2.5%
Treasury financial liabilities	(5,470.0)	(5,905.8)	-7.4%
Net treasury assets	**5,018.0**	**7,219.2**	**-30.5%**

(€m)

	30 June 2023 (€m)	30 June 2022 (€m)	Chg.
Equities	1,147.5	1,900.9	-39.6%
Bond securities	1,388.1	576.1	n.m.
Derivative contract valuations	(139.5)	(326.1)	-57.2%
Certificates	(2,290.6)	(1,830.3)	25.1%
Trading loans	4.1	3.7	10.8%
Financial instruments held for trading	**109.6**	**324.3**	**n.m.**

(€m)

	30 June 2023 (€m)	30 June 2022 (€m)	Chg.
Cash and current accounts	1,495.3	1,430.8	4.5%
Cash available at BCE	3,499.9	6,926.7	-49.5%
Deposits	(86.8)	(1,462.6)	-94.1%
Net treasury	**4,908.4**	**6,894.9**	**-28.8%**

(€m)

	30 June 2023		30 June 2022	
	Assets	Liabilities	Assets	Liabilities
Italian government bonds	1,999.4	(1,925.2)	1,435.6	(1,544.1)
Foreign government bonds	1,263.6	(2,120.8)	636.9	(1,945.3)
Bond issued by financial institutions	1,840.8	(44.0)	1,401.7	(8.3)
Corporate bonds	110.0	—	338.3	—
Asset Backet Securities (ABS)	264.3	—	261.3	—
Equities	1,187.6	(40.1)	2,132.8	(231.9)
Total securities	**6,665.7**	**(4,130.1)**	**6,206.6**	**(3,729.6)**

(€m)

	30 June 2023		30 June 2022	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	541.9	(550.8)	1,089.3	(1,211.4)
Foreign exchange	408.3	(329.9)	699.0	(634.2)
Interest rate options/futures	7.8	(23.6)	11.9	(14.9)
Equity swaps e options	1,747.0	(1,886.3)	2,122.8	(2,323.7)
Credit derivatives (others)	158.8	(212.7)	232.4	(297.3)
Derivative contract valuations	**2,863.8**	**(3,003.3)**	**4,155.4**	**(4,481.5)**

(€m)

	30 June 2023		30 June 2022	
	Assets	Liabilities	Assets	Liabilities
Securities lending/repos deposits	3,006.9	(3,295.1)	2,379.9	(3,749.0)
Stock lending deposits	442.5	(584.7)	248.1	(1,194.1)
Other deposits	2,063.0	(1,719.4)	1,815.2	(962.7)
Deposits	**5,512.4**	**(5,599.2)**	**4,443.2**	**(5,905.8)**

Tangible and intangible assets – these totalled €1.3bn, with intangible assets decreasing from €838.3m to €796.9m and tangible assets rising from €511.9m to €530.7m.

During the twelve months under review, the movements in intangible assets reflect the writeoff of the RAM goodwill (€49.5m), against the Soisy goodwill being recognized for the first time (€6.4m), including, post-PPA, the client list with a definite useful life for an amount of €1.1m. The heading also includes software acquired for €28.7m and amortization totalling €30.2m. There were also changes for exchange rate adjustments totalling €1.6m.

Tangible assets increased from €511.9m to €530.7m and as usual involve transactions accounted for under IFRS 16 (€47.9m, most of which attributable to rent contracts), acquisitions of furniture and equipment for €26.6m, and capitalized improvement expenses amounting to €13.2m. Depreciation charges totalled €62.1m (€44.7m of which due to IFRS 16 and €17.4m in relation to properties and other tangible assets).

Following the RAM goodwill writeoff, all the other assets have passed the impairment tests carried out in accordance with IAS 36[15] and the Group Impairment Policy with no problems noted. For further information, reference is made to section 10 of the Notes to the Accounts.

	30 June 2023		30 June 2022		Chg.
	(€m)	%	(€m)	%	
Land and properties	457.2	34%	456.7	34%	0.1%
- of which: core	*171.4*	*13%*	*174.5*	*13%*	*-1.8%*
buildings RoU ex IFRS16	*229.9*	*17%*	*216.9*	*16%*	*6.0%*
Other tangible assets	73.5	6%	55.2	4%	33.2%
- of which: RoU ex IFRS16	*11.7*	*1%*	*9.3*	*1%*	*25.8%*
Goodwill	574.6	43%	616.8	46%	-6.8%
Other intangible assets	222.3	17%	221.5	16%	0.4%
Total tangible and intangible assets	**1,327.6**	**100%**	**1,350.2**	**100%**	**-1.7%**

(€m)

Transaction	30 June 2023	30 June 2022
Polus Capital	57.0	56.9
MB Private Banking	52.1	52.1
RAM	—	48.7*
Messier et Associés	93.2	93.2
Consumer	372.3	365.9
of which:		
- Soisy	*6.4*	*—*
- Compass-Linea	*365.9*	*365.9*
Total Goodwill	**574.6**	**616.8**

* Corresponding to CHF 48.4m; €49.5m based on the exchange rate as at 30 June 2023.

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	14.2	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	9.0	3.1
– Via Siusi n. 1-7	22,608	22.5	1.0
Rome*	1,790	7.7	4.3
Vicenza	4,239	4.4	1.0
Luxembourg	442	3.5	7.9
Monaco	4,721	46.5	9.8
Other minor properties	2,911	0.5	0.2
Total	**62,345**	**170.6**	

* The Piazza di Spagna property, carried at a book value of €23.4m, is used only in part by Mediobanca, and has therefore not been included among its core assets.

[15] Account has also been taken of the ESMA and Consob recommendations.

Provisions for liabilities – These amounted to €182.6m, higher than last year (€159.7m), due to the increase in the provision for risks and charges (from €113.4m to €139.6m); while the provision for commitments and guarantees and the provision for statutory end-of-service payments were virtually unchanged, at €22.2m and €20.8m respectively.

Movements in the provision for risks and charges primarily involve transfers made to cover the early retirement scheme (€26m), disputes relating to the recruitment of bankers and FAs (€7m), and potential litigation in Consumer Finance arising from the Italian Constitutional Court's verdict on the effects of the Lexitor ruling (€3.3m).[16] Some provisions were also released (approx. €5.5m) following recalculation of the amounts involved in the tax disputes as a result of changes introduced by the 2023 Italian budget law.

The provision at end-June 2023 was made up as follows: Mediobanca (€67.3m), Compass (€29m), CheBanca! (€32m), SelmaBipiemme (€6.1m) and CMB (€2.2m).

For further details, reference is made to section 10 of the Notes to the Accounts.

	30 June 2023		30 June 2022		Chg.
	(€m)	%	(€m)	%	
Commitments and financial guarantees given	22.2	12%	24.3	15%	-8.6%
Provisions for risks and charges	139.6	77%	113.4	71%	23.1%
Staff severance indemnity provision	20.8	11%	22.0	14%	-5.5%
of which: staff severance provision discount	*-0.5*	*n.s.*	*0.6*	—	*n.s.*
Total provision	**182.6**	**100%**	**159.7**	**100%**	**14.3%**

Net equity – net equity totalled €11.3bn, higher than last year (€10.6bn), due to the Assicurazioni Generali equity share being adjusted following the transition to the new IFRS 9/17, which reduced the valuation reserve drastically; the other valuation reserves show an increase in the cash flow hedge reserve (up €95.9m), more than half of which was eroded by the reduction in the OCI reserves (down €51.9m). The dividend distributed (€629.1m) was more than offset by the profits generated during the period (€1,026.8m).

[16] The Italian Constitutional Court's ruling no. 263 issued in December 2022 declared Italian Decree law no. 73 of July 2021 to be unconstitutional (the decree law had made the "Lexitor" ruling applicable to consumer credit and salary-backed finance contracts on which early repayments had been made after 25 July 2021). The upfront fees have therefore been restored to the calculation of the amount payable for early repayment (having been subtracted from the amounts under Lexitor). Given that the ruling is retroactive, a total of €13.2m remains set aside in the provision in this connection to cover the risk of possible disputes with the arbitrator.

As at 30 June 2023, the Group owned a total of 8,454,929 (or 1% of the shares in issue), lower than previously due to shares used being used in the period plus the major cancellation implemented in September 2022 (16,500,000 shares).

(€m)

	30 June 2023	30 June 2022	Chg.
Share capital	444.2	443.6	0.1%
Other reserves	9,792.0	8,863.1	10.5%
Valuation reserves	62.1	433.6	n.m.
- of which: financial assets recognized at FVOCI	*71.1*	*123.0*	*-42.2%*
cash flow hedge	*272.4*	*176.5*	*54.3%*
equity investments	*(277.8)*	*133.5*	*n.m.*
Profit for the period	1,026.8	907.0	13.2%
Total Group net equity	**11,325.1**	**10,647.3**	**6.4%**

The OCI valuation reserve decreased from €123m to €71.1m, much of which was due to the valuations of Italian and core Europe government securities (down €38.9m). The reduction in the reserve for equities (including for equity-like instruments) refers to the partial redemption for €67m, almost half of which was absorbed by the year-end adjustments (€40m).

(€m)

	30 June 2023	30 June 2022	Chg.
Equity shares	147.5	174.3	-15.4%
Bonds	(73.3)	(61.0)	20.2%
of which: Italian government bonds	*(35.0)*	*1.5*	*n.m.*
Tax effect	(3.1)	9.7	n.m.
Total OCI reserve	**71.1**	**123.0**	**-42.2%**

Profit and loss account

Net interest income – Net interest income rose by 21.8%, from €1,479.2m to €1,801m, reflecting ongoing improvement throughout the twelve months, helped by the higher lending volumes and by liquidity being redeployed in banking book securities, government bonds in particular on which the yields have again become appealing. The ALM position reacted favourably to the rise in interest rates, fully absorbing the anticipated increase in the cost of funding which nonetheless remained limited, because of the substantial Wealth Management component (where repricing was minimal) and the diversification of the debt security channels. Consumer Finance, on the back of the healthy flows in new loans, was again the leading contributor, with NII up from €934.3m to €984.9m (an increase of 5.4%), after managing to pass much of the increase in the cost of the hedges onto the new business. Wealth Management posted net interest income of €361.5m (up 22.7%), helped by the rise in the lending rate, against a cost of funding that increased by just a fraction compared to the market rates (average external cost in the 12M 0.60%). Treasury management delivered net interest income of €98.1m, after more than eight years of negative results; the approx. €180m improvement reflects the good performance by the banking book (helped by the presence of the BTP Inflation notes). Centralized management of interest rate risk at Parent Company level enabled all of the extra cost of the debt security funding to be absorbed and also the change in the method used to calculate the interest payable on the T-LTRO loans as from 23 November 2022. Net interest income increased in Corporate & Investment Banking, too, up 14% to €288m, as a result of the higher average volumes and resilience of spreads, in Wholesale Banking in particular (Lending and Structured Finance) and an increased contribution from the Markets division due to the repricing of the securities owned.

(€m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg.
Consumer Banking	984.9	934.3	5.4%
Wealth Management	361.5	294.6	22.7%
Corporate and Investment Banking	288.0	252.5	14.0%
Holding Functions and other (including IC)	166.6	(2.2)	n.m.
Net interest income	**1,801.0**	**1,479.2**	**21.8%**

Net treasury income – net treasury income totalled €205.7m, a sharp increase on last year (€161.8m) as a result of material growth for the proprietary portfolio, which more than doubled, to €104.9m. The slowdown in client trading in the Market Division (down 13.4%, from €82.8m to €71.6m), reflects equity trading returning to standard levels (€55.5m) following last year's exceptional performance (€68m) coupled with a slight recovery by fixed-income trading (from €14.8m to €16.1m), the recovery in the performance of which is, however, mostly reflected in net interest income. The proprietary portfolio was boosted by good positioning versus interest rates, with the trading desk's contribution was markedly higher than last year (up from €3.5m to €36.2m), plus the resumption in equity arbitrage trading, which posted a profit of €12.6m for the twelve months (compared with a €9.8m loss last year). Treasury management, the result of which is accounted for as part of the; Holding Functions, delivered trading income of €42.8m, despite the lack of gains on disposals of banking book securities (which generated €23.2m last year) due to active management of the portfolio's hedging. Dividends and other income from Principal Investing decreased from €20.1m to €16m.

(€m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg.
Corporate Investment Banking	135.0	80.4	67.9%
of which: client fixed income	*71.6*	*82.8*	*-13.5%*
Principal Investing	16.0	20.1	-20.4%
Holding Functions	42.8	48.0	-10.8%
Other (including Intercompany)	11.9	13.3	-10.5%
Net treasury income	**205.7**	**161.8**	**27.1%**

Net fee and commission income – this item totalled €843.9m, almost flat versus last year (down just 0.8%) on higher fees in Wealth Management (up 6.6%, from €421.6m to €449.6m), which offset the anticipated slowdown in Corporate & Investment Banking (fees down from €306.3m to €289.4m), which in any case was less pronounced than the slowdown recorded by the market generally. WM delivered a healthy performance in management fees in particular (up from €321.5m to €329.6m), pronounced growth in upfront fees from placements (up 26%, to €77.1m), and an increase in banking fees (up 8.8%, to €92m); conversely, the slowdown in CIB was concentrated in 2H in particular (with only €104m contributed in 6M), and mainly regards investment banking (which generated fees of just €50m, compared to €120m) and lending activity (€28m, versus €56m). Consumer Finance posted 12.1% growth in fees, from €123.5m to €138.4m, reflecting the lower *rappel* fees (which were down €10m) and the first impact of the new BNPL business, which generated fees of €12m (€8m more than last year).

(€m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg.
Wealth Management	449.6	421.6	6.6%
Corporate & Investment Banking	289.4	306.3	-5.5%
Consumer Banking	138.4	123.5	12.1%
Holding Functions and other (including intercompany)	(33.5)	(0.9)	n.m.
Net fee and commission income[1]	**843.9**	**850.5**	**-0.8%**

[1] For the Holding Functions division (fees of €32.5m, down 38.5%), the slowdown was due to Revalea's activities and to the impact of treasury fees in connection with the high Mediobanca securities placement activity levels via the proprietary networks.

Insurance sector and other equity-accounted investments – the strong growth here, up 26.3%, from €359.3m to €453.9m, reflects the contribution from Assicurazioni Generali (up 24.2%, from €356.6m to €442.8m), which in 4Q in particular (up 77.1% to €158.8m) was boosted by the first application of IFRS 17 (in particular the valuation of liabilities against rising interest rates) plus the gain realized on disposal of a property in London. The other investments contributed a total of €11.1m (€2.7m).

Operating costs – operating costs were up 7.7%, from €1,312.1m to €1,413.1m, reflecting the expansion of the commercial structures (with 76 new bankers added in Wealth Management and 22 in CIB), IT investments (infrastructure consolidation and digital agenda), and the increase in business volumes and resumption of marketing/communication activities. The rise in costs was in any case lower than the growth in revenues, so the cost/income ratio decreased according, to 42.8%, (46% last year). The main items performed as follows:

– Labour costs rose by 8.5% (from €671.5m to €728.3m), with the fixed component (which represents 71% of the total), reflecting the rising headcounts (with staff numbers up 211), and the initiatives to attract and retain key figures. Just over half the increase is attributable to Wealth Management (labour costs up 10.7%, to €294.2m; 2,197 FTEs), whereas the rest is split between Corporate & Investment Banking (up 8.2% to €183m; 648 FTEs), Consumer Finance (up 7.5% to €113.8m; 1,520 FTEs, including 35 from Soisy) and HF (up 5.9% to €133.4m; 853 FTEs);

– Administrative expenses rose by 6.9% (from €640.6m to €684.8m), reflecting the Group's increased operations and strong project activities. IT costs rose by 10% (from €203m to €224m), operational expenses were up 5.5% (€202m, including costs relating to branch and head offices), investments in marketing climbed 14% (from €40m to €48m); while consultancy expenses, most of which related to the projects implemented, increased from €41m to €49m. Wealth Management reflects administrative expenses of €260.9m (up 3.9%), Consumer Finance of €233.6m (up 11.8%), and Corporate & Investment Banking of €144.3m (up 12%).

(€m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg.
Labour costs	728.3	671.5	8.5%
of which: directors	*11.3*	*12.8*	*-11.7%*
stock option and performance share schemes	*11.2*	*13.3*	*-15.8%*
Sundry operating costs and expenses	684.8	640.6	6.9%
of which: depreciations and amortizations (incl. IFRS16)	*92.3*	*86.6*	*6.6%*
administrative expenses	*592.5*	*554.0*	*6.9%*
Operating costs	**1,413.1**	**1,312.1**	**7.7%**

(€m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg.
Legal, tax and professional services	16.3	18.2	-10.4%
Other consultancy expenses	39.0	36.2	7.7%
Credit recovery activities	59.3	57.3	3.5%
Marketing and communication	49.2	42.1	16.9%
Rent and property maintenance	23.0	22.5	2.2%
EDP	162.2	151.7	6.9%
Financial information subscriptions	54.1	48.9	10.6%
Bank services, collection and payment commissions	32.9	31.3	5.1%
Operating expenses	66.6	60.5	10.1%
Other labour costs	18.0	11.2	60.7%
Other costs	41.0	42.2	-2.8%
Direct and indirect taxes	30.9	31.9	-3.1%
Total administrative expenses	**592.5**	**554.0**	**6.9%**

Loan loss provisions – loan loss provisions rose by 11.3%, from €242.6m to €270.1m, with the cost of risk (COR) still low at 52 bps, albeit slightly higher (48 bps) due to prudent provisioning which meant that the majority of the overlays were retained (€268m). The risk indicators remain excellent: loan loss provisions in Consumer Finance increased from €190.1m to €203.9m, due mostly to the higher volumes, as the COR remained basically flat at 145 bps (30/6/22: 142 bps); recovery rates remain very high, and non-performing assets remain at very low levels (gross NPL ratio: 5.59%); the coverage ratios were at adequate levels (NPLs: 77.3%; performing loans: 3.75%) with the overlay stock basically unchanged, at €208.6m. Corporate & Investment Banking recorded provisions for the twelve months of €31.6m, €32.1m of which in Wholesale Banking, with the COR rising to 16 bps; the increase in provisions was due to one performing exposure being reclassified as UTP (70% covered, resulting in a charge of €35m being taken at the balance-sheet date) and one UTP item being reclassified among bad debts (written off entirely, resulting in a charge of €16.6m for the twelve months), only in part offset by writebacks in respect of the performing portfolio following repayments and re-ratings (minus €36.7m) including the reduction in overlays, following careful review of the sectors most impacted by inflation and the ongoing nature of the phenomenon. Wealth Management reported loan loss provisions of €10.5m, down 25% on last year (€14m) at a COR of 7 bps (30/6/22: 9 bps); the segment continues to benefit from positive risk indicators and good performances in terms of credit recovery; the impact on profit and loss was helped by the release of some of the overlays (which decreased from €14.9m to €11.3m).

(€m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg.
Corporate and Investment Banking	32.3	(41.7)	n.m.
Consumer Banking	203.9	190.1	7.3%
Wealth Management	10.5	14.0	-25.0%
Holding Functions (leasing and NPL management)	23.4	80.2	-70.8%
Loan loss provisions	**270.1**	**242.6**	**11.3%**
Cost of risk (bps)	**52**	**48**	

Provisions for other financial assets[17] – charges of €7.3m were taken, compared to last year, when provisions of €37.4m were recorded. This was due to the improvement in holdings in investment funds measured at fair value, for which charges of just €5.4m were taken (€34.3m) last year. This heading also includes the provisioning for the banking book securities (€1.9m).

(€m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg.
Hold-to-Collect securities	(2.6)	(0.8)	n.m.
Hold-to-Collect & Sell securities	0.7	(2.3)	n.m.
Financial assets mandatorily FVTPL	(5.4)	(34.3)	-84.3%
Provisions for other financial assets	**(7.3)**	**(37.4)**	**-80.5%**

[17] 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) – this heading reflects a net loss of €185.8m (€90.1m last year), of which:

- €70.4m in payment to the resolution funds (€45.4m as the final payment to the Single Resolution Fund, €25m to the Italian Deposit Guarantee Scheme, the target for which must be guaranteed by end-2024);
- €49.5m due to the RAM goodwill being written off, in view of how the new interest rate scenario has radically affected the systematic funds market, reducing its growth prospects; the funds' good performances (they are well positioned in the Morningstar rankings) staunched the outflows but it is unlikely that the company will be able to return to its historical profitability levels within a timeframe that is compatible with the reporting standards (i.e. 3-5 years); but the existing funds' performances justify retaining the brand's value which is still well viewed by the market;
- €26m in staff-related provisions for the launch of an early retirement and redundancy scheme to encourage generational turnover, in conjunction with the launch of the 2023-26 Strategic Plan which is focused on innovation and technology in all business segments;
- €13.6m net contingent liabilities arising from a repayment to a customer subject to fraudulent action by third parties in connection with payments related to portfolio investments against which the Group has fully assumed the recovery actions and has activated insurance coverage from which it is not excluded to obtain further receipts in the coming months;

- €17.7m in losses as a result of the Revalea disposal in application of IFRS 5, which stipulates that a charge is taken when the sale price is lower than the book value;
- €3.8m in movements in the provision for risks as a result of new transfers (in particular the adjustment to the Lexitor provision in Consumer Finance and revisions to the amounts to be paid out in relation to disputes over the recruitment of bankers and FAs in Wealth Management) in part offset by the revaluation of the tax risk at Mediobanca level, in view of the regulatory changes and in particular the measure on dividends paid by non-Italian companies;
- €4.8m in other charges, chiefly in relation to the acquisitions (put-and-call agreement valuations, one-off incentives to the former Bybrook partners, and adjustments to items for Soisy) and to management of properties collected under the terms of leasing agreements.

Income tax – income tax totalled €394.7m, and includes the share of the withholding tax payable after the option to release CMB Monaco profit reserves was exercised (net effect of €19.2m).[18] Net of this non-recurring item, the tax rate was 26.3%, higher than last year (24.6%) primarily because of the higher amount of non-deductible charges. The Mediobanca Group adheres 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; this amount is subject to IRES at 24%.

* * *

[18] Cf. Italian Budget Law 2023 (Article 1, paras 87-95); Italian Law 197/2022.

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:

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

– Premier (CheBanca!);

Wealth Management also includes the Asset Management division, primarily captive business (Mediobanca SGR, Polus Capital,[19] RAM Active Investments) plus the fiduciary activities performed by Spafid, Spafid Family Office SIM and Spafid Trust.

(€m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg. (%)
Profit-and-loss			
Net interest income	361.5	294.6	22.7
Net trading income	9.4	10.3	-8.7
Net fee and commission income	449.6	421.6	6.6
Total income	**820.5**	**726.5**	**12.9**
Labour costs	(294.2)	(265.7)	10.7
Administrative expenses	(260.9)	(251.0)	3.9
Operating costs	**(555.1)**	**(516.7)**	**7.4**
Loan loss provisions	(10.5)	(14.0)	-25.0
Provisions for other financial assets	(1.2)	(0.1)	n.m.
Other income (losses)	(20.9)	(4.7)	n.m.
Profit before tax	**232.8**	**191.0**	**21.9**
Income tax for the period	(70.0)	(55.9)	25.2
Minority interest	(0.9)	(0.9)	n.m.
Net profit	**161.9**	**134.2**	**20.6**
Cost/Income (%)	*67.7*	*71.1*	

	30 June 2023	30 June 2022
Balance-sheet data		
Loans and advances to customers	16,827.3	15,297.9
of which:		
Chebanca! mortgage loans	*12,384.1*	*11,368.2*
Private Banking	*4,443.2*	*3,929.7*
New loans	2,244.7	2,163.7
Risk-weighted assets	5,959.4	5,685.7
ROAC	35%	28%
No. of staff	2,197	2,104

[19] Rebranding of Cairn Capital following the merger with Bybrook Capital.

	30 June 2023	30 June 2022	Chg. (%)
Commercial data			
Relationship managers	522	507	3.0%
Financial advisors	565	516	9.5%
No. of branches/agencies CheBanca!	208	207	0.5%
Private Banker	149	137	8.8%

Net profit for the twelve months totalled €161.9m, up 20.6% on last year (€134.2m), with revenues up 12.9% to €820.5m driven by increases in net interest income (up 22.7%) and fees (up 6.6%, 53% of the Group's total). The results were attributable to the higher AUM/AUA volumes (€8.4bn, €5.4bn of which in 2H) helped by the conversion of deposits primarily into AUA (government securities and certificates worth a total of €3.9bn) and profitability (average slightly above 90 bps). The cost/income ratio decreased to 67.7% (71.1%), and ROAC[20] reached 35%.

The results obtained contribute to the establishment of the Wealth Management division as a leading operator on the domestic market – in line with the objectives of the 2019-23 Strategic Plan – helped by multiple factors (brand strength, contents of offering, high focus on HNWI/UHNWI clients, and valorization of the global advisory offering for entrepreneurs and their businesses). These results have laid the foundations for growth in the 2023-26 three-year period which is expected to outperform the system in terms of TFAs (€115bn CAGR +11%), revenues (€1bn), and profitability (RORWA 4%). Thus the division is set to become the second contributor to the Group's results in terms of revenues and the first for fee income.

The distribution network now has 1,236 professionals, 1,087 of whom working in the Premier segment split equally between (522, with 15 recruited during the period) and FAs (565, with 49 added) working at 105 branches and 103 points of sale. The number of Private Bankers rose by 12 to reach 149, including a team of six bankers of high seniority who the space of a few months have contributed assets worth approx. €300m.

At the divisional level, the interaction between the distributors and the Group's product factories, and between the distributors themselves, has been strengthened with the launch of the new One Brand-One Culture Strategic Plan, with the aim of presenting a single commercial product and service offering tailored differently to the individual client segments, based on their specific

[20] Adjusted Return on Allocated Capital.

needs and requirements, and leveraging synergies with the CIB division to consolidate the private and investment banking model.

As for the Private Banking segment, in Public Markets the focus has been on the division's core portfolio management products, where, in view of the macroeconomic interest rate scenario, five new strategies have been introduced (four Buy & Hold bond strategies and one equity strategy).

In Private Markets, the fifth Russell Investments initiative has been launched (with €80m placed), and marketed to Premier clients as well, as has the Apollo Aligned Alternative semi-liquid fund, which combines the advantages of private equity strategies with increased liquidity compared to the traditional funds in this asset class. The BlackRock programme investment activity has also continued, which in 4Q saw the completion of two initiatives worth over €90m, taking the total invested under the programme to over €370m.

As for club deals with high potential Italian SMEs as target, the first €500m investment programme is being completed with two initiatives, one in the area of motor sport (already complete), and one in the skin care/beauty sector still in progress.

As part of the development of the Private and Investment Banking model, the co-operation with CIB in providing joint coverage has also continued, enabling approx. €600m in liquidity events to be generated during the year.

During the twelve months under review, the Premier segment has successfully leveraged the improved market interest rate conditions, offering its affluent and wealthy clients various types of fixed-income products which differ by duration and currency, and access to new direct funding promotions.

With regard to investment products, issues have been placed for which subscriptions have exceeded €800m, approx. €300m of which in 2H.

The range of funds under management has been expanded during the twelve months, with three new strategies added in partnership with leading international asset managers (Mediobanca Nordea Climate Engagement, Mediobanca Morgan Stanley Step In Global Balanced ESG Allocation, Mediobanca Fidelity World Fund) for a total of €172.2m. Three new target maturity bond funds have also been introduced: MB Diversified Credit Portfolio 2025 (€26.5m), MB Credit

Opportunities 2028 (€34.1m), MB ESG Credit Opportunities 2026 (€52,2m), including the first SFDR Article 8 ESG fund, raising a total of €112.7m.

A new Mediobanca target maturity fund, Credit Opportunities ESG 2027, was launched at the end of the financial year, once again to take advantage of the favourable market interest rates and to meet client demand for fixed-income products.

Coming now to direct funding, in April and May 2023 a promotional rate of 3.5% was offered on new amounts deposited for twelve months in deposit account, which resulted in over €1.7bn being raised.

In alternative asset management, Polus won the Best Hedge Fund award in the Event-Driven category at the Preqin Awards for 2023; the Master Fund has continued its upward trend, with $84m collected in 4Q.

In the Special Situations space, a $200m fund was launched in April 2023 ($40m of which have already been invested) for a US institution; whereas CLO activity has resumed slowly in Europe (with two CLOs at the pre-marketing stage) and is in the process of being launched on the US market.

RAM continues with its turnaround process, refocusing on core areas and leveraging on its brand by offering high-quality funds (four segments obtained five-star ratings from Morningstar, including RAM Mediobanca Strata UCITS). As part of the structure and offering range rationalization process, the company has wound up its Diversified Alpha and I/O funds, and has closed its Systematic Macro team.

Total Financial Assets (TFAs) stood at €88bn, and include €28.2bn in deposits (30/6/22: €28.8bn) and €59.8bn in AUM/AUA, which were boosted by €7.9bn in NNM and helped further by the €511m positive market effect. The composition is as follows: Premier €37.5bn (€20.6bn AUM/AUA, €17bn deposits), Private Banking €38.8bn (€27.6bn AUM/AUA, and €11.2bn deposits), and Asset Management €25.9bn, €14.2bn placed internally within the Group (30/6/22: €13.5bn).

Net TFAs	30 June 2023	31 December 2022	30 June 2022	Chg. % June 23 / June 22	Chg. % June 23 / Dec 22
Premier Banking	37,548	34,988	33,917	10.7%	7.3%
Private Banking	38,788	36,177	34,319	13.0%	7.2%
Asset Management	25,914	25,516	25,459	1.8%	1.6%
Intercompany	(14,217)	(13,464)	(13,450)	5.7%	5.6%
Wealth Management	**88,033**	**83,217**	**80,245**	**9.7%**	**5.8%**

Deposits	30 June 2023	31 December 2022	30 June 2022	Chg. % June 23 / June 22	Chg. % June 23 / Dec 22
Premier Banking	16,984	17,042	17,450	-2.7%	-0.3%
Private Banking	11,205	11,700	11,315	-1.0%	-4.2%
Asset Management	—	—	—	n.a.	n.a.
Wealth Management	**28,189**	**28,742**	**28,765**	**-2.0%**	**-1.9%**

AUM/AUA	30 June 2023	31 December 2022	30 June 2022	Chg. % June 23 / June 22	Chg. % June 23 / Dec 22
Premier Banking	20,564	17,946	16,467	24.9%	14.6%
Private Banking	27,583	24,477	23,003	19.9%	12.7%
Asset Management	25,914	25,516	25,459	1.8%	1.6%
Intercompany	(14,217)	(13,464)	(13,450)	5.7%	5.6%
Wealth Management	**59,844**	**54,475**	**51,479**	**16.2%**	**9.9%**

	2021-2022			
Net New Money	IQ	IIQ	IIIQ	IVQ
Premier Banking	867	589	876	434
Private Banking	978	2,029	1,299	1,747
Asset Management	(416)	311	368	(70)
Wealth Management	**1,429**	**2,929**	**2,543**	**2,111**

	2022-2023			
Net New Money	IQ	IIQ	IIIQ	IVQ
Premier Banking	222	1,109	381	1,625
Private Banking	1,001	1,061	740	1,591
Asset Management	(85)	82	(120)	(331)
Wealth Management	**1,138**	**2,252**	**1,001**	**2,885**

Customer loans were up 10% on last year, from €15.3bn to €16.8bn; mortgage loans grew by 8.9% (from €11.3bn to €12.3bn), on new business totalling €2.2bn, in line with last year; the Private Banking segment too saw an increase, of 13.1% (from €3.9bn to €4.4bn), on a higher contribution from CMB Monaco (up 17%, from €2.5bn to €2.9bn) and the Mediobanca Private Banking division (up 7%, from €1.4bn to €1.5bn).

Gross NPLs were stable at €218m, equal to 1.3% of total loans, split between CheBanca! mortgage loans (€166m, 1.3% of the stock), CMB Monaco (€39m), and the Mediobanca Private Banking division (€13m). The coverage ratio was 45.1% (69.7% for bad debts). Net NPLs totalled €119.9m (0.7% of net total loans), €78.4m of which are attributable to CheBanca! mortgage loans; net bad debts totalled €29.5m, all of which were attributable to CheBanca! products. Stage 2 loans decreased from €838.1m to €726.1m (or 4.3% of total loans), approx. 80% of which attributable to CheBanca!.

The division's revenues grew from €726.5m to €820.5m, with a balanced contribution in both half-years (1H: €407.3m; 2H: €413.2m); the main income items reflect the following performances:

– Net interest income rose by 22.7% (from €294.6m to €361.5m), driven by the growth in lending volumes, with deposits stable at moderate costs (external cost 0.60%). In particular, NII generated by Private Banking doubled, from €58.5m to €114.9m, whereas the increase reported by the Premier segment was lower (up 3.6%, from €236.4m to €245m) because of the different ALM structure, with interest rate and liquidity risk management fully centralized at Parent Company level;

– Net fee and commission income grew by 6.6% (from €421.6m to €449,6m), with a significant contribution from management fees (up 2.5%, from €321.5m to €329.6m) and banking fees (up from €84.7m to €95.1m, an increase of 12.3%), and especially upfront fees (up 26.1% from €61.1m to €77.1m) deriving from the substantial placements of fixed-income securities (sovereign debt, bonds and certificates), which comfortably offset the lower performance fees (down €1.8m, to €8.4m).

Operating costs increased from €516.7m to €555.1m (up 7.4%) on higher labour costs (up 10.7%, from €265.7m to €294.2m) reflecting the strengthening of the workforce (with 93 new staff added, two-thirds of whom in Premier Banking), and the variable remuneration component being aligned to the good results. Administrative expenses rose by 3.9% (from €251m to €260.9m), due chiefly to IT and project expenses (up 7.5% from €111m), plus investments to refurbish premises (up 11% to €43m) and professional consultancy services (up 13.5%, to €14m).

Loan loss provisions totalled €10.5m (COR a 7 bps), with the reduction compared to last year (€14m) being due to the low default rates for CheBanca! mortgage loans, which led to a reduction in the overlays (from €15m to €11.3m).

Non-recurring items totalled €20.9m, and chiefly regard €7.8m in increased provisions for disputes in connection with the recruitment of bankers and FAs, approx. €8m to establish an early retirement provision in the Premier segment, and €3.6m in adjustments to commitments undertaken in connection with acquisitions (Polus earn-out and put & call clauses).

CORPORATE & INVESTMENT BANKING

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

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

– Specialty Finance: factoring, performed by MBFACTA, and credit management (on behalf of third parties only), performed by MBCredit Solutions and MBContact Solutions.[21]

(€ m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg. %
Profit-and-loss			
Net interest income	288.0	252.6	14.0
Net treasury income	135.0	80.4	67.9
Net fee and commission income	289.4	306.3	-5.5
Total income	**712.4**	**639.3**	**11.4**
Labour costs	(183.0)	(169.2)	8.2
Administrative expenses	(144.3)	(128.9)	12.0
Operating costs	**(327.3)**	**(298.1)**	**9.8**
Loan loss provisions	(32.3)	41.7	n.m.
Provisions for other financial assets	(10.1)	(3.8)	n.m.
Other income (losses)	—	(0.6)	n.m.
Profit before tax	**342.7**	**378.5**	**-9.5**
Income tax for the period	(113.8)	(122.9)	(7.4)
Minority interest	(3.7)	(8.6)	(57.1)
Net profit	**225.2**	**247.0**	**-8.8**
Cost/Income (%)	*45.9*	*46.6*	

Balance-sheet data	**30 June 2023**	**30 June 2022**
Loans and advances to customers	19,625.9	20,734.1
of which: Corporate	*16,765.2*	*17,975.8*
Factoring	*2,860.7*	*2,758.3*
Corporate new loans	7,154.7	9,464.2
Factoring turnover	12,084.1	10,733.1
Risk-weighted assets	19,410.2	20,164.5
ROAC	13%	14%
No. of staff	648	626
Front Office Wholesale	344	320

[21] As previously disclosed, last year the Group decided to spin off its NPL portfolio acquisition business unit, commencing a gradual and orderly disposal process. Accordingly, the business has been spun off to the newly-incorporated company Revalea (set up in April 2022 and 100%-owned by Compass. Thus, as from FY 2022-23, all NPL management activities have been transferred to the Holding Functions division.

The CIB division reported a net profit of €225.2m, lower than last year (30/6/22: €247m), after the good earnings performance was impacted by the higher provisions taken in respect of two large corporate exposures. Revenues for the twelve months totalled €712.4m, up 11.4% on last year (€639.3m), with another healthy performance in terms of fees (€289.4m) despite the expected slowdown in 2H in line with the trends seen in the European and US markets. ROAC[22] for the division stood at 13%, with a cost/income ratio of 45.9% and a COR of 16 bps.

These results confirm the feasibility of the targets set as part of the 2023-26 Strategic Plan: by expanding and enhancing its European platform, the division will increase the share of both non-domestic revenues (from 40% to 55%) and capital-light revenues, and by leveraging on the effective Private & Investment Banking model and synergies with Messier et Associés and Arma Partners,[23] will become the partner of choice for medium-size and large companies in the Group's reference geographies (Italy, France and Spain). The division will also become the Group's main source of capital optimization (with RWAs set to be cut by 13% in 3Y) and its second-best performer in terms of revenues and fee income.

In 2H FY 2022-23 the global M&A[24] market reported a drop of 37% in deal volumes and of 9% in the number of deals announced compared to the same period last year. This trend was even more pronounced on the European market, where the reduction was 49% in volume terms and 18% in the number of deals. In France and Spain in particular, the reductions in volumes were 25% and 54% respectively, while the Italian market reported an 88% drop in volumes, further accentuating the figure at end-December 2022 (the reduction would be 70% without counting the Atlantia takeover).

Against this backdrop, Mediobanca reported a reduction in Advisory business that was below the market average, helped by the Bank's strong relations with its clients and the resilience of the domestic market, in the mid-corporate segment in particular. Some of the most important advisory deals completed in the period include the business combination between Autogrill and Dufry in the Consumer sector, the recapitalization of Ansaldo Energia, the joint venture between Wind Tre and Iliad in the TMT sector, and the strategic agreement between Intesa San Paolo and Nexi in the Financial Institutions

[22] Adjusted return on allocated capital.

[23] See above in the section on significant events in the twelve months.

[24] Source: Refinitiv – deals announced.

sector. In the Mid-Cap space Mediobanca confirmed its position as advisor of choice, completing five deals despite the difficult market situation, including the partnership between Charme Capital Partners SGR and Tema Sinergie, and the sale of Tikedo to White Bridge Investments.

Strategic discussions with leading clients and funds have been intensifying recently. However, the uncertainties linked to the current macroeconomic scenario, the increased complexity of deal execution, and the situation on loan markets are all slowing down the timeframes for deal announcements and closures, which is impacting on pipeline construction for the new financial year.

With reference to Debt Capital Markets activity, Mediobanca played an important role in numerous Italian bond issues (including Alperia, Intesa San Paolo, Stellantis, Lottomatica, Assicurazioni Generali, Hera, and Iccrea) and in some major deals in others of its core markets (notably Société Générale and EDP), with an increasing presence in the ESG segment.

In Equity Capital Markets, the Bank participated in the stake-building in Anima, as part of which Mediobanca successfully executed the largest-ever Italian reverse ABB on behalf of FSI. The Bank also played a leading role in the convertible bond issued by Greenvolt in Portugal, assisting KKR as financial advisor, and in the Lottomatica IPO, where Mediobanca was joint bookrunner.

As for Lending, the Bank has financed companies and sponsors in all the geographies it covers, supporting them in both their ordinary activities (such as Recordati, Cellnex and Enagas) and extraordinary activities (for example, Dufry in its business combination with Autogrill, and Perfetti Van Melle Group in its acquisition of Mondelēz Gum); this effort was reflected in an increase in both net interest income and fees, coupled with an improvement in the quality of the loan book (with the Investment Grade share rising to 74%, up 10 pp in the last two years).

The Markets division delivered an excellent performance, showed good resilience in terms of its positions in a turbulent market scenario, and was boosted by growing demand for certificates, as a result of the growing synergies between the CIB and WM divisions.

* * *

Loans and advances to customers decreased by 5.3% in the twelve months, from €20.7bn to €19.6bn, with the 6.7% reduction in Wholesale Banking (from €18bn to €16.8bn) reflecting the lower new business levels in Lending and Structured Finance (€6.9bn, down 15% YoY); 26% of the new finance was disbursed against revolving credit lines, while 52% (€3.6bn) refers to new contracts. For the CIB division as a whole, new loans for the twelve months totalled approx. €7.2bn, against redemptions which totalled €8.4bn. Turnover in Factoring business rose from last year (up 12.6%, from €10.7bn to €12.1bn), as a result of growth in the client base ceding the loans (up 7%, from 347 to 370), 43% of which are classified in the large corporate segment and represent 90% of the turnover.

	30 June 2023		**30 June 2022**		**Chg.**
	(€m)	**%**	**(€m)**	**%**	
Italy	10,375.9	52.8%	10,990.3	53.7%	-5.6%
France	2,591.7	13.2%	2,432.8	11.5%	6.5%
Spain	1,579.4	8.0%	1,472.0	7.0%	7.3%
Germany	980.0	5.0%	980.5	4.7%	-0.1%
U.K.	1,124.3	5.7%	1,281.2	6.1%	-12.2%
Other non resident	2,974.6	15.1%	3,577.4	17.0%	-16.8%
Total loans and advances to customers CIB	**19,625.9**	**100.0%**	**20,734.2**	**100.0%**	**-5.3%**
- of which: Specialty Finance	*2,860.7*	*14.6%*	*2,758.3*	*14.7%*	*3.7%*

Gross NPLs increased from €106.1m to €135.7m, with a gross NPL ratio of 0.7% (vs 0.5% last year) due to one substantial position being reclassified as UTP; while on a net basis a reduction was reported, with net NPLs reducing from €24.8m to €22.2m, following the intervention to one UTP position which has been reclassified among bad debts and has contributed to the increase in the coverage ratio for the stock (now 83.6%).

Gross Stage 2 positions decreased from €631.8m to €338.4m (1.7% of total loans), due to the sharp reduction in Wholesale Banking (from €518.8m to €280.3m) following repayments and/or individual positions being revised in connection with the counterparties' ratings being increased.

The coverage ratio for performing loans (Stages 1 and 2) was 0.4%, slightly below the figure of 0.5% reported last year, with overlays of €40m, reflecting a reduction in the Large Corporate segment (from €44.4m to €25.2m) following careful revision of the industrial sectors most affected by the macroeconomic uncertainties (in particular inflation).

Revenues for the twelve months were up 11.4%, from €639.3m to €712.4m, driven by the growth in net interest income (up 14%) and in net trading income (up 67.9%); Wholesale Banking contributed €641.8m (up 13,5%) and Specialty Finance €70.6m (down 4.2%;). The main income items performed as follows:

– Net interest income totalled €288m, up 14% on last year (€252.5m), due to the higher average volumes traded; NII in Wholesale Banking rose by 18.7% (from €208.7m to €247.8m), helped by the contribution from securities held for trading (which added €34m, €22.7 of which in the Markets division), and a slight improvement in Lending and Structured Finance (from €150m to €157.9m); while factoring slowed by 8.3% (from €43.8m to €40.2m), reflecting the difficulties in increasing spreads due to the high market competition;

– Net fee and commission income remained at high levels (€289.4m) due to the excellent 1H performance (€185.3m) which offset the slowdown reported in 2H (€104.1m) in line with the market; the contribution from Equity Capital Markets business totalled €27m (up 15%), while Lending fees were up 9.1% to €67.2m, fees from Debt Capital Market business decreased from €19.3m to approx. €17m, while M&A advisory reflected the most pronounced downturn (from €158.9m to €143,8m), with the Mid-Corporate share remaining very healthy at €26.2m; Specialty Finance contributed €30.4m (€29.4m), €24.3m of which in credit recovery fees in connection with MBCS (€22.3m);

– Net trading income totalled €135m (up 67.9% YoY), on the back of an excellent 1H performance (€109.5m) in conjunction with the first sharp rise in interest rates. The proprietary trading book contributed revenues of €62.1m this year (compared with a €4.1m loss last year), while client trading reported a slight downturn with revenues of €72.7m (€83.1m), with the equity trading contribution lower than last year, at €55.5m (€68m); the fixed-income trading desk reported a slight increase (from €14.8m to €16.1m), with an even higher contribution at the level of net interest income.

Revenues	**12 mths ended 30/6/23**	**12 mths ended 30/6/22**	**Chg. %**
Capital Market	43.5	42.7	2.0%
Lending	226.1	212.0	6.6%
Advisory M&A	143.8	158.9	-9.5%
Trading Prop	61.9	-5.3	n.s.
Market, sales and other gains	166.5	157.3	5.9%
Specialty Finance	70.6	73.7	-4.2%
Total Revenues	**712.4**	**639.3**	**11.4%**

Commissions	**12 mths ended 30/6/23**	**12 mths ended 30/6/22**	**Chg. %**
Capital Market, Sales and other gains	48.0	56.4	-14.8%
Lending	67.2	61.6	9.1%
Advisory M&A	143.8	158.9	-9.5%
Specialty Finance	30.4	29.4	3.4%
Total Commissions	**289.4**	**306.3**	**-5.5%**

Operating costs rose by 9.8% (from €298.1m to €327.3m), with labour costs up 8.2% (from €169.2m to €183m) reflecting the rise in headcount (with 22 new staff, for a total of 648) attributable to the growth in Wholesale Banking in both the domestic and international markets. This is reflected in both the fixed component, which was up 10%, and also, to a lesser degree, the variable component (up 3%) which, however, accounts for almost 40% of the total. The material increase in administrative expenses (up 12%, from €128.9m to €144.3m), reflects various cost components returning to normal post-Covid (such as travel and marketing), plus the increased weight of IT costs (up from €39m to €44m) and project activities (which climbed 18%, from €9.6m to €11.3m) in the Wholesale Banking division in particular for Markets and Lending.

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg. %
CIB loans	(32.1)	49.2	n.m.
Specialty Finance loans	(0.2)	(7.5)	-97.3%
Other financial assets	(10.1)	(3.8)	n.m.
Total provisions	**(42.4)**	**37.9**	**n.m.**

Loan loss provisions totalled €32.3m, reflecting a cost of risk of 16 bps for the year. The increase is attributable to provisions for Wholesale Banking of €32.1m (compared with writebacks of €49.2m in the previous 12M) due to the IFSR 9 models being adjusted to the new macroeconomic scenario (in 2Q) and to writedowns of individual positions, in part offset by writebacks credited for the performing loan book, plus the release of part of the overlays which nonetheless remain at high levels (approx. €40m, €25.2 of which in the Large Corporate sector). Writebacks were credited in 3Q and 4Q, albeit minor, despite certain items being reclassified.

Provisions for other financial instruments (holdings in bonds and fund stock units) for a total of €10.1m were also taken during the year, most of which as a result of the sudden rise in interest rates.

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 the buy-now-pay-later solution called "Pagolight". This year for the first time the division also includes the Group's investments in the two fintech operators HeidiPay and Soisy. Also included in Consumer Finance are Compass RE, which reinsures retail insurance policies, Compass Rent, which operates in second-hand vehicle and car hire, and Compass Link, which distributes Compass products and services via external collaborators).

(€ m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg.
Profit-and-loss			
Net interest income	984.9	934.3	5.4
Treasury income	—	0.4	n.m.
Net fee and commission income	138.4	123.5	12.1
Equity-accounted companies	(0.8)	—	n.m.
Total income	**1,122.5**	**1,058.2**	**6.1**
Labour costs	(113.8)	(105.9)	7.5
Administrative expenses	(233.6)	(208.9)	11.8
Operating costs	**(347.4)**	**(314.8)**	**10.4**
Loan loss provisions	(203.9)	(190.1)	7.3
Provisions for other financial assets	—	—	n.m.
Other income (losses)	(14.0)	—	n.m.
Profit before tax	**557.2**	**553.3**	**0.7**
Income tax for the period	(182.9)	(182.9)	n.m.
Net profit	**374.3**	**370.4**	**1.1**
Cost/Income (%)	30.9	*29.7*	

	30 June 2023	30 June 2022
Balance-sheet data		
Loans and advances to customers	14,465.0	13,750.1
- of which:		
Personal loans	*7,117.0*	*6,934.7*
Salary-backed finance	*1,736.4*	*1,790.0*
New loans	7,848.8	7,658.6
Risk-weighted assets	13,516.9	12,981.1
ROAC	32%	33%
No. of staff	1,520	1,454

	30 June 2023	30 June 2022	Chg.
Commercial data			
Branches Consumer	181	181	n.m.
Agencies Consumer	72	65	10.8%

The Consumer Finance division delivered a net profit of €374.3m for the twelve months, slightly higher than last year (€370.4m) with a ROAC of 32%.[25] Revenues for the year were up 6.1%, to €1.1bn, driven by net interest income (up 5.4%, to €984.9m), with a significant rise in costs (up 10.4%, to €347.4m) driving the cost/income ratio to 30.9% and the cost of risk remaining at last year's levels (145 bps).

The excellent performance posted in FY 2022-23 gives grounds for optimism regarding delivery of the 2023-26 Strategic Plan which provides for major enhancement of the distribution structure (direct and digital) and the development of innovative products (e-commerce and BNPL especially) for Compass to establish itself further in Italy as a multichannel platform in Consumer Finance and tap new markets and client clusters digitally (as opposed to physically), confirming the division's growth story (revenues to reach €1.3bn in three years) with high profitability (RORWA 2.9%) helped by the de-risking policies.

The Italian consumer credit market reported flows of €43.2bn in the first six months of the 2023 calendar year, 5% higher than the same period in 2022. This performance was largely due to the positive trend in credit cards (up 11%) and

25 Adjusted return on allocated capital.

special purpose loans (up 10%), while personal loans were down 4.1% (4.4% in June 2023), due to a reduction in the amount financed, against a 10.9% increase in the number of loans disbursed, due to the amount of the instalments remaining the same as they were before interest rates started to rise.

New business for the twelve months was up 2.5%, with a total of 1.8 million deals completed (up 6.9%), despite the stricter acceptance levels which have helped preserve asset quality. The positive commercial performance was attributable to the following segments: automotive finance (up 7.5%, from €1,508m to €1,621m), special purpose loans (up 5.7%, from €1,124m to €1,188m), credit cards (up 3.6%, from €901m to €934m), and BNPL (up 180%, from €68m to €190m) which recorded a total of 170,000 transactions. In personal loans, which were down 2.2% (from €3,587m to €3,508m), the growth reported by the direct network (up 14%, from €2.4bn to €2.7bn) with 275,000 transactions (up 21%) almost offset the decline reported by the third-party channels (down 35%, from €1,170m to €764m), in particular the banking channel, which, however, entailed an advantage in terms of profitability. Salary-backed finance also reported a decrease (down 13%, to €408m), against a 15% in loans granted via the direct channel (up from €173m to €199m).

Expansion of the distribution network, based on a strategy in which priority is given to variable cost solutions, has resulted in the opening of seven new agencies (two in 4Q), for a total of 312 active POS within Italy.

With the objective of further strengthening its leadership position in the consumer credit market, Compass has continued to invest in developing its offering from an increasingly multi-channel perspective, analysing innovative credit selection methodologies, developing its BNPL product, digitalizing all processes, including those based on physical POS and targeting international expansion. In this connection, in June 2023 Compass signed an agreement to acquire 100% of HeidiPay Switzerland AG from HeidiPay AG. This acquisition will allow Compass to become a fully-fledged consumer credit operator on Swiss territory, as well as continuing to benefit from the technology and services of HeidiPay AG.

The asset quality ratios remain extremely robust; the coverage ratio for performing loans stands at 3.75%, gross NPLs (€878m) represent 5.59% of total loans (down from 5.74% last year); and net NPLs declined to 1.38% of total loans (30/6/22: 1.32%), on a slightly reduced coverage ratio of 77.3% (78.8%)

reflecting the expanded scope of exposures classified as non-performing, to the benefit of those offering improved prospects of recovery.

The growth in revenues (up 6.1%, from €1,058.2m to €1,122.5m) is in line with the performance in average lending volumes (which rose by 6%). The main income items performed as follows:

– Net interest income reached a record high of €984.9m (up 5.4% on last year's €934.3m); the good performance reflects growth in lendings concentrated in the more profitable product of direct personal loans, where margins have been preserved through intense repricing activity which has managed to offset the increase in the cost of funding almost entirely;
– Net fee and commission income rose from €123.5m to €138.4m (up 12.1%), with an increasing contribution from Buy Now Pay Later activities (€12m), and lower *rappel* fees credited back to third party networks (which declined from €24.1m to €14.6m) offsetting the reduction in sales of insurance products (down from €43m to €40m).

Operating costs, up 10.4%, from €314.8m to €347.4m, reflect the generalized increase in prices due to inflation, but also the substantial investments to grow the division which is undergoing profound technological transformation. Labour costs totalled €113.8m (up 7.5%), in line with the growth in headcount (with 66 new staff added during the period, for a total of 1,520); administrative expenses rose by 11.8%, to €233.6m due to the rising credit recovery expenses (up 9%, to €59m) and operating costs (up 12%, to €57m); IT and project expenses totalled €43m (up 14% YoY), whereas marketing activities increased to €32m, due to new investments in the BNPL product and digital initiatives, as well as the more traditional activities involving the use of television advertising campaigns.

Loan loss provisions totalled €203.9m, higher than last year (€190.1m), but in view of the trend in volumes, reflect a COR that is basically unchanged, at 145 bps (142 bps), having regard also to the different mix of products.

The bottom line also reflects non-recurring items of €14m, €8m of which in connection with an early retirement provision set up to facilitate generational turnover in what will become an increasingly digital environment as the 2023–26 Strategic Plan progresses, and a €3.3m increase in the provision for Lexitor-related claims in order to take into account the effects of the most recent ruling issued by the Italian Constitutional Court; it also includes €2.5m in extraordinary charges deriving from the merger with Soisy.

INSURANCE - PRINCIPAL INVESTING

The Insurance – Principal Investing (PI) division comprises the Group's portfolio of equity investments and holdings, including the 13.25% stake in Assicurazioni Generali.[26] The latter investment has been this division's main constituent 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. The division includes the Group's investments in funds and SPVs and/or managed by the Group's asset management companies (seed capital) based on an approach that combines mid-term profitability for the Group with synergies between the divisions, as well as investment activity in private equity funds managed by third parties.

(€ m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg.
Profit-and-loss			
Other incomes	8.9	12.3	-27.6
Equity-accounted companies	454.7	359.3	26.6
Total income	**463.6**	**371.6**	**24.8**
Labour costs	(4.0)	(4.0)	n.m.
Administrative expenses	(1.0)	(1.0)	n.m.
Operating costs	**(5.0)**	**(5.0)**	**n.m.**
Provisions for other financial assets	2.4	(32.4)	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**461.0**	**334.2**	**37.9**
Income tax for the period	(21.5)	(14.5)	48.3
Net profit	**439.5**	**319.7**	**37.5**

	30 June 2023	30 June 2022
Balance-sheet data		
Banking book equity securities	675.6	741.2
IAS28 investments	3,557.1	3,157.8
Risk-weighted assets	8,713.9	8,203.8
ROAC adj.	20%	16%

[26] The Group's stake has increased to 13.25%, as a result of the share buyback scheme implemented by the company, which led to an increase in the percentage consolidated, plus the new shares owned by MB INV AG S.r.l. to which the 1.6 million shares previously held by INV AG have been transferred.

The insurance division delivered a net profit of €439.5m, up 37.5% on last year (€319.7m), due to a higher contribution from the equity method (up from €359.3m to €454.7m), for Assicurazioni Generali in particular (€442.8m), confirming the excellent profitability of the investment (ROAC[27] 20%), which will remain at these levels after 31 December 2024 now that the Danish Compromise has been made permanent under the new CRR III; the impact on P&L for 4Q confirms the investment's decorrelation from the Group's other core businesses (investment banking in particular) and its high cash flow generation capability through dividends; and it remains an important value option for the Mediobanca Group, ensuring it has available resources (which have increased further with the rise in stock market prices) that can be activated in the event of opportunities to grow via acquisitions.

Dividends and other income from holdings in funds amounted to €16m, half of which from seed capital in the Group's own funds. Recognized at fair value, the holdings in funds reflect a positive valuation of €2.4m.

The book value of the Assicurazioni Generali investment rose by 13.1%, from €3,069.4m to €3,472.2m, reflecting the impact of the adoption of the new IFRS 17 and IFRS 9 on the company's net equity (as from the financial statements for the period ended 31 March 2023; our valuation for end-June is based on this situation). The investment's contribution to the Group's earnings for 12M was €442.8m, up 24.2% (€356.6m), boosted by the result for 4Q which reflects the adoption of the new reporting standards (such as valuation of liabilities with rising interest rates) plus the gain deriving from the disposal of a real estate investment in London. The market value of the investment is €3.8bn.

The other banking book securities totalled €675.6m (€741.2m): holdings in funds decreased from €482m to €435.4m, following two liquidations and upward adjustments to reflect fair value totalling €3.9m; the equity segment decreased from €259.2m to €240.1m, following the redemption of the Burgo equity-like instrument (€54m), the demerger of INV AG (€12.1m), and revaluations to fair value (€40m, €25.7m of which in respect of the Tirreno Power and Burgo equity-like instruments) and new investments totalling €7.4m.

[27] Adjusted return on allocated capital.

HOLDING FUNCTIONS (CENTRAL, TREASURY AND LEASING)

The Holding Functions comprises SelmaBipiemme Leasing, MIS and other minor companies, Group Treasury and ALM[28] (with the aim of optimizing funding and liquidity management on a consolidated basis, including the securities held as part of the banking book), Group central function costs including the operations, support units (Chief Financial Office, Corporate Affairs, Investor Relations, etc.), senior management and the control units (Risk Management, Group Audit and Compliance), for the shares not attributable to the business lines. As from this year, the NPL portfolio management business spun off to Revalea S.p.A. has been included as part of the division.[29] An agreement has recently been signed to sell the company to Banca Ifis, hence its activities have been classified as non-current assets held for sale in accordance with the provisions of IRFS 5.

(€ m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg. (%)
Profit-and-loss			
Net interest income	145.1	(22.0)	n.m.
Net trading income	42.8	48.0	-10.8
Net fee and commission income	32.5	52.8	-38.5
Total income	**220.4**	**78.8**	**n.m.**
Labour costs	(133.4)	(126.0)	5.9
Administrative expenses	(68.6)	(75.5)	-9.2
Operating costs	**(202.0)**	**(201.5)**	**0.3**
Loan loss provisions	(23.4)	(80.1)	-70.8
Provisions for other financial assets	1.8	(1.2)	n.m.
Other income (losses)	(83.5)	(86.2)	-3.2
Profit before tax	**(86.7)**	**(290.2)**	**-70.1**
Income tax for the period	(6.5)	127.0	n.m.
Minority interest	(2.1)	(1.8)	16.7
Net profit	**(95.3)**	**(165.0)**	**(42.3)**

	30 June 2023	30 June 2022
Balance-sheet data		
Loans and advances to customers	1,631.0	1,919.3
Banking book securities	8,740.0	7,074.3
No. of staff [30]	853	821
Risk-weighted assets	3,831.2	3,342.8

[28] 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.

[29] Revalea was set up in April 2022, and received authorization to operate from the supervisory authorities at the year-end.

[30] The 853 resources are divided as follows: 94 in SelmaBipiemme (98 last year); 21 in Revalea (24); 28 in Group Treasury and ALM (33); 151 in MIS (138), 219 in operations (209), 175 in support functions (164), 159 in control functions (149) plus 6 in management (senior management and assistants, 6 last year too). Of these, the cost of approximately 258 FTEs is reallocated to the business lines (238).

The net loss incurred by the Holding Functions division decreased from €165m to €95.3m, due to the good performance in terms of total income (which rose from €78.8m to €220.4m), driven by net interest income, which after being negative for several years, is now once again comfortably in positive territory at €145.1m (€77.2m of which in 4Q), helped by a major contribution from the securities portfolio (which added €55m in 12M) and management of other treasury items (which added €48m), with the cost of funding under control. Central costs totalled €107.4m ((30/6/22: €102.3m), and represent 7.6% of the Group's total costs.

The main segments performed as follows:

– Treasury: considerable efforts were made during the twelve months to expand funding and optimize CoF, which in practice led to TFAs remaining stable in WM (these account for 48% of the Group's total funding) and to an increase in the debt security component, leveraging on the reopening of the retail and private channels (not only the Group's). This enabled the planned TLTRO repayment process to begin, which in turn improved the regulatory ratios that recorded their highest ever levels (LCR: 180%; NSFR: 119%); MREL liabilities also rose from 30% of RWAs to 34%, far above the requirement for 2023 of 23.13%. The growth in net interest income (up €180m) totally offset the decline in net treasury income (down €5m) and in fees (down €10m);

– Leasing: a net profit of €3.2m was earned from leasing operations, slightly higher than last year (€2.7m), despite reflecting a reduction in customer loans (down 10%, from €1.6bn to €1.5bn), impacted by the decline in new business in 2H especially. Loan loss provisions fell from €16.7m to €6.6m, mostly due to the resolution of real estate positions previously classified as NPLs. Equally, gross NPLs decreased, from €138m to €107m, and the reduction was more pronounced still on a net basis (down from €64.3m to €32.9m);

– NPL acquisition management: as mentioned previously, this business was disposed of as part of the Revalea transaction. In the financial statements, the transaction has been represented in accordance with the provisions of IFRS 5. Until the deal closes (expected by end-2023), the cost and income items will continue to be allocated in kind, in view *inter alia* of the minimal size of the figures involved. The loss for 12M has been kept down to €0.5m, after revenues of €51.6m, approx. €32.3m of which in income collected from NPL portfolios, and writedowns totalling €16.8m. Gross NPLs decreased from €350.6m to €238.8m, against a net worth of €117.7m.

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 (dati in USDm)	100%	CIB	8.4	—	6.3	5
Messier et Associés S.A.S.*	100%	CIB	73.6	—	20.8	36
Messier et Associés L.L.C. (dati in USDm)*	100%	CIB	0.3	—	0.3	3
Mediobanca International	100%	CIB	5,576.4	3,994.5	455.6	19
MBFACTA	100%	CIB	3,126.3	2,862.1	226.9	51
MBCredit Solutions	100%	CIB	57.4	0.3	32.8	167
MB Contact Solutions	100%	CIB	1.4	—	0.5	5
Compass Banca	100%	CF	16,781.2	14,938.9	3,109.7	1,472
Quarzo S.r.l.	90%	CF	0.2	—	—	—
Quarzo CQS S.r.l.	90%	CF	0.1	—	—	—
Compass RE	100%	CF	317.1	1.0	167.3	1
Compass Rent	100%	CF	7.5	—	0.9	12
Compass Link	100%	CF	1.6	—	(0.9)	1
Soisy	100%	CF	10.3	—	1.1	36
CheBanca!	100%	WM	31,783.7	13,138.8	928.3	1,554
Mediobanca Covered Bond	90%	WM	0.8	—	0.1	—
CMB Monaco	100%	WM	8,962.5	2,935.3	1,021.1	248
Spafid	100%	WM	48.4	—	41.1	39
Spafid Family Office SIM	100%	WM	1.3	—	0.8	6
Polus Capital Management Group Limited (dati in GBPm)*	89,07%	WM	119.4	—	93.8	62
RAM Active Investments (dati in CHFm)*	98,28%	WM	17.9	—	15.5	32
RAM Active Investments (Luxembourg) (dati in CHFm)	98,28%	WM	9.9	—	3.3	5
RAM UK (in liquidazione) (dati in CHFm)*	98,28%	WM	—	—	—	—
CMG Monaco	100%	WM	11.2	—	0.4	12
Spafid Trust S.r.l.	100%	WM	1.2	—	1.1	2
Mediobanca SGR S.p.A.	100%	WM	75.1	33.6	62.6	57
Mediobanca Management Company S.A.	100%	WM	13.5	—	9.3	6
CMB RED	100%	WM	50.0	—	49.5	1
MB INV AG S.r.l.	100%	I-PI	30.6	—	18.3	—
Revalea**	100%	HF	280.2	238.8	117.7	21
Mediobanca International Immobilière	100%	HF	2.1	—	2.1	—
Mediobanca Funding Luxembourg	100%	HF	1.2	—	1.0	—
SelmaBipiemme Leasing	60%	HF	1,532.9	1,392.0	229.3	94
Mediobanca Innovation Services	100%	HF	81.2	—	35.5	149
Spafid Connect	100%	HF	—	—	—	—

[1] 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. 115.

** An agreement to sell Revalea has been signed with Banca Ifis, hence the company has been accounted for as a non-current asset held for sale.

(€m)

Company	Percentage Shareholding	Business Line	Income	Costs	Provisions	Gain/(loss) fot the period
Mediobanca Securities (dati in USDm)	100%	CIB	3.9	(3.9)	—	—
Messier et Associés S.A.S. *	100%	CIB	43.7	(28.9)	—	11.1
Messier et Associés L.L.C. (dati in USDm) *	100%	CIB	0.0	0.2	—	0.2
Mediobanca International	100%	CIB	32.6	(9.5)	3.9	18.6
MBFACTA	100%	CIB	46.3	(13.6)	—	22.1
MBCredit Solutions	100%	CIB	51.1	(41.4)	(8.6)	0.4
MB Contact Solutions	100%	CIB	1.5	(1.4)	—	0.1
Compass Banca	100%	CF	1,100.4	(340.9)	(204.0)	367.9
Quarzo S.r.l.	90%	CF	—	—	—	—
Quarzo CQS S.r.l.	90%	CF	0.0	—	—	—
Compass RE	100%	CF	34.9	(0.9)	—	25.2
Compass Rent	100%	CF	0.8	(3.0)	—	(1.5)
Compass Link	100%	CF	0.3	(1.0)	—	(0.8)
Soisy	100%	CF	2.0	(6.6)	—	(4.7)
CheBanca!	100%	WM	418.1	(301.1)	(11.1)	48.7
Mediobanca Covered Bond	90%	WM	0.1	(0.1)	—	—
CMB Monaco	100%	WM	161.5	(85.7)	(0.8)	58.5
Spafid	100%	WM	8.7	(9.0)	—	(2.1)
Spafid Family Office SIM	100%	WM	1.4	(1.5)	—	(0.1)
Polus Capital Management Group Limited (dati in GBPm)*	89,07%	WM	43.7	(33.3)	—	7.9
RAM Active Investments (dati in CHFm)*	98,28%	WM	7.1	(14.0)	—	(7.0)
RAM Active Investments (Luxembourg) (dati in CHFm)	98,28%	WM	3.8	(2.3)	—	1.5
RAM UK (in liquidazione) (dati in CHFm)*	98,28%	WM	1.1	(1.2)	—	(0.1)
CMG Monaco	100%	WM	4.1	(5.0)	—	(0.7)
Spafid Trust S.r.l.	100%	WM	0.7	(0.8)	—	(0.1)
Mediobanca SGR S.p.A.	100%	WM	31.5	(18.4)	—	9.0
Mediobanca Management Company S.A.	100%	WM	2.1	(1.9)	—	0.2
CMB RED	100%	WM	0.0	(0.4)	—	(0.4)
MB INV AG S.r.l.	100%	I-PI	1.9	(0.1)	—	1.8
Revalea**	100%	HF	19.8	(15.9)	(3.4)	0.9
Mediobanca International Immobilière	100%	HF	0.2	(0.1)	—	0.1
Mediobanca Funding Luxembourg	100%	HF	0.5	(0.5)	—	—
SelmaBipiemme Leasing	60%	HF	35.0	(21.8)	(6.6)	5.3
Mediobanca Innovation Services	100%	HF	2.5	0.1	—	0.2
Spafid Connect	100%	HF	0.1	(0.5)	—	0.1

* Taking into account the put and call option; see Part A1 – section 3 – Area and methods of consolidation, p. 115.

** An agreement to sell Revalea has been signed with Banca Ifis, hence the company has been accounted for as a non-current asset held for sale.

Finally, it should be noted that:

– CMB Monaco closed its local financial statements for the twelve months ended 31 December 2022 with a net profit of €18.6m, higher than last year (€16.3m), following transfers to the provisions for risks totalling €9.4m. Net interest income rose by 45%, from €45.2m to €65.3m), on higher lending volumes (customer loans were up from €2,337m to €2,847m) and interest rates; while net fee and commission income declined slightly, by 2% (from €74.1m to €72.6m); and costs were up 9% (from €78m to €84.8m). In the twelve months TFAs rose by 7% (from €13bn to €13.9bn), with a substantial contribution from direct funding (which grew from €4.3bn to €6.1bn) and AUM under advisory mandates, which more than offset the negative market effect (valuations down €921m).

Other information

Related party disclosure

Financial accounts outstanding as at 30 June 2023 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.

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 compliant.

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 based on the GRI-Sustainability Reporting Standards "in accordance" option defined in 2016 and updated in 2021 by the GRI-Global Reporting Initiatives (the "GRI Standards"). The standards developed by the Sustainability Accounting Standards Board ("SASB") have also been taken into consideration, where applicable, and information useful for purposes of EU Taxonomy Eligibility.

The document is accompanied by the second TCFD Report, containing the Group's decarbonization objectives for the cement and aviation sectors (in addition to those for the energy and automotive industries), and also, for the first time, separate reporting of the results reached based on the Principles for Responsible Banking.

Research

Economic research is carried on by the Mediobanca 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.

Credit rating

In the past twelve months the ratings and outlooks assigned to the Bank have remained unchanged: Baa1 with negative outlook for Moody's, BBB with stable outlook for S&P Global Rating, and BBB with stable outlook for Fitch Ratings.

Other reports

The following reports are available on the Bank's official website at www.mediobanca.com in the Governance section: the "Statement on corporate governance and ownership structure" and the "Group Remuneration Policy and Report" required by Article 123-*bis* of the Italian Legislative Decree No. 58 of 24 February 1998 (the Italian Finance Act), and the "Disclosure to the public required under Basel III pillar III" ("Pillar III").

Outlook

Having delivered on the 2019-23 Strategic Plan (despite the outbreak of the Covid-19 pandemic and the Russia-Ukraine war), the Group is now committed to implementing its new 2023-26, "One Brand-One Culture" Strategic Plan unveiled on 24 May. The Group's strong positioning in business sectors offering opportunities for growth, its unceasing investments in distribution, innovation and talent, the selective increase in lendings coupled with the capital optimization policies being deployed, and the ongoing control of both asset quality and operating costs, means that Mediobanca can face with confidence a macroeconomic scenario that is still characterized by uncertainty, with low growth expected in the leading European economies given the level of interest rates and inflation that will remain high at least until the end of 1H FY 2023-24.

For FY 2023-34 the Mediobanca Group confirms its capability to deliver growth in revenues, earnings and shareholder remuneration, in line with the trajectory outlined in the new 2023-26 "One Brand – One Culture" Strategic Plan.

The guidance is as follows:

– Growth in TFAs, driven by NNM, helped by the enhanced commercial structures and CheBanca! being rebranded as Mediobanca Premier;
– RWAs stable, with selective growth in lendings complemented by the first optimization actions;
– Healthy growth in Group revenues, with an increase in net interest income in 1H in particular, plus, in 2H, higher fees, which should benefit from the recovery in investment banking activity, the consolidation of Arma, and the higher WM assets);
– Cost/income ratio to be kept at around 43-44%: the growth in revenues will be used to drive enhancement of both the Group's workforces and platforms;
– Cost of risk flat at ~50/52 bps, with a slight deterioration in the CF component which should, however, be offset by CIB;
– Significant reduction in one-off items, likely offset in part by the new bank windfall tax law;
– Increase in shareholder remuneration, with the cash payout to be maintained at 70%, and launch of an approx. €200m share buyback and cancellation programme;
– Capital ratios to remain solid at around 15.5%, including the effects of the acquisitions.

Reconciliation of shareholders' equity and net profit

(€ '000)

	Shareholders' equity	Net profit (loss)
Balance at 30/06 as per Mediobanca S.p.A. accounts	4,460,009	607,377
Net surplus over book value for consolidated companies	14,822	561,060
Differences on exchange rates originating from conversion of accounts made up in currencies other than the Euro	10,194	—
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	5,813,284	(141,641)
Dividends received during the period	—	—
Total	**10,298,309**	**1,026,796**

Milan, 20 September 2023

THE BOARD OF DIRECTORS

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

DECLARATION CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS
pursuant to Article 81-*ter* of CONSOB Regulation No. 11971 of 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, and in view inter alia of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, declare that the administrative and accounting procedures used in the preparation of the consolidated financial statements:

– were adequate in view of the company's characteristics and

– were effectively adopted during the period 1 July 2022- 30 June 2023.

2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the consolidated financial statements as at 30 June 2023 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:
   - were drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to Regulation (EC) 1606/02 issued by the European Parliament and Council on 19 July 2002;
   - correspond to the data recorded in the company's books and accounting ledgers;
   - are adequate for the purpose of providing a true and fair view of the capital, earnings and financial situation of the issuer and of the group of companies included within its area of consolidation.

   3.2 the review of operations includes a reliable analysis of the operating performance, data and situation of Mediobanca and of the set of companies included within the consolidation area, and contains a description of the main risks and uncertainties to which such companies are exposed.

Milan, 20 September 2023

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

EXTERNAL AUDITORS' REPORT

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Mediobanca S.p.A.

Consolidated financial statements as at 30 June 2023

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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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 2023, 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 2023, 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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Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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EMARKET SDIR CERTIFIED

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 53.605 million as at 30 June 2023, 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 in the appropriate risk staging and measurement of the loans to customers (loans) measured at amortised cost are both 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 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 assessment of the adequacy of the disclosures provided in the notes to the accounts.

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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 in respect of which the directors make estimates with a high degree of uncertainty and subjectivity 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 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 and inflation dynamics.

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

As at 30 June 2023 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 5.467 million and a total liability balance of Euro 8.119 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 consolidated income statement* and in *Part E - Information on risks and related hedging*

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;
- an understanding of the valuation models used for the measurement of the financial

policies of the notes to the accounts.

The measurement of these financial instruments is performed by the directors through the use of complex models, consistent with the prevailing valuation practices, which make use of directly or indirectly observable inputs or estimated internally or estimated internally based on qualitative and quantitative assumptions, when not observable in the market.

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 considered by the directors.

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 2023 the carrying amount of intangible assets with an indefinite useful life originating from business combinations amount to Euro 729 million. 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 49 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.

The directors perform an evaluation of the recoverable amount of intangible assets with an indefinite useful life at least annually (impairment

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 CGU and of the assets tested independently;
- 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 and of the underlying reasons in order to

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 or of the assets tested independently.

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 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 2023.

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, the actions taken to eliminate the relevant risks or the related safeguards applied.

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.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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 2023, 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 2023 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 2023 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 2023

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 June 23	30 June 22 *
10.	Cash and cash equivalents	4,236,982	7,861,601
20.	Financial assets measured at fair value through profit or loss	10,654,399	10,681,019
	a) financial assets held for trading	*9,546,212*	*9,530,935*
	b) Financial assets designated at fair value	*538,590*	*516,483*
	c) Other financial assets mandatorily at fair value	*569,597*	*633,601*
30.	Financial assets measured at fair value through other comprehensive income	6,042,119	4,133,685
40.	Financial assets measured at amortized cost	62,555,709	60,822,518
	a) Due from banks	*4,478,644*	*4,068,584*
	b) Due from customers	*58,077,065*	*56,753,934*
50.	Hedging derivatives	1,321,883	872,431
60.	Adjustment of hedging financial assets (+/-)	—	—
70.	Investments	3,563,831	3,157,866
80.	Reinsured portion of technical reserve	—	—
90.	Tangible assets	530,742	511,828
100.	Intangible assets	796,700	838,413
	of which:		
	goodwill	*574,550*	*616,791*
110.	Tax assets	769,127	808,257
	a) current	*244,746*	*211,290*
	b) prepaid	*524,381*	*596,967*
120.	Non-current assets and disposal groups classified as held for sale **	251,987	191
130.	Other assets	915,534	880,611
Total assets		**91,639,013**	**90,568,420**

* The balance sheet as at 30 June 2022 includes the reclassification of some guarantee deposits on derivatives from item 10 to item 40.

** These refer to disposal transactions: as at 30 June 2022, of the Spafid Connect business unit closed in December 2022; as at 30 June 2023, sale of Revalea to Banca Ifis.

(€'000)

Liabilities and net equity	30 June 23	30 June 22
10. Financial liabilities measured at amortized cost	64,903,066	66,715,625
a) Due to banks	*13,275,089*	*15,751,826*
b) Due to customers	*30,750,602*	*32,723,575*
c) Securities in issue	*20,877,375*	*18,240,224*
20. Trading liabilities	9,436,672	9,206,705
30. Financial liabilities designated at fair value	1,580,956	641,664
40. Hedging derivatives	2,069,542	1,361,863
50. Adjustment of hedging financial liabilities (+/-)	—	—
60. Tax liabilities	867,266	659,787
a) current	*416,935*	*257,268*
b) deferred	*450,331*	*402,519*
70. Liabilities included in disposal groups classified as held for sale *	8,134	—
80. Other liabilities	1,051,080	955,196
90. Provision for statutory end-of-service payments	20,584	21,969
100. Provisions for risks and charges:	161,127	137,768
a) commitments and financial guarantees	*22,166*	*24,264*
b) post-employment and similar benefits	—	—
c) other provisions for risks and charges	*138,961*	*113,504*
110. Technical reserves	111,338	119,001
120. Revaluation reserves	62,127	433,592
130. Redeemable shares	—	—
140. Equity instruments	—	—
150. Reserves	7,675,283	6,908,263
160. Share premium reserves	2,195,606	2,195,606
170. Capital	444,169	443,640
180. Treasury shares (-)	(78,876)	(240,807)
190. Minority interests (+/-)	104,143	101,571
200. Profit (loss) for the year (+/-)	1,026,796	906,977
Total liabilities and net equity	**91,639,013**	**90,568,420**

* These refer to the disposal of Revalea to Banca Ifis.

Consolidated Income Statement

(€'000)

Items		30 June 23	30 June 22
10.	Interest and similar income	2,834,084	1,847,987
	of which: interest income calculated according to the effective interest method	*2,394,371*	*1,655,536*
20.	Interest and similar charges	(1,026,491)	(353,681)
30.	**Net interest income**	**1,807,593**	**1,494,306**
40.	Commission income	835,972	834,723
50.	Commission expenses	(158,005)	(166,719)
60.	**Net fee and commission**	**677,967**	**668,004**
70.	Dividends and similar income	78,758	117,764
80.	Net trading income (expense)	99,411	(10,663)
90.	Net hedging income (expense)	1,439	(2,115)
100.	Gain (loss) on disposal/repurchase:	4,827	24,952
	a) Financial assets measured at amortized cost	*4,427*	*6,212*
	b) Financial assets measured at fair value through other comprehensive income	*(6,739)*	*19,760*
	c) Financial liabilities	*7,139*	*(1,020)*
110.	Net result from other financial assets and liabilities measured at fair value through profit or loss:	9,674	(20,770)
	a) financial assets and liabilities designated at fair value	*15,055*	*13,288*
	b) Other financial assets mandatorily measured at fair value	*(5,381)*	*(34,058)*
120.	**Total income**	**2,679,669**	**2,271,478**
130.	Net write-offs (write-backs) for credit risk:	(231,373)	(206,182)
	a) Financial assets measured at amortized cost	*(232,089)*	*(203,877)*
	b) Financial assets measured at fair value through other comprehensive income	*716*	*(2,305)*
140.	Gains (losses) from contractual modifications without derecognition	(617)	(55)
150.	**Net income from financial operations**	**2,447,679**	**2,065,241**
160.	Premiums earned (net)	40,022	44,374
170.	Other income (net) from insurance activities	(10,185)	(12,916)
180.	**Net profit from financial and insurance activities**	**2,477,516**	**2,096,699**
190.	Administrative expenses:	(1,487,108)	(1,381,467)
	a) Personnel costs	*(731,643)*	*(671,474)*
	b) Other administrative expenses	*(755,465)*	*(709,993)*
200.	Net transfers to provisions:	(35,817)	(6,941)
	a) commitments and financial guarantees	*2,134*	*2,893*
	b) other sums set aside (net)	*(37,951)*	*(9,834)*
210.	Net adjustments to tangible assets	(62,144)	(57,057)
220.	Net adjustments to intangible assets	(30,192)	(29,528)
230.	Other operating income (expense)	173,634	177,335
240.	**Operating costs**	**(1,441,627)**	**(1,297,658)**
250.	Gain (loss) on equity investments	453,860	359,254
260.	Net result from fair value measurement of tangible and intangible assets	(1,253)	—
270.	Goodwill write-offs	(49,536)	(3,733)
280.	Gain (loss) on disposal of investments	(14,385)	7,087
290.	**Profit/(Loss) on ordinary activities before tax**	**1,424,575**	**1,161,649**
300.	Income tax for the year on ordinary activities	(394,745)	(251,995)
310.	**Profit (loss) on ordinary operations after tax**	**1,029,830**	**909,654**
320.	Gain (loss) of discontinued operating assets, after tax	—	—
330.	**Net profit (loss) of the year**	**1,029,830**	**909,654**
340.	Profit (loss) for the period attributable to minority interests	(3,034)	(2,677)
350.	**Net profit (loss) for the period attributable to Mediobanca**	**1,026,796**	**906,977**

* The effect of the exchange rate valuations of banking book securities was reclassified from heading 100 to heading 80.

Statement of Consolidated Comprehensive Income

(€'000)

	30 June 23	30 June 22
10. Profit (Loss) for the period	1,029,830	909,654
Other income items net of tax without passing through profit and loss	**59,373**	**98,187**
20. Equity securities designated at fair value through other comprehensive income	18,906	37,918
30. Financial liabilities designated at fair value through profit or loss (changes in own credit risk)	(6,636)	4,425
40. Hedging of equity securities designated at fair value through other comprehensive income	—	—
50. Tangible assets	—	—
60. Intangible assets	—	—
70. Defined benefit plans	1,012	4,718
80. Non-current assets held for sale	—	—
90. Valuation reserves from equity-accounted investments:	46,091	51,126
Other income items net of tax passing through profit and loss	**(367,686)**	**(596,480)**
100. Foreign investments hedges	319	(10,606)
110. Exchange rate differences	1,172	8,156
120. Hedging of cash flows	96,448	193,621
130. Hedging instruments (non-designated components)	—	—
140. Financial assets (other than equity securities) measured at fair value through other comprehensive income	(8,210)	(89,644)
150. Non-current assets held for sale	—	—
160. Valuation reserves from equity-accounted investments:	(457,415)	(698,007)
170. Total other income items, after tax	**(308,313)**	**(498,293)**
180. Comprehensive income (Heading 10+170)	**721,517**	**411,361**
190. Consolidated comprehensive income attributable to minority interests	**3,628**	**3,793**
200. Consolidated comprehensive income attributable to Mediobanca	**717,889**	**407,568**

Statement of Changes in Consolidated Net Equity

(€'000)

	Total net equity at 30 June 22	Allocation of profit for previous period		Changes during the year									Total net equity at 30 June 23	Net equity attributable to the Group at 30 June 23	Net equity attributable to minority interests at 30 June 23
		Reserves	Dividends and other allocations	Transactions involving net equity								Comprehensive income for the year			
				Changes in reserves	New shares issued	Purchase of treasury shares	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivatives	Stock options[1]	Changes in equity investments				
Capital:	460,269	—	—	—	529	—	—	—	—	—	—	—	460,798	444,169	16,629
a) ordinary shares	460,269	—	—	—	529	—	—	—	—	—	—	—	460,798	444,169	16,629
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserves	2,197,454	—	—	—	—	—	—	—	—	—	—	—	2,197,454	2,195,606	1,848
Reserves:	6,989,271	909,654	(629,164)	635,810	(529)	(160,713)	—	—	—	13,583	—	—	7,757,912	7,675,283	82,629
a) retained earnings	7,060,452	909,654	(629,164)	573,252	(529)	—	—	—	—	—	—	—	7,913,665	7,831,663	82,002
b) other	(71,181)	—	—	62,558	—	(160,713)	—	—	—	13,583	—	—	(155,753)	(156,380)	627
Revaluation reserves	433,001	—	—	(62,558)	—	—	—	—	—	—	—	(308,313)	62,130	62,127	3
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(240,807)	—	—	—	—	161,931[2]	—	—	—	—	—	—	(78,876)	(78,876)	—
Profit (loss) for the period	909,654	(909,654)	—	—	—	—	—	—	—	—	—	1,029,830	1,029,830	1,026,796	3,034
Total net equity	10,748,842	—	(629,164)	573,252	—	1,218	—	—	—	13,583	—	721,517	11,429,248	X	X
Net equity attributable to the Group	10,647,271	—	(629,164)	574,308	—	1,218	—	—	—	13,583	—	717,889	X	11,325,105	X
Net equity attributable to minority interests	101,571	—	—	(1,056)	—	—	—	—	—	—	—	3,628	X	X	104,143

[1] This represents the effects on performance shares related to the ESOP schemes.
[2] This represents the effect of the repurchase of RAM Active Investments shares against Group reserves.

Statement of Changes in Consolidated Net Equity

(€'000)

	Total net equity at 30 June 21	Allocation of profit (loss) for the previous period		Changes during the year									Total net equity at 30 June 22	Net equity attributable to the Group at 30 June 22	Net equity attributable to minority interests at 30 June 22
				Net equity transactions								Comprehensive income for the year			
		Reserves	Dividends and other allocations	Changes in reserves	New shares issued	Treasury shares acquired	Extraordinary dividend payouts	Changes in equity instruments	Treasury shares derivatives	Stock options[1]	Changes in equity investments				
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 reserves	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) other	135,804	—	—	(1,771)	—	(217,360)	—	—	—	12,146	—	—	(71,181)	(71,808)	627
Revaluation 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 minority interests	88,312	—	—	9,466[2]	—	—	—	—	—	—	—	3,793	X	X	101,571

[1] This includes the effects of the first adoption of accounting standard IFRS 16 deriving from sub-leasing contracts.

[2] This represents the effects on performance shares related to the ESOP schemes.

Consolidated Cash Flow Statement Direct Method

(€'000)

	Amount	
	30 June 23	**30 June 22***
A. CASH FLOW FROM OPERATING ACTIVITIES		
1. Operating activities	**730,214**	**536,428**
- interest income collected (+)	2,977,529	1,616,990
- interest expense paid (-)	(1,359,051)	(293,903)
- dividends and similar income (+)	77,658	117,945
- net fees and commission income (+/-)	507,467	256,591
- personnel costs (-)	(552,436)	(511,278)
- net premium income (+)	34,584	33,458
- other insurance income / charges (+/-)	(150,626)	(149,719)
- other costs (-)	(832,059)	(498,788)
- other revenues (+)	284,545	252,774
- income taxes paid (-)	(257,397)	(287,642)
- expenses/income from discontinued asset groups after taxes (+/-)	—	—
2. Cash generated/absorbed by financial assets	**(1,871,607)**	**(2,359,320)**
- financial assets held for trading	376,596	1,258,324
- financial assets designated at fair value	16,345	63,529
- other financial assets mandatorily measured at fair value	58,885	(26,991)
- Financial assets measured at fair value through other comprehensive income	(1,883,759)	406,218
- financial assets measured at amortized cost	282,581	(3,537,825)
- other assets	(722,255)	(522,575)
3. Cash generated/absorbed by financial liabilities	**(2,019,567)**	**6,968,561**
- financial liabilities measured at amortized cost	(1,835,890)	7,244,844
- trading liabilities	183,423	(70,086)
- financial liabilities designated at fair value	850,676	(61,075)
- other liabilities	(1,217,776)	(145,122)
Net cash flow (outflow) from operating activities	**(3,160,960)**	**5,145,669**
B. CASH FLOWS FROM INVESTMENT ACTIVITY		
1. Cash generated from:	**253,890**	**322,163**
- disposal of shareholdings	—	—
- dividends received in respect of equity investments	243,847	313,833
- disposals of tangible assets	9,702	2,075
- disposals of intangible assets	95	6,255
- disposals of subsidiaries or business units	246	—
2. Cash absorbed by:	**(83,598)**	**(58,620)**
- purchases of shareholdings	(7,400)	—
- purchases of tangible assets	(39,751)	(26,460)
- purchases of intangible assets	(36,447)	(32,160)
- purchases of subsidiaries or business units	—	—
Net cash flow (outflow) from investment activity	**170,292**	**263,543**
C. CASH FLOWS FROM FUNDING ACTIVITY		
- issue/purchase of treasury shares	—	(241,431)
- issue/ purchase of capital instruments	—	—
- distribution of dividends and other purposes	(633,951)	(579,618)
- sales/acquisition of control by minority interests	—	—
Net cash inflow / outflow from funding activities	**(633,951)**	**(821,049)**
NET CASH FLOW (OUTFLOW) DURING THE PERIOD	**(3,624,619)**	**4,588,163**

* The data as at 30 June 2022 have been newly processed following the reclassification of some security deposits from Balance Sheet heading 10 to heading 40.

Reconciliation

(€'000)

Accounting items	Amount	
	30 June 23	30 June 22*
Cash and cash equivalents: balance at start of period	7,861,601	3,273,438
Total cash flow (outflow) during the period	(3,624,619)	4,588,163
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	4,236,982	7,861,601

* The data as at 30 June 2022 have been newly processed following the reclassification of some security deposits from Balance Sheet heading 10 to heading 40.

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Part A - Accounting Policies

A.1 - General Part

SECTION 1

Statement of conformity with IAS/IFRS

The consolidated financial statements at 30 June 2023 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 amended - which define the structure to be used in compiling and preparing the financial statements and the contents of the notes to the accounts. 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).

SECTION 2

General drafting principles

These consolidated financial statements comprise:

- Consolidated balance sheet;
- Consolidated income statement;

[1] The eighth update of the Circular was published on 17 November 2022. This update is mainly aimed at adopting the new international accounting standard IFRS 17 "Insurance Contracts" for financial years starting on 1 January 2023 or after and the resulting amendments introduced in other international accounting standards, including IAS 1 "Presentation of Financial Statements" and IFRS 7 "Financial Instruments: Disclosures". For the Mediobanca Group, this update will become effective as of 1 July 2023.

- 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 year under review, the European Commission approved two regulations, which include certain changes to accounting standards already in force (IFRS 17 and IAS 12):

Under Regulation (EU) 2021/2036 of 19 November 2021, IFRS 17 "Insurance Contracts" entered into force and was applicable as of 1 January 2023. Under Regulation 2022/1491 of 8 September 2022, published in the Official Journal L 234 of 9 September 2022, some amendments to IFRS 17 were introduced. In particular, the amendment to the transitional provisions of IFRS 17 allows companies to overcome the one-off classification differences in comparative information regarding the previous year upon first-time adoption of IFRS 17 and IFRS 9 "Financial Instruments". Companies may apply the amendment only upon first-time adoption of IFRS 17 and IFRS 9.[2]

On the same topic, it should also be noted that the Bank of Italy - IVASS - Consob issued a joint press release entitled "IAS/IFRS Financial Statements at 31 December 2022 - Information on the transition to IFRS 17 and IFRS 9" on 27 October 2022 calling upon all companies that draft (separate and consolidated) financial statements in compliance with international accounting standards to provide adequate disclosure on the entry into force of the new accounting standard from 1 January 2023, in compliance with paragraph 30 of IAS 8. The above joint press release also refers to the Recommendations of the European Securities and Markets Authority (ESMA), which, in its Public Statement ESMA32-339-208 "Transparency on implementation of IFRS 17 Insurance Contracts" of last May 13, aims to identify some information that

[2] For more details, please refer to the paragraph on the new standard.

listed companies are encouraged to provide in their 2022 Interim and Annual Financial Reports regarding impacts deriving from the first-time adoption of IFRS 17.

As is well known, the Mediobanca Group holds an equity investment in Assicurazioni Generali recorded among associated companies in light of its significant influence and whose value is measured in the consolidated financial statements by using the equity method in line with IAS 28. Applying the provisions of paragraphs 33 and 34 of IAS 28, for consolidation, the Group uses the affiliate's accounting statement referring to the previous three months only based on public information. The official financial statement and approved by the Board of Directors of Insurance General used for the purposes of preparing this Annual Report is the situation at 31 March 2023 that transposes the effects of the application of IFRS9-IFRS17 as required by applicable law. Consequently, the income statement and the result of the overall profitability resulting from the application of the equity method for the first three quarters of the year reflects the application of IAS39/IFRS4, only the fourth quarter follows IFRS9/IFRS17.

The subsidiary Compass RE will apply the new standards as of 1 July 2023. These will therefore be incorporated in the Group's quarterly report as at 30 September next.

Regulation 2022/1392 of 11 August 2022, published in Official Journal L 211 of 12 August 2022, adopted the amendments to IAS 12 "Income Taxes ". These amendments clarify how companies should account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce differences in the recognition of deferred tax assets and liabilities on leases and decommissioning obligations. Companies will apply these provisions starting from 1 January 2023 or later. The Mediobanca Group as of 1 July 2023.

The measures and statements published by regulatory and supervisory authorities in the past 12 months regarding the most suitable way to apply accounting standards that supplement the measures contained in the latest financial statements at 30 June 2022 are shown below. Please refer to the above financial statements for more details.

In October 2022, ESMA published the annual statement "European common enforcement priorities for 2022 annual financial reports" outlining the priorities on which listed companies must focus when preparing the annual reports for December 2022. ESMA in particular recommended that disclosure should be provided in the 2022 IFRS financial statements regarding: the possible impacts of the conflict between Russia and Ukraine[3] both in terms of financial results and of alternative performance measures (APM), the impacts of the current difficult macroeconomic context (exit from the pandemic period, inflation, rise in interest rates and deteriorated business outlook),[4] communications on the alignment of economic activities pursuant to Article 8 of the Taxonomy Regulation (EU 2020/852)[5], the effects of climate risks (climate change) with impacts, estimates and strategies implemented for their mitigation[6] giving particular importance to the consistency between assessments and estimates applied in the notes to the accounts and disclosure in the review of operations[7] and in the Non-Financial Statement. Lastly, in the same document, ESMA recalls that, starting from financial year 2022[8] the iXBRL marking requirement will come into force for financial statements templates and for the notes to the accounts in compliance with the ESEF Regulation.[9]

In September 2022, three European Supervisory Authorities (EBA, EIOPA and ESMA - referred to as ESA) published a joint report on the autumn 2022 risks (Joint Committee - Autumn 2022 Report on Risks and Vulnerabilities). The report emphasizes how Russia's war against Ukraine, compounded by pre-existing inflationary pressures, caused a sharp increase in energy and commodity prices thereby weakening the purchasing power of households and increasing the risk of stagflation. Consequently, the ESA Joint Committee advised the national competent authorities, financial institutions and market operators to take adequate measures to limit any adverse effects. Finally, financial institutions and supervisors should continue to carefully manage environmental risks[10] and cyber risks[11] to address threats to IT security and business continuity.

Lastly, on 16 December 2022, at the time of the publication of the "Closure Report of Covid-19 Measures", the EBA announced the repeal of its reporting and disclosure guidelines regarding the Covid-19 pandemic starting from 1 January 2023.

[3] Please refer to Part E – SECTION 1 – Consolidated prudential risks; especially paragraph 6 on Impacts caused by the war in Ukraine.

[4] ESMA expects the potential effects of the difficult economic situation to be taken into account by entities within the scope of IFRS standards, in particular within the scope of IAS 36 and IFRS 9.

[5] Please refer to the contents of the consolidated Non-Financial Report published on www.mediobanca.com.

[6] Please refer to Part E – ESG and Climate Change Risk.

[7] 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.

[8] For the Mediobanca Group, the Regulation will be applied as of the financial statements at 30 June 2023.

[9] Please refer to Part A - New ESEF Regulation.

[10] For a discussion of this topic, please refer to Part E - ESG and Climate Change Risk.

[11] For a discussion of this topic, please refer to Part E - IT Risk and Cyber Risk.

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 2023 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.

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 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.

The new accounting standard IFRS 17 - Insurance Contracts: overview of the standard and required disclosures

IFRS 17 will replace IFRS 4 as the new standard for the representation of insurance contracts providing for a single, harmonized method that favours a more immediate comparison between statutes of different countries. IFRS 17 will be applied in combination with IFRS 9, replacing the previous combination IFRS 4-IAS 39.

IFRS 17 applies to all insurance contracts, including reinsurance contracts and contracts that contain an investment component as part of an insurance contract, including with discretionary profit-sharing features.

Upon initial recognition, IFRS 17 requires insurance contracts and reinsurance transfer contracts to be aggregated into homogenous groups ("cohorts"), to which the rules on their recognition, measurement and presentation in the financial statements are applied. However, Regulation (EU) 2021/2036 of the Commission allows companies to derogate from the above method by not imposing the requirement to divide contracts into cohorts.

The new standard provides for the introduction of new equity amounts and different ways of recognizing the profitability of insurance products in the companies' financial statements, which - together with the choices that will be made on the transition approach - could have both capital impacts upon first adoption of the standard and target income statement volatility.

In particular, with reference to the changes made to the templates of the consolidated financial statements and Notes to the accounts, in the eighth update of Circular no. 262 of 22 December 2005 the Bank of Italy aligned itself with the instructions given by IVASS[12] on this topic, namely:

– in the consolidated balance sheet template, the items "Insurance liabilities" and "Insurance assets" show the insurance contracts issued and the reinsurance cessions;
– in the consolidated income statement template, the interim profit (loss) referring to insurance operations separately states revenues/costs for insurance services and net financial revenues/costs relating to insurance contracts issued and reinsurance cessions;
– the Notes to the consolidated accounts were adapted in order to present information on the nature and amount of risks arising from insurance contracts pursuant to the IFRS 17.

The Bank of Italy, on the other hand, made no changes with reference to the representation of IFRS 9 quantities. Therefore, financial instruments pertaining to insurance companies (including the insurance products to which IFRS 9 applies) in the financial statement templates pursuant to Circular 262 will be represented together with those of the bank, except for providing appropriate evidence, if any, in the tables of the Notes to the accounts.

Transition to the New Standard: Impacts on the Mediobanca Group

The Mediobanca Group operates directly in the insurance market through Compass RE, a company specializing in reinsurance, wholly owned by Compass Banca. Furthermore, as part of the adoption of the equity method for associated investments, it incorporates the effects of the transition of Assicurazioni Generali to the new standard and IFRS 9, as required by legislation.

[12] See ISVAP Regulation No.7 of 13 July 2007, as amended by Decision No.121 of 7 June 2022.

The regulatory provisions require the adoption of IFRS 17 as of the financial statements for years starting on 1 January 2023 (for the Mediobanca Group the adoption of the standard fell in the year starting on 1 July 2023), the transition date (FTA) being the beginning of the financial year immediately preceding the date of first adoption (1 January 2022, for the Mediobanca Group the financial year starting on 1 July 2022).

The disclosure made public by Assicurazioni Generali showed that the impact of the transition to the new standards was contained upon First-Time Adoption as at 1 January 2022, while it was more significant as at 31 December 2022. The transition of a large part of the OCI reserve from Net Equity to liabilities, resulting from the adoption of the new standards, had an effect on the computation of the book value of the equity investment in the Mediobanca Group's consolidated financial statements and led to its increase in value, as reported in Part B of the Notes to the accounts.

Lastly, it should be noted that the "Value reserves for investments accounted for using the equity method" were also calculated in these consolidated financial statements of the Mediobanca Group pursuant to IFRS 17/IFRS 9 without making any adjustments.

The transition to Compass RE will only concern IFRS 17 as IFRS 9 was applied by the company since its entry into force in order to make the data homogeneous with the rest of the Group. The approach chosen, considering the type of insurance contracts in the Compass RE portfolio, is the simplified Premium Allocation Approach (PAA). The analyses carried out revealed non-material impacts on the Group's equity and earnings.

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, which calculated the final interest at maturity based on the average quarterly refinancing rate on bank deposits, plus a bonus (50 bps) for transactions in place between 24 June 2020 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").

As a result of changes in the macroeconomic scenario in recent months, on 27 October 2022 the ECB decided to recalibrate the way interest should be calculated for the period from 23 November 2022 until the maturity date or early repayment date of each outstanding tranche, indexing it to the average ECB reference interest rates applicable over that period instead of over the entire duration of the programme.

The instrument is accounted for at amortized cost in accordance with IFRS 9. The change made by the ECB in computing the interest rate did not cause either derecognition or modification, and led to the recalculation of the effective rate at maturity, which, continuing with the same method used at 30 June 2022, incorporates the expected evolution of rates and payment of a premium on the maturity date of the instrument.

The effect on the profit and loss account within the twelve-month period of the recalibration of the rate generated interest expense of approximately €105m with an impact of €140m on net interest income, compared to the previous financial year.

Group Project on Interbank Benchmark Rate Transition

Activities relating to the transition of the USD Libor rate, scheduled for the end of June 2023, were concluded during the year under review without significant impacts on the profit and loss account. In line with the ECB recommendations of May 2021, activities providing for the revision and strengthening of the fall-back clauses relating to contracts and products indexed to the Euribor rate, as well as for the identification of the necessary actions in the operating and technological chains, are underway for a possible future transition, although the disposal thereof has not been planned for the time being.

Hedge Accounting

The Group's hedge accounting manual details the methodological and procedural choices for hedge accounting and the testing methods to verify its economic relationship.

The use of a behavioural model for accounts and fixed rate loans led to a reduction of 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.

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 mark-up of consolidated financial statements (Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement). The Mediobanca Group implemented it for the first time in the financial statements as at 30 June 2022, while the information contained in the Notes to the accounts will have to be marked starting from this financial year.

The combination of the XHTML format with i-XBRL mark-ups 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).

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:

– completion of the demerger of the "NPL Operations" business unit of the subsidiary MBCS, which merged into the new company Revalea (established on 19 April 2022 and wholly owned by Compass Banca) after obtaining the necessary authorizations to operate in credit management at the end of December 2022;

– establishment of MB INVAG S.r.l. (wholly owned by Mediobanca and consolidated using the line-by-line method), into which the pro-rata assets (represented by Assicurazioni Generali shares) and liabilities of INV AG S.r.l. (shareholding on 13.5%) merged. The Board of Directors held on 27 July last approved the merger by acquisition into Mediobanca S.p.A.;

– purchase of a 19.5% stake of Heidi Pay, where the significant influence of Compass Banca was identified. The acquisition of Soisy (wholly owned by Compass Banca) fully consolidated. The Purchase Price Allocation (PPA) under IFRS 3 was concluded as illustrated in Part B of the Notes to the accounts. The merger by acquisition into Compass Banca is expected by the end of 2023;

– cancellation of Spafid Connect from the Register of Companies after its liquidation has been completed;

– change of name of Cairn Capital to Polus Capital Management.

The following agreements, which will have an effect on the Group's area of consolidation in the next financial year, should also be noted:

– strategic agreement with the shareholders of Arma Partners LLP and US Arma Partners LP, with the aim of strengthening the advisory services offered in the Digital Economy to CIB and Wealth Management customers. The transaction, having obtained the authorisation process of the European Central Bank (ECB), is expected to be closed by the end of 2023 and will involve the line-by-line consolidation of the two enterprises;

- agreement for the purchase of 100% of Heidi Pay Switzerland AG, (investee company of the associate Heidi Pay acquired in the first few months of the year) specialising in BNPL with over 400 commercial agreements with major distributors, luxury brands and technology operators (the closing is expected by the end of 2023);
- agreement with Ifis for the sale of Revalea S.p.A. as part of a broader collaboration agreement for the management of non-performing loans involving MBCredit Solutions (it will support the purchaser in the management and recovery of bad and non-performing loans). The closing of the transaction, subject to obtaining the relevant regulatory approvals, should take place by the end of 2023;
- partnership agreement with Founders Factory, aimed at launching a new venture project and a fintech accelerator with the aim of facilitating innovation in financial services, providing support to international fintech start-ups in the early-stage phase and through investments in the thriving Italian start-up ecosystem.

1. Equity Investments in Group Legal Entities

	Company name	Registered office	Type of relationship[1]	Ownership Controlling entity	% shareholding	Voting rights in % [2]
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	Line-by-line method					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	SPAFID S.P.A	Milan	1	A.1.1	100.00	100.00
3.	MEDIOBANCA INNOVATION SERVICES - S.C.P.A.	Milan	1	A.1.1	100.00	100.00
4.	CMB MONACO S.A.M.	Monte Carlo	1	A.1.1	100.00	100.00
5.	CMG MONACO S.A.M.	Monte Carlo	1	A.1.4	99.92	99.92
6.	CMB ASSET MANAGEMENT S.A.M.	Monte Carlo	1	A.1.4	99.5	99.5
7.	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.8	1.00	1.00
8.	COMPASS BANCA S.P.A.	Milan	1	A.1.1	100.00	100.00
9.	CHEBANCA! S.P.A.	Milan	1	A.1.1	100.00	100.00
10.	MBCREDIT SOLUTIONS S.P.A.	Milan	1	A.1.8	100.00	100.00
11.	SELMABIPIEMME LEASING S.P.A.	Milan	1	A.1.1	60.00	60.00
12.	MB FUNDING LUXEMBOURG S.A.	Luxembourg	1	A.1.1	100.00	100.00
13.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
14.	MB FACTA S.P.A.	Milan	1	A.1.1	100.00	100.00
15.	QUARZO S.R.L.	Milan	1	A.1.8	90.00	90.00
16.	QUARZO CQS S.R.L.	Milan	1	A.1.8	90.00	90.00
17.	MEDIOBANCA COVERED BOND S.R.L.	Milan	1	A.1.9	90.00	90.00
18.	COMPASS RE (LUXEMBOURG) S.A.	Luxembourg	1	A.1.8	100.00	100.00
19.	MEDIOBANCA INTERNATIONAL IMMOBILIERE S. A R.L.	Luxembourg	1	A.1.7	100.00	100.00
20.	POLUS CAPITAL MANAGEMENT GROUP LIMITED	London	1	A.1.1	89.07*	64.4
21.	POLUS CAPITAL MANAGEMENT LIMITED	London	1	A.1.20	100.00	100.00
22.	POLUS CAPITAL MANAGEMENT (US) INC.	Wilmington (USA)	1	A.1.20	100.00	100.00
23.	POLUS CAPITAL MANAGEMENT INVESTMENTS LIMITED (non-operating)	London	1	A.1.20	100.00	100.00
24.	POLUS INVESTMENT MANAGERS LIMITED (non-operating)	London	1	A.1.20	100.00	100.00
25.	Bybrook Capital Management Limited	Grand Cayman	1	A.1.20	100.00	100.00
26.	Bybrook Capital LLP	Reading	1	A.1.25	100.00	100.00
27.	Bybrook Capital Services (UK) Limited	Reading	1	A.1.25	100.00	100.00
28.	Bybrook Capital Burton Partnership (GP) Limited	Grand Cayman	1	A.1.25	100.00	100.00
29.	Bybrook Capital (GP) LLC	Wilmington	1	A.1.25	100.00	100.00
30.	Bybrook Capital (US) LP	Wilmington	1	A.1.25	100.00	100.00
31.	SPAFID FAMILY OFFICE SIM	Milan	1	A.1.2	100.00	100.00
32.	SPAFID TRUST S.R.L.	Milan	1	A.1.2	100.00	100.00
33.	MEDIOBANCA MANAGEMENT COMPANY S.A.	Luxembourg	1	A.1.1	100.00	100.00
34.	MEDIOBANCA SGR S.P.A.	Milan	1	A.1.1	100.00	100.00
35.	RAM ACTIVE INVESTMENTS S.A.	Geneva	1	A.1.1	98.3**	95.8
36.	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.	Luxembourg	1	A.1.35	100.00	100.00
37.	MESSIER ET ASSOCIES S.A.S.	Paris	1	A.1.1	100.00***	79.6
38.	MESSIER ET ASSOCIES L.L.C.	New York	1	A.1.37	100.00***	50.00
39.	MBCONTACT SOLUTIONS S.R.L.	Milan	1	A.1.10	100.00	100.00
40.	COMPASS RENT S.R.L.	Milan	1	A.1.8	100.00	100.00
41.	COMPASS LINK S.R.L.	Milan	1	A.1.8	100.00	100.00
42.	RAM ACTIVE INVESTMENTS LIMITED (UK) (in liquidation)	London	1	A.1.35	100.00	100.00
43.	CMB REAL ESTATE DEVELOPMENT SAM	Monte Carlo	1	A.1.4	60.00	60.00
			1	A.1.1	40.00	40.00
44.	REVALEA S.P.A.	Milan	1	A.1.8	100.00	100.00
45.	SOISY S.P.A.	Milan	1	A.1.8	100.00	100.00
46.	MB INV AG S.R.L.	Milan	1	A.1.1	100.00	100.00

* 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.

Group Legal Entities are consolidated on a 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. Any assets and liabilities, income and expenses from transactions between consolidated companies 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. When 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.

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.

Under the equity method of accounting, any changes in the net equity of the investee company (including gains and losses) since the acquisition date should be included in the book value of the investment (originally recognised at cost). This value is reduced in the event that the investment distributes dividends. The gain or loss generated by the investment is recorded pro rata in the consolidated income statement, including any value impairment or write-ups; while all other changes are recognized directly in net equity.

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 income statement items. All exchange rate differences arising as a result of the translation are recorded in a specific net equity valuation reserve which, as and when the investment is sold, is eliminated and the relevant amount is debited from or credited to the income statement as the case may be.

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.

As required by paragraph 5-A of IFRS 12, the companies included within the area of consolidation, which must be disclosed in this paragraph, also include the equity investments of entities classified as held for sale (or included in a disposal group which is classified as held for sale).

In these financial statements, Group Legal Entity Revalea S.p.A. was the subject of a sale agreement and the conditions were met for its classification in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”.

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 Legal Entities 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 eventuality is expressly provided for by IAS 28 (paras. 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.

SECTION 4

Events subsequent to the reporting date

At the end of June, Mediobanca gave its assent to the rescue process of Eurovita in the dual role of distributing and system bank by subscribing to two credit lines granted to the Newco, which comprises five insurance companies which will purchase the assets of the company that entered a liquidity crisis. The commitment, to be signed in the coming days, will amount to no more than €77m, will be drawn on the basis of repayments requested by Private customers and will largely be guaranteed by the Newco's liquid assets. At the same time, Mediobanca undertook to pay an annual service fee linked to the policies in force from time to time. In light of the limited exposure of Wealth customers and taking into account that the conditions of both loans were at fair market value, the Eurovita transaction will not produce material effects on Mediobanca's numbers.

Article 26 of Law-Decree No. 104/2023 (published in Official Journal no. 186 of 10 August 2023), limited to the year 2023, introduced an extraordinary levy of 40% on the extra profits of banks, calculated as the higher value of: a) the amount of interest income relating to the financial year prior to the one in progress as at 1 January 2023 which exceeds such income by at least 5 per cent in the year prior to the one in progress as at 1 January 2022 and b) the amount of interest income relating to the year prior to the one in progress as at 1 January 2024 which exceeds such income by at least 10 per cent in the financial year prior to the one in progress as at 1 January 2022. However, the amount of this extraordinary tax cannot exceed 0.1 per cent of total balance sheet assets relating to the financial year prior to the one in progress as at 1 January 2023. Recognition through profit or loss will only be required after the law-decree has been enacted; in light of the current bill, the extra profits of Mediobanca will be those accrued as at 30 June 2023 and 30 June 2022 and therefore, the tax should be paid by 31 January 2024. It should be noted that on the date of approval of the Directors' report, the approval process of the decree is underway and therefore the rule may be subject to changes.

No other events requiring an adjustment to be made to the data shown in the individual Financial Statements at 30 June 2023 occurred after such date.

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 lodged at the company offices and with the competent institutions as pursuant to the law.

The consolidated financial statements are accompanied by the Declaration by head of company financial reporting pursuant to Article 154-bis of the Italian Consolidated 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

1 - 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, and assets to which the Fair Value Option is applied.

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.

Financial assets mandatorily measured at fair value include financial assets that are not held for trading but which are mandatorily measured at fair value through profit or loss since they do not meet the requirements for classification 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 income statement. Following their initial recognition, they will continue to be measured at fair value, and any changes in fair value will be recognized in the income statement. 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 income statement 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 designated 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.

[13] The IFRS Interpretation Committee’s clarification rules out any possibility of such instruments being treated as equities.

2 - 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 income statement (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 income statement.

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.

3 - Financial assets measured at amortized 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 Group's 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 the portfolio level and not at the 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]

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

[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.

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 customisation. 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 income statement.

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 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; 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 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).

4 - 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 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).

5 - Leases (IFRS 16)

An agreement is classified as a lease[15] (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

[15] 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 income statement.

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.

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-cancellation 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.

6 - 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)[16] and not governed by the same.

The types of hedges used by the Group are the following:

– fair value hedges, which aim to offset the Group's exposure to changes in the fair value of a financial item or homogeneous 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 recognized and 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 income statement, 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 income statement 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

[16] 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)."

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 income statement 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 income statement, 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 unrecognised 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 profit (loss) for the year.

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.

7 - Equity investments

This heading consists of interests[17] held in jointly-controlled entities 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.

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

[17] 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.

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 income statement.

8 - Tangible assets

This heading comprises land, core and investment properties, plant, furniture, fittings and equipment of all kinds. It also includes right-of-use 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 Group'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 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 income statement.

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 indefinite useful life. If on such land the property is wholly owned by the Group, the value of the building is 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 income statement. 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.

9 - 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.[18] 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 income statement.

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 income statement 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.

[18] 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.

At annual and interim reporting dates, if there is evidence of impairment the realizable value of the asset is estimated.[19] The impairment is recognized in the income statement as the difference between the carrying amount and the recoverable value of the asset concerned.

10 - Tax assets and liabilities

Income taxes are recorded through the income statement, 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.

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.

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

11 - 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

[19] 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").

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.

12 - Provisions for Risks and Charges

These regard risks linked to loan commitments and guarantees issued, and to the Group’s operations that may lead to future charges and retirement plans (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 income statement.

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 income statement 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 contingent liabilities where this could compromise the company in any way.

13 - Provision for statutory end-of-service payments and post-retirement schemes

Provision for statutory end-of-service payments 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.

Provision for statutory end-of-service payments 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 income statement.

14 - Financial liabilities measured 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 payable 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 income statement.

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 income statement.

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 income statement.

15 - 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 income statement.

16 - Financial Liabilities Designated at Fair Value

These include the value of financial liabilities designated at fair value with a balancing entry in the Income Statement, on the basis of the option granted to companies (referred to as "fair value option") by IFRS 9 and in compliance with the cases set forth by legislation.

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, gains 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.

17 - Financial liabilities measured 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.

18 - 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 income statement, 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 income statement 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.

19 - Other information

Stock Options, Performance Shares and Long-Term Incentives

Stock option, performance share and long-term incentive (LTI) schemes operated on behalf of 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 income statement 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 differences between the initial disbursement upon acquisition and the revenues on disposal are also 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 Group 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 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 income statement.

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;[20]

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, dependants, spouses' dependants and their partners' dependants), 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

A.3.2 Reclassification of financial assets: changes to the business model, Fair Value and effects on other comprehensive income

A.3.3 Reclassification of financial assets: changes to the business model and interest rate

At 30 June 2023, there were no data to be reported for any of the sections above.

[20] 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.4 - Information on fair value

QUALITATIVE INFORMATION

Fair value

In line with the international accounting standards, the fair value of financial instruments stated in the financial statements is the so-called exit price, i.e. the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (exit price), regardless of whether such price is directly observable or estimated using another valuation technique (IFRS 13 §24).

Fair value, therefore, is "the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators at the measurement date".

The Fair Value hierarchy of an instrument is a direct consequence of the Fair Value estimation approach: in principle, a financial instrument is considered to be listed on an active market if its price represents its current exchange value in normal, effective and regular market operations.

If the market is not active, the fair value of the instrument being estimated is measured by using market prices for similar instruments on active markets (comparable approach) or, in the absence of similar instruments, using a valuation technique that uses market and non-observable information (observable/unobservable inputs).

The Group has laid down precise guidelines regarding three key aspects: independent calculation of Fair Value, conducted by the Group's control units; the adoption of any Fair Value adjustments to consider aspects of uncertainty/liquidity; and classification of financial instruments according to a Fair Value hierarchy based on the level of uncertainty of the valuation. In addition to the book fair value, which affects both the balance sheet and the income statement, the Group is required to make prudent valuation adjustments in order to calculate prudential requirements.

These guidelines, set out in Policies approved by the Board of Directors and related implementation Directives approved by the competent Committees, were defined in compliance with the main international regulations (IFRS 13[21] and CRR art 105[22]) and corroborated by a benchmarking test; the main activities for calculating the exit price of the financial instruments in the portfolio are shown below.[23]

Independent Price Verification (IPV) Processes

Independent Price Verification (IPV) is the process through which prices and market data, used to calculate Fair Value and to measure prudent value, are subject to a verification process according to specific accuracy standards defined internally by the Group. The Independent Price Verification Policy and Directive meet the requirements laid down in Article 105, para. 8 of Regulation (EU) 575/2013, which requires Institutions to perform independent price verification in addition to daily marking-to-market or marking-to-model and establish and maintain sufficient procedures for providing valuation estimates.

Independent Price Verification has the following objectives: formalisation of control methodologies, definition of a market parameter validation approach, definition of the methodologies for quantifying control thresholds, methods and types of escalation and reporting to Senior Management.

Verification of the correctness of the valuation will be based on verification of market parameters used for the valuation of instruments that present a risk profile for the Group and individual Desks by analysing the correct import of data from info providers and the fairness of the financial value through comparison with other info providers, indicative quotations provided by brokers and implicit parameters deduced from such quotations. With regard to illiquid financial instruments, verification should also be performed as regards the valuation methodology input data.

IPV performs data analysis in order to ensure consistency with a comparison source to ensure a correct evaluation of the Bank's and of individual Desks' risk positions of the main Profit and Loss drivers. Any changes to the data

[21] IFRS 13 establishes guidelines for identifying the exit price by using available prices, valuation models and any corrections (FVA) to consider elements of illiquidity/risk which, if not applied, would lead to overestimating the financial instrument, and the need to classify financial instruments according to the level of objectivity in the computation of fair value (FVH).

[22] The guiding principles of the IPV and PVA processes are defined in the CRR Directive art 105.

[23] It should be emphasized that the accuracy and consistency of these guidelines are subject to rigorous supervision by the Group Audit unit, which verifies the effectiveness and adequacy thereof. Furthermore, a specific internal validation unit has been established, i.e. the Quantitative Risk Methodologies (QRM), which focuses on the validation of the quantitative methods used.

will have an impact not only on the balance sheet but also on the Profit and Loss reporting process of the portfolio concerned. Furthermore, the decision to change the source of valuation of any market data during Independent Price Verification process, as well as the verification method itself, may generate a different classification of the instrument being analysed with respect to the Fair Value Hierarchy.

For the calculation of Independent Price Verification adjustments, the Mediobanca Group uses available and reliable sources. Where possible, these are also used for the prudent valuation adjustment (PVA) process in line with the provisions of Article 3 of Delegated Regulation (EU) 2016/101. These data sources are validated in accordance with the provisions of internal documentation and/or regulations.

The validation process focuses on the asset classes that have a direct impact on the Group's Income Statement, both for proprietary instruments and for guaranteed instruments. In this regard, before proceeding with the analysis of the market parameters, the scope of analysis where to perform the certification is divided into asset classes. However, materiality thresholds (at risk factor level) are established for each exposure above which to apply the calculation described below.

IPV requires daily checks to be performed on all Group positions (trading and banking book), which include the year-by-year price of financial instruments, market curves and volatility surfaces. Furthermore, monthly checks, at the latest, are carried out for some asset classes, based on consensus services, given the nature and frequency with which valuation data is available in the systems.

Fair Value Adjustment (FVA)

Fair Value Adjustment (FVA) plays a fundamental role in the valuation of financial instruments, as it ensures that the fair value reflects the price actually realizable in a practical market transaction. The guidelines defined in the Fair Value policy fully reflect the requirements defined by accounting standard IFRS 13, according to which the valuation of financial instruments should use the exit price method and allow for corrections to be made to the valuations in specific circumstances.

This fair value approach ensures that the valuations made by the Group are based on prices that are realistic and representative of current market conditions, guaranteeing adequate consideration to exit conditions and to the actual possibilities of selling or purchasing the financial instruments being valued. This ensures accurate and reliable financial information to be provided internally and to external stakeholders. In particular:

- Inputs based on Bid and Ask Prices - §70: when measuring an asset or liability at fair value and having at one's disposal both a bid and an ask price (as in the case of inputs from a market of operators), the price within the bid-ask spread that best represents fair value in the specific circumstances should be chosen. The Group uses bid or ask prices in order to align with the closing price.
- Inputs derived from Bid and Ask Prices - §71: the standard does not prohibit the use of average market prices or other pricing conventions commonly used by market participants to measure fair value within the bid-ask spread. However, in the Group's approach preference was given to the adoption of bid and ask prices in order to obtain a more precise fair value measurement, particularly in line with a reliable closing price.

Fair value adjustments have an impact on profit or loss and take into account market liquidity, the uncertainties of parameters, the financing costs, and the complexity of the valuation models used in the absence of shared market practices.

The scope of fair value adjustments includes the following categories:

- Market price uncertainty (MPU): This consists in uncertainties in valuations based on market quotations;
- Closed-out cost (COC): This indicates uncertainties regarding the liquidity cost that the Group may incur in the event of a partial or total sale of an asset measured at fair value;
- Model risk (MR): adjustments aimed at mitigating the risk of discrepancy with respect to market practice in the valuation of a product in relation to the choice and implementation of the valuation model;
- Concentrated positions: This reflects uncertainties in the valuation of the exit price for positions classified as concentrated (i.e. positions whose disposal would significantly affect the market price);

– Additional investment and financing costs: Investment and financing costs may be incurred for own bond issues with an early redemption clause or in the event of early closure of positions in derivative instruments. These costs may vary depending on fluctuations in financing costs.

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. CVA (Credit Value Adjustment) represents a negative amount that takes into account cases where the counterparty could go bankrupt before the Group/Bank, with a positive market value against the counterparty. DVA (Debt Value Adjustment) represents an amount that takes into account the cases in which the Group/Bank could go bankrupt before the counterparty, with an impact for the counterparty. These adjustments are calculated taking into account any risk mitigating arrangements, such as collateral and netting arrangements for each counterparty.

The method used to calculate CVA/DVA is based on the following inputs:

– Expected Positive (EPE) and Expected Negative (ENE) Exposure, derived from simulations, which reflect the positive and negative valuation exposures of derivatives;
– Probability of Default (PD), which may be derived from historical default probabilities or implied in the market prices of Credit Default Swaps or bonds;
– Loss given default (LGD) based on the estimated value of expected recovery in the event of bankruptcy of the counterparty, as defined by analyses conducted by the Group or by the recovery rates conventionally used for Credit Default Swap quotations.

Furthermore, the fair value of non-collateralized derivatives may be affected by the Group's funding costs (Funding Value Adjustment). Therefore, adjustments are made for the different funding costs using a discount curve that represents the average funding level of banks operating in the European corporate derivatives market.

Fair Value Hierarchy (FVH) – Observability and materiality of inputs

The Observability Levelling and Day-one Profit Directive, as specified in Bank of Italy Circulars No. 285 and No. 262 and in IFRS 13, requires a hierarchy of levels reflecting the significance of inputs used in the valuations. These inputs, called "valuation inputs," are the market data used to estimate the fair value of financial instruments. The term "valuation input" refers to the market data used to estimate the fair value of instruments. To estimate the fair value of instruments, the Group uses valuation techniques that are adequate to the circumstances and for which sufficient data are available. Valuation techniques can be based on various approaches:

- market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- cost approach (or current method), which reflects the amount that would currently be required to replace an asset's service capacity;
- income approach, which converts future amounts (e.g. cash flows or revenues and expenses) into a single discounted amount through, for example: present value methods and option pricing models.

These valuation methods may use different types of inputs, which may be observable or unobservable. Prices quoted in active markets are classified as "observable inputs". In other cases, the information is considered observable when the valuation is based on market information obtained from sources independent of the Group or from actual transactions. Under IFRS 13, paragraph B34, some examples of markets from which observable inputs can be derived include the following:

- exchange markets: In an exchange market, closing prices are both readily available and generally representative of fair value. An example of such a market is the London Stock Exchange.
- dealer markets: In a dealer market, dealers stand ready to trade (either buy or sell for their own account), thereby providing liquidity by using their capital to hold an inventory of the items for which they make a market. Typically, bid and ask prices (representing the price at which the dealer is willing to buy and the price at which the dealer is willing to sell, respectively) are more readily available than closing prices. Over-the-counter markets (for which prices are publicly reported) are dealer markets. Dealer markets also exist for some other assets and liabilities, including some financial instruments, commodities and physical assets.
- brokered markets: In a brokered market, brokers attempt to match buyers with sellers but do not stand ready to trade for their own account.

Brokers do not use their own capital to hold an inventory of the items for which they make a market, but they know the prices bid and asked by the respective parties. Prices of completed transactions are sometimes available. Brokered markets include electronic communication networks, in which buy and sell orders are matched, and commercial and residential real estate markets;

– principal-to-principal markets: In a principal-to-principal market, transactions, both originations and resales, are negotiated independently with no intermediary. Little information about those transactions may be made available publicly.

All cases in which it is not possible to demonstrate the observability of inputs are classified as “unobservable inputs” and, in particular, when the information on which the valuation techniques are based reflects the Group’s judgement formulated using the best information available in such circumstances.

Under IFRS 13, para. 67, valuation techniques used to measure fair value should maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

In more detail, based on their observability and considering additional criteria, inputs can be classified into three different levels.

Level 1 inputs:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and are prices to be used preferentially to measure financial assets and liabilities held by the Group. If a quoted price recorded on an active market is available, alternative valuation techniques based on quotes for comparable instruments or quantitative models cannot be used and the instrument is classified as a “Level 1 instrument” in its entirety. The objective is to reach a price at which a financial instrument would be traded at the reporting date (without altering the instrument) on an active market considered to be the main one or the most advantageous one for the Group and to which it has immediate access.

Level 2 inputs:

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets.
- quoted prices for identical or similar assets or liabilities in markets that are not active.

Inputs other than quoted prices that are observable for the asset or liability, for example:

(i) Interest rates and yield curves observable at commonly quoted intervals;

(ii) Implied volatility;

(iii) Credit spread.

Market-corroborated inputs.

Level 2 inputs may require adjustments for example relating to:

- the condition or location of the asset;
- the extent to which inputs relate to items that are comparable to the asset or liability;
- the volume or level of activity in the markets within which the inputs are observed.

If there is no public quotation on an active market for the price of the financial instrument as a whole, but active markets exist for its components, Fair Value will be calculated by reference to the relevant market prices for those components. In this case, valuation will not be based on active market quotations for the financial instrument in question, but on observable market inputs or through the use of inputs that are not observable but are supported and confirmed by market data. The use of this approach does not exclude the use of a calculation method, or rather, of a pricing model, through which it is possible to establish the correct price of the transaction at the reference date, in an ideal and independent trading environment justified by normal market considerations.

Level 3 inputs:

Level 3 inputs are not directly observable inputs that are used to measure the Fair Value in the event that relevant observable inputs are not available, making it possible to estimate a closing price even in situations of low market activity for the asset or liability as at the measurement date. The Group estimates unobservable inputs using the best information available in the circumstances, which could include its own data, considering all information on the assumptions of market participants that is reasonably available. Unlike Level 2 inputs, in this case the inputs must be internally estimated according to quantitative methods, such as the use of historical series and comparable underlying instruments. Both Level 2 and Level 3 inputs may be used for a certain instrument. In this case, the final classification of the instrument is defined by applying the materiality assessment.

There are two stages in the process of determining the levels and observability of inputs. In the first stage, a level is assigned to all inputs applied in the instrument valuation model. In the second stage, the materiality of the various inputs used to determine the relevance of unobservable inputs on the overall valuation of the instrument is verified.

Materiality is a crucial step in establishing whether unobservable inputs (Level 2 or 3) are meaningful to the entire measurement of the instrument. This materiality analysis also extends to inputs used to calculate any adjustments, such as the Fair Value Adjustment (FVA) or the Credit Value Adjustment (CVA).

In summary, the observability and materiality process ensures that the Fair Value of financial instruments is classified correctly based on the significance of the inputs used, ensuring an adequate valuation of the Group's financial assets and liabilities.

Prudent Valuation Adjustment **(PVA)**

The Prudent Valuation Policy and Directive meet the regulatory requirements of Article 34 and Article 105, para. 2, of Regulation (EU) 575/2013, which, solely for prudential purposes and therefore without accounting impacts, requires a prudential valuation[24] to be performed by applying adjusted inputs

[24] Prudential valuation is understood as an exit exit price with a level of certainty equal to 90%.

in order to capture stressed events. The difference between Prudent Value and Fair Value (exit price used for recording the instruments in the Group's financial statements) is called Additional Valuation Adjustment (AVA). The aggregation of AVAs, called Prudent Value Adjustment (PVA), is deducted directly from Common Equity Tier 1 - CET1.

The final adjustment is defined by the Regulator as the aggregation of nine AVAs:

- Market Price Uncertainty (MPU): This refers to the uncertainty of a valuation based on market prices, calculated at the level of the exposure being measured;
- Close-out Costs (CoC): This consists in the uncertainty of the exit price, calculated at the level of the exposure being measured;
- Model Risk (MR): This refers to the valuation uncertainty arising from the uncertainty of the model used and/or of the calibration thereof used by various market participants;
- Unearned Credit Spreads (UCS): This consists in uncertainty in the measurement necessary to include the present value of expected losses in the event of counterparty default on derivative positions;
- Investing and Funding Costs (IFC): This is the uncertainty of the valuation of funding costs used in the valuation of the exit price in accordance with the applicable accounting framework;
- Concentrated Positions (CP): This is the uncertainty of the exit price for positions defined as concentrated;
- Future and Administrative Costs (FAC): This considers administrative costs and future hedging costs over the life of the exposures being measured to which a direct exit price has not been applied for CoC AVAs;
- Early Termination (ET): This considers contingent losses arising from non-contractual early closures of the clients' trading positions;
- Operational Risk (OR): This considers contingent losses that may be incurred as a result of the operational risks associated with the measurement processes.

Positions designated at Fair Value include various categories of financial assets and liabilities, as defined by International Financial Reporting Standards

(IFRS); however, some positions are excluded from the AVA calculation if a change in the valuation of their amount does not affect capital resources. These exclusions include positions available for sale (FVOCI) to the extent that valuation changes are subject to prudential filtering, perfectly matching opposite positions (back-to-back) and positions subject to hedging transactions (hedge accounting).

A.4.1 Valuation processes and sensitivity analysis

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 parameter uncertainty	MtM +/- delta (€/000) 30 June 23
Implied volatility	Defined as a standard deviation from the consensus provided by the 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.	(4.4)
Equity-equity correlation	Defined as a standard deviation from the consensus provided by the 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.	(16.3)

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 June 23 (€m)	Fair value* Liabilities 30 June 23 (€m)	Fair value* Assets 30 June 22 (€m)	Fair value* Liabilities 30 June 22 (€m)
OTC equity single name options, variance swap	Black-Scholes/ Black model	Implied volatility[1]	11.70	(5.68)	10.59	(14.08)
OTC equity basket options, best of/ worst of, equity autocallable multi-asset options	Black-Scholes model, local volatility model	Implied volatility Equity-equity correlation[2]	7.45	(11.56)	13.08	(16.40)
CDS on Single Names with *Recovery Rate 0*	Arbitrage Free Credit Spread Model	Recovery Rate	0.37	—	—	—
Put options securing the financial yield of retirement plans	Black-Scholes model	Projection of future premium flows and mortality rates of policyholders[3]	0.01	(29.25)	0.46	(30.52)

* The carrying amount shown above is equal to the full fair value of structures and includes fair value adjustments.

[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 data uncertainties.

[3] The contractual form has been structured as a put option with an original term of between 10 and 30 years, the valuation of which is subject to uncertainty regarding both the estimate of future premiums and 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 June 2023			30 June 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	6,871,089	2,883,005	900,305	6,112,824	3,249,512	1,318,683
a) financial assets held for trading	6,714,689	2,343,281	488,242	5,836,934	2,732,339	961,662
b) financial assets designated at fair value	—	538,590	—	—	516,483	—
c) other financial assets mandatorily measured at fair value	156,400	1,134	412,063	275,890	690	357,021
2. Financial assets measured at fair value through other comprehensive income	5,680,235	51,050	310,834	3,696,496	17,793	419,396
3. Hedging derivatives	—	1,321,883	—	—	872,431	—
4. Tangible assets	—	—	—	—	—	—
5. Intangible assets	—	—	—	—	—	—
Total	12,551,324	4,255,938	1,211,139	9,809,320	4,139,736	1,738,079
1. Financial liabilities held for trading	4,968,008	4,166,238	302,426	4,604,876	3,897,854	703,975
2. Financial liabilities designated at fair value	—	1,540,419	40,537	—	638,151	3,513
3. Hedging derivatives	—	2,069,542	—	—	1,361,863	—
Total	4,968,008	7,776,199	342,963	4,604,876	5,897,868	707,488

The Group's trading book is mainly concentrated on liquid transactions with a low level of uncertainty. A residual, more complex part remains which, however, even in this context of greater volatility and uncertainty, has not undergone significant changes.

A portion of Level 3 instruments consists in sold options, i.e., derivatives traded with the same underlying risk parameter and which therefore do not involve volatility for the income statement; during the year under review, the value of these transactions essentially ceased to exist after more than half of the options expired (€220.8m) and another €176.6m in contracts reached the parameter liquidity level to be transferred to Level 2.

Other Level 3 assets held for trading decreased from €551.9m to €487.4m after the partial conversion (€-122m) of the exposure in unlisted convertible preference shares which remained outstanding for €152.3m (moreover equalized by the valuation of the forward sale of perfect hedging stipulated on the same underlying and classified at Level 2), to which new entries of €81.5m and transfers of €7m to other levels should be added.

Level 3 liabilities mainly concerned autocallable certificates on baskets of shares, which increased from €294.2m to €301.6m following new issues of €129.7m, only partly absorbed by redemptions of €76.9m; transfers to other levels amounted to €18.3m, while adjustments to fair value were positive by €27.1m.

Financial assets mandatorily measured at fair value (consisting in investments in funds) increased from €357m to €412m after net purchases of €34m, transfers of €29.9m from other levels and negative changes of €8.8m in fair value.

Financial assets designated at fair value through comprehensive income (bonds, shares and SFPs) decreased from €419.4m to €310.9m with sales and redemptions of €166.8m (of which €54m relating to the partial repayment on SFP Burgo and €77.3m on ABS). Purchases amounted to €7.4m and changes in Fair Value were positive by €50.8m (mainly the revaluation of SFPs).

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

(€'000)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through 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 measured at fair value				
1. Opening amount	908,907	551,886	—	357,021	419,396	—	—	—
2. Increases	261,092	173,810	—	87,282	61,823	—	—	—
2.1 Purchases	190,243	146,684	—	43,559	7,416	—	—	—
2.2 Gains recognized in:	39,054	25,213	—	13,841	54,407	—	—	—
2.2.1 Income statement	39,054	25,213	—	13,841	14,171	—	—	—
- of which, capital gains	22,985	22,985	—	—	—	—	—	—
2.2.2 Net equity	—	—	—	—	40,236	—	—	—
2.3 Transfers from other levels	31,795	1,913	—	29,883	—	—	—	—
2.4 Other increases	—	—	—	—	—	—	—	—
3. Decreases	(270,492)	(238,253)	—	(32,239)	(170,385)	—	—	—
3.1 Disposals	(74,756)	(65,225)	—	(9,531)	(25,340)	—	—	—
3.2 Redemptions	(119,511)	(119,511)	—	—	(141,422)	—	—	—
3.3 Losses recognized in:	(27,348)	(5,238)	—	(22,110)	(3,253)	—	—	—
3.3.1 Income statement	(27,348)	(5,238)	—	(22,110)	—	—	—	—
- of which, capital losses	(4,927)	(4,927)	—	—	—	—	—	—
3.3.2 Net equity	—	—	—	—	(3,253)	—	—	—
3.4 Transfers to other levels	(8,850)	(8,850)	—	—	—	—	—	—
3.5 Other decreases	(40,027)	(39,429)	—	(598)	(370)	—	—	—
4. Closing amount	899,507	487,443	—	412,064	310,834	—	—	—

[1] After the market value of sold options (€0.8m at 30 June 2023 and €409.7m at 30 June 2022) the values of which are stated in the assets and liabilities for the same amount.

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

(€'000)

	Financial liabilities held for trading[1]	Financial liabilities designated at fair value	Hedging derivatives
1. Opening amount	294,196	3,513	—
2. Increases	137,544	37,024	—
2.1 Issues	129,706	35,591	—
2.2 Losses recognized in:	7,838	1,433	—
2.2.1 Income statement	7,838	1,433	—
- *of which, capital losses*	7,838	—	—
2.2.2 Net equity	—	—	—
2.3 Transfers from other levels	—	—	—
2.4 Other increases	—	—	—
3. Decreases	130,112	—	—
3.1 Redemptions	76,898	—	—
3.2 Buybacks	—	—	—
3.3 Gains recognized in:	34,935	—	—
3.3.1 Income statement	34,935	—	—
- *of which, capital gains*	29,990	—	—
3.3.2 Net equity	—	—	—
3.4 Transfers to other levels	18,279	—	—
3.5 Other decreases	—	—	—
4. Closing amount	301,628	40,537	—

[1] After the market value of sold options (€0.8m at 30 June 2023 and €409.7m at 30 June 2022) the values of which are stated in the 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 June 2023				30 June 2022			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortized cost	62,555,709	3,963,714	16,948,503	39,522,590	60,822,518	3,999,535	18,298,303	40,219,422
2. Tangible assets held for investment purposes	50,486	—	—	125,440	59,644	—	—	145,673
3. Non-current assets and disposal groups classified as held for sale	251,987	—	—	—	191	—	—	—
Total	62,858,182	3,963,714	16,948,503	39,648,030	60,883,761	3,999,535	18,298,303	40,365,095
1. Financial liabilities measured at amortized cost	64,903,066	1,038,611	63,352,460	261,493	66,715,625	859,014	65,729,829	59,252
2. Liabilities associated with assets classified as held for sale	8,134	—	—	—	—	—	—	—
Total	64,911,200	1,038,611	63,352,460	261,493	66,715,625	859,014	65,729,829	59,252

A.5 - Information on Day One Profit/Loss

Pursuant to IFRS 7, paragraph 28, the "Day-one Profit/Loss" is understood as the difference between the fair value of a financial instrument at the initial recognition date (transaction price) and the amount estimated at that date using a valuation technique. This difference may be positive or negative.

In the event that the difference is positive (day-one profit) and based on market quotations and models that almost exclusively include the use of observable market inputs, this amount can be included in the positive components of the income statement. However, if the positive difference is based on non-observable market inputs, the fair value of the instrument must be adjusted for such difference and charged through profit or loss when the inputs become observable.

In the event, however, that the difference attributable to non-observable inputs is negative (day-one loss), it is immediately recorded through profit or loss on a prudential basis.

The Group applies the day-one profit suspension rule to financial instruments classified as Level 3 of the Fair Value hierarchy, i.e. instruments for which the impact of one or more non-observable inputs on the fair value is considered significant, as defined in paragraph 73 of IFRS 13. The day-one profit, calculated after fair value adjustments, is amortized over the expected period for which the input data will remain unobservable. The day-one profit is not applied if the risks generated by the transaction are hedged with a market counterparty (back-to-back) and therefore there are no impacts on profit or loss due to the non-observable input.

During the year under review, use was made of the day-one profit method for two types of transactions:

– contingent derivatives: deals subject to a positive outcome of a corporate action whose impacts on the income statement are entirely suspended pending the corporate event. As at 30 June 2023 there were no transactions in the Group's portfolio;

– certificates: as at 30 June 2023 profits of approximately €4.3m were suspended (of which, €4.2m for autocallables with underlying basket of shares) relating to certificates worth €238.6m (of which, €224.3m for autocallables), which at the date of issue were classified as Level 3.

Part B - Notes to the Consolidated Balance Sheet

Assets

SECTION 1

Heading 10: Cash and cash equivalents

*1.1 Cash and cash equivalents: breakdown**

	Total 30 June 2023	Total 30 June 2022
a) Cash	123,417	116,919
b) Current accounts and demand deposits with Central Banks	3,499,866	6,926,748
c) Current accounts and demand deposits with banks	613,699	817,934
Total	4,236,982	7,861,601

* This item as at 30 June 2022 contained the guarantee deposits on derivatives now reported under Heading 40 - Assets at amortized cost. The amounts for the previous year were restated for an improved comparison.

SECTION 2

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

2.1 Financial assets held for trading: product breakdown

Items/Values	Total 30 June 2023			Total 30 June 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debts securities	4,993,089	188,834	296,172	3,334,975	499,618	239,124
1.1 Structured securities	1,310	10,625	47,821	9,570	8,134	46,138
1.2 Other debt securities	4,991,779	178,209	248,351	3,325,405	491,484	192,986
2. Equity securities[1]	1,020,812	—	163,498	1,851,609	—	274,971
3. UCIT units	25	—	3,258	802	—	5,534
4. Loans	4,085	—	—	3,698	—	—
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Other	4,085	—	—	3,698	—	—
Total (A)	6,018,011	188,834	462,928	5,191,084	499,618	519,629
B. Derivative instruments						
1. Financial derivatives	696,678	2,001,019	19,964	645,850	1,997,471	433,912
1.1 trading[2]	696,678	2,001,019	19,964	645,850	1,997,383	433,826
1.2 related to the fair value option	—	—	—	—	—	—
1.3 other	—	—	—	—	88	86
2. Credit derivatives	—	153,428	5,350	—	235,250	8,121
2.1 trading	—	153,428	5,350	—	235,250	8,121
2.2 related to the fair value option	—	—	—	—	—	—
2.3 other	—	—	—	—	—	—
Total (B)	696,678	2,154,447	25,314	645,850	2,232,721	442,033
Total (A+B)	6,714,689	2,343,281	488,242	5,836,934	2,732,339	961,662

[1] Equities include shares committed in securities lending transactions totalling €399,599 at 30/6/23 and €918,557 at 30/6/22.

[2] This includes €798 and (€409,629 in June 2022) relating to brokered options, whose contra-item was recorded among trading liabilities.

* 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 June 23**	**30 June 22**
A. Cash assets		
1. Debts securities	5,478,095	4,073,717
a) Central Banks	—	—
b) Public administrations	3,253,899	2,072,555
c) Banks	1,514,688	1,229,430
d) Other financial companies	599,285	432,986
of which: insurance companies	—	*69*
e) Non-financial companies	110,223	338,746
2. Equity securities	1,184,310	2,126,580
a) Banks	217,180	154,928
b) Other financial companies	271,147	384,051
of which: insurance companies	*9,977*	*27,584*
c) Non-financial companies	695,983	1,587,601
d) Other issuers	—	—
3. UCIT units	3,283	6,336
4. Loans	4,085	3,698
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non-financial companies	4,085	3,698
f) Households	—	—
Total (A)	6,669,773	6,210,331
B. Derivative instruments		
a) Central Counterparties	1,487,126	1,029,987
b) Other	1,389,313	2,290,617
Total (B)	2,876,439	3,320,604
Total (A+B)	9,546,212	9,530,935

2.3 Financial assets designated at fair value*: product breakdown

Items/Values	Total 30 June 23			Total 30 June 22		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	—	—	—	—	—	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	—	—	—	—	—	—
2. Loans	—	538,590	—	—	516,483	—
2.1 Structured	—	—	—	—	—	—
2.2 Other[1]	—	538,590	—	—	516,483	—
Total	—	538,590	—	—	516,483	—

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

* 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".

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

Items/Values	30 June 23	30 June 22
1. Debt securities	—	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non-financial companies	—	—
2. Loans	538,590	516,483
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	538,590	516,483
of which: insurance companies	*538,590*	*516,483*
e) Non-financial companies	—	—
f) Households	—	—
Total	538,590	516,483

* 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*: product breakdown*

	30 June 23			30 June 22		
Items/Values	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	412	—	451	74	—	459
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	412	—	451	74	—	459
2. Equity securities	—	—	7,474	—	—	9,503
3. UCIT units	155,988	—	399,449	275,816	—	342,418
4. Loans	—	1,134	4,689	—	690	4,641
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Other	—	1,134	4,689	—	690	4,641
Total	156,400	1,134	412,063	275,890	690	357,021

* 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".

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

Items/Values	**30 June 23**	**30 June 22**
1. Equity securities	7,474	9,503
of which: banks	—	—
of which: other financial companies	*7,474*	*9,503*
of which: other non-financial companies	—	—
2. Debt securities	863	533
a) Central Banks	—	—
b) Public administrations	412	74
c) Banks	—	—
d) Other financial companies	451	459
of which: insurance companies	—	—
e) Non-financial companies	—	—
3. UCIT units	555,437	618,234
4. Loans	5,823	5,331
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	1,134	690
of which: insurance companies	*1,134*	*690*
e) Non-financial companies	4,689	4,641
f) Households	—	—
Total	569,597	633,601

* 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: product breakdown

Items/Values	30 June 23			30 June 22		
	Level 1	Level 2	Level 3[1]	Level 1	Level 2	Level 3[1]
1. Debt securities	5,563,499	51,050	186,571	3,579,684	17,793	275,590
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	5,563,499	51,050	186,571	3,579,684	17,793	275,590
2. Equity securities	116,736	—	124,263	116,812	—	143,806
3. Loans	—	—	—	—	—	—
Total	5,680,235	51,050	310,834	3,696,496	17,793	419,396

* 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] Level 3 includes equity financial instruments (Burgo €66.2m and Tirreno Power €15.4m).

3.2 Financial assets measured at fair value through other comprehensive income: by borrower/issuer

Items/Values	30 June 23	30 June 22
1. Debt securities	5,801,120	3,873,067
a) Central Banks	—	—
b) Public administrations	4,548,278	2,896,867
c) Banks	627,515	383,030
d) Other financial companies	433,068	394,816
of which: insurance companies	*38,163*	*38,273*
e) Non-financial companies	192,259	198,354
2. Equity securities	240,999	260,618
a) Banks	120	125
b) Other issuers:	240,879	260,493
- other financial companies	30,530	34,014
of which: insurance companies	—	—
- non-financial companies	210,349	226,479
- other	—	—
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	6,042,119	4,133,685

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

	Gross value				Write-downs			Overall partial write-offs
	Stage 1	**of which: Low credit risk instruments***	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	
Debt securities	5,771,319	31,064	37,723	—	6,537	1,385	—	—
Loans	—	—	—	—	—	—	—	—
Total at 30 June 2023	5,771,319	31,064	37,723	—	6,537	1,385	—	—
Total at 30 June 2022	3,805,027	—	78,174	—	6,787	3,347	—	—
of which: purchased or originated credit impaired financial assets	*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.

SECTION 4

Heading 40: Financial assets measured at amortized cost

4.1 *Financial assets measured at amortized cost: product breakdown of amounts due from banks*

Transaction Type/Values	Total 30 June 23						Total 30 June 22					
	Book value			Fair value*			Book value			Fair value*		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
A. Due from Central Banks	520,930	—	—	—	520,930	—	314,714	—	—	—	314,714	—
1. Term deposits	200,003	—	—	X	X	X	—	—	—	X	X	X
2. Compulsory reserves	320,927	—	—	X	X	X	314,714	—	—	X	X	X
3. Repos	—	—	—	X	X	X	—	—	—	X	X	X
4. Other	—	—	—	X	X	X	—	—	—	X	X	X
B. Due from banks	3,957,714	—	—	190,356	3,774,273	19,427	3,753,870	—	—	343,890	3,284,996	161,527
1. Loans	3,760,248	—	—	—	3,774,262	19,427	3,410,250	—	—	—	3,284,996	161,527
1.1 Current accounts	—	—	—	X	X	X	0	—	—	X	X	X
1.2. Term deposits	38,557	—	—	X	X	X	99,188	—	—	X	X	X
1.3. Other loans:	3,721,691	—	—	X	X	X	3,311,062	—	—	X	X	X
- Reverse repos	1,796,987	—	—	X	X	X	1,411,168	—	—	X	X	X
- Finance leases	284	—	—	X	X	X	1,254	—	—	X	X	X
- Other[1]	1,924,420	—	—	X	X	X	1,898,640	—	—	X	X	X
2. Debt securities	197,467	—	—	190,356	11	—	343,620	—	—	343,890	—	—
2.1 Structured securities	—	—	—	—	—	—	0	—	—	—	—	—
2.2 Other debt securities	197,467	—	—	190,356	11	—	343,620	—	—	343,890	—	—
Total	4,478,644	—	—	190,356	4,295,203	19,427	4,068,584	—	—	343,890	3,599,710	161,527

* 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] The item contains the guarantee deposits on derivatives previously reported under Heading 10 - Cash and cash equivalents. The amounts for the previous year were restated for improved comparison.

4.2 Financial assets measured at amortized cost: product of amount due from customers

Transaction Type/Values	Total 30 June 2023						Total 30 June 2022					
	Book value			*Fair value**			Book value			*Fair value**		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	Level 1	Level 2	Level 3
1. Loans	53,235,519	369,701	—	—	12,634,270	38,908,792	51,663,437	379,796	350,583	—	14,688,673	39,311,239
1.1. Current accounts	2,744,448	138	—	X	X	X	2,239,242	—	65,048	X	X	X
1.2. Reverse Repos	1,652,332	—	—	X	X	X	1,216,869	—	—	X	X	X
1.3. Mortgages	28,627,106	96,614	—	X	X	X	28,631,387	118,266	30,277	X	X	X
1.4. Credit cards, personal loans and salary-backed finance	9,293,671	170,706	—	X	X	X	9,155,989	161,433	236,278	X	X	X
1.5 Finance leases	1,343,227	32,333	—	X	X	X	1,486,323	63,713	18,980	X	X	X
1.6. Factoring	2,401,346	2,084	—	X	X	X	2,615,935	3,862	—	X	X	X
1.7. Other loans	7,173,389	67,826	—	X	X	X	6,317,692	32,522	—	X	X	X
2. Debt securities	4,471,845	—	—	3,773,358	19,030	594,371	4,360,118	—	—	3,655,645	9,920	746,656
2.1. Structured securities	—	—	—	—	—	—	—	—	—	—	—	—
2.2. Other debt securities	4,471,845	—	—	3,773,358	19,030	594,371	4,360,118	—	—	3,655,645	9,920	746,656
Total	57,707,364	369,701	—	3,773,358	12,653,300	39,503,163	56,023,555	379,796	350,583	3,655,645	14,698,593	40,057,895

* 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".

As at 30 June 2022, the column "Purchased or originated credit impaired" contains the Non-Performing Loans (NPLs) purchased by the subsidiary MBCredit Solutions. These loans were subsequently transferred to the newly established Revalea S.p.A. Following the sale of Revalea S.p.A. last May, the residual exposures (equal to €238.8m as at 30 June 2023) are included in the table "12.1 Non-current assets and disposal groups held for sale: breakdown by type of asset" in accordance with IFRS 5 and the Bank of Italy Circular No. 262/2005.

4.3 Financial assets measured at amortized cost: breakdown by borrower/issuer of amounts due from customers

Transaction Type/Values	Total 30 June 2023			Total 30 June 2022		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired assets	Stage 1 and 2	Stage 3	Purchased or originated credit impaired assets*
1. Debt securities	4,471,845	—	—	4,360,118	—	—
a) Public administrations	3,389,280	—	—	3,288,430	—	—
b) Other financial companies	880,348	—	—	955,577	—	—
of which: insurance companies	*177,265*	—	—	*186,079*	—	—
c) Non-financial companies	202,217	—	—	116,111	—	—
2. Loans to:	53,235,519	369,701	—	51,663,437	379,796	350,583
a) Public administrations	220,453	1,217	—	651,066	1,403	—
b) Other financial companies	6,502,771	3,554	—	5,409,857	4,260	336
of which: insurance companies	*299,474*	—	—	*433,307*	—	—
c) Non-financial companies	18,002,204	74,572	—	18,785,619	81,367	65,121
d) Households	28,510,091	290,358	—	26,816,895	292,766	285,126
Total	57,707,364	369,701	—	56,023,555	379,796	350,583

* At 30 June 2022 the item was entirely attributable to the purchased impaired credits of MBCS. These receivables were subsequently transferred to the newly established Revalea S.p.A., then sold last May, the exposures of which, in accordance with IFRS 5, were merged under the item "Assets held for sale". More details in table 12.1 Non-current assets and groups of assets held for sale: breakdown by type of asset.

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

	Gross value					Accumulated write-downs				Overall partial write-offs
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	*Purchased or originated credit impaired*	Stage 1	Stage 2	Stage 3	*Purchased or originated credit impaired**	
Debt securities	4,666,518	168,509	11,195	—	—	3,577	4,823	—	—	—
Loans	55,341,435	446,409	2,880,850	1,328,389	—	326,069	379,521	958,688	—	3,667
Total at 30 June 2023	60,007,953	614,918	2,892,045	1,328,389	—	329,646	384,344	958,688	—	3,667
Total at 30 June 2022	57,358,129[1]	968,977	3,427,224	1,316,866	360,269	309,504	383,710	937,070	9,686	4,312

* At 30 June 2022 the item was entirely attributable to the purchased impaired credits of MBCS. These receivables were subsequently transferred to the newly established Revalea S.p.A., then sold last May, the exposures of which, in accordance with IFRS 5, were merged under the item "Assets held for sale". More details in table 12.1 Non-current assets and groups of assets held for sale: breakdown by type of asset.

[1] The item contains the guarantee deposits on derivatives previously reported under Heading 10 – Cash and cash equivalents. The amounts for the previous year were restated for improved comparison.

4.4a Loans measured at amortized cost subject to Covid-19 support measures: gross value and total accumulated impairment

	Gross value					Accumulated write-downs				*Overall partial write-offs**
	Stage 1	of which: Low credit risk instruments	Stage 2	Stage 3	*Purchased or originated credit impaired*	Stage 1	Stage 2	Stage 3	*Purchased or originated credit impaired*	
1. Loans that have received concessions in conformity with EBA Guidelines	—	—	124	—	—	—	2	—	—	—
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	—	—	14,098	1,242	—	—	408	467	—	—
4. New loans	86,099	—	167	455	—	239	78	250	—	—
Total at 30 June 2023	86,099	—	14,389	1,697	—	239	488	717	—	—
Total at 30 June 2022	122,112	—	36,244	2,016	—	188	939	747	—	—

* The row headed "Loans that have received concessions in conformity EBA Guidelines" shows information on financial assets for which moratoria have been granted under 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 EBA (EBA/GL/2020/02), as amended.

SECTION 5

Heading 50: Hedging derivatives

5.1 Hedging derivatives: by hedge type and level

	***Fair value* 30 June 2023**			**Notional value 30 June 2023**	***Fair value* 30 June 2022**			**Notional value 30 June 2023**
	Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**	
A. Financial derivatives								
1. Fair value	—	890,006	—	30,279,394	—	591,900	—	18,686,508
2. Cash flows	—	431,877	—	8,556,000	—	280,531	—	10,551,074
3. Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1. Fair value	—	—	—	—	—	—	—	—
2. Cash flows	—	—	—	—	—	—	—	—
Total	—	1,321,883	—	38,835,394	—	872,431	—	29,237,582

5.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction / Type of hedging	Fair value							Cash flows		Foreign investments
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equities and s tock indexes	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	78,459	—	—	—	X	X	X	—	X	X
2. Financial assets measured at amortized cost	732,061	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other transactions	—	—	—	—	—	—	X	—	X	—
Total assets	810,520	—	—	—	—	—	—	—	—	—
1. Financial liabilities	79,487	X	—	—	—	—	X	431,877	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	79,487	—	—	—	—	—	—	431,877	—	
1. Highly probable transactions	X	X	X	X	X	X	X	—	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

Name	Head Office	Operating office	Control type	Ownership		Votes available in %
				Controlling entity	% shareholding	
A. Entities under significant influence						
1. Assicurazioni Generali S.p.A.	Trieste	Trieste	2	Mediobanca S.p.A.	13.10	13.25
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.	35.67	35.67
4. Finanziaria Gruppo Bisazza S.r.l.	Montecchio Maggiore (VI)	Montecchio Maggiore (VI)	2	Mediobanca S.p.A.	22.67	22.67
5. Heidi Pay AG	Geneva	Geneva	2	Compass Banca S.p.A.	19.45	19.45

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]

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 income statement but are deducted from the investee company's book value.

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

Name	Book value	*Fair Value**	Dividend Received (**)
A. Entities under significant influence			
1. Assicurazioni Generali S.p.A.	3,472,192	3,804,842	237,036
2. Istituto Europeo di Oncologia S.r.l.	39,101	n.a.	n.a.
3. CLI Holdings II Ltd	38,624	n.a.	8,427
4. Finanziaria Gruppo Bisazza S.r.l.	7,148	n.a.	272
5. Heidi Pay AG.	6,599	n.a.	n.a.
Total[1]	3,563,664		

1 The amount stated here differs from that represented in the balance sheet for Other investments, which are minor in terms of both percentage share owned and amount (€167,000).

* 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 2023, the book value carried under the "Equity investments" heading totalled €3,563.8m.

[1] The latter is the percentage used for the purposes of consolidation by the equity method.

In the year under review, a new equity investment in Heidi Pay (19.45%, with a book value of €6.6m) and an increase in the Assicurazioni Generali investment with shares deriving from the INV AG S.r.l. demerger (1,628,148 shares, representing 0.104% of the capital) were recorded.

Heidi Pay is a Swiss-based fintech specializing in the development of digital platforms to support the Buy-Now-Pay-Later (BNPL) approach in the world of e-commerce. The company is also included among the entities subject to significant influence, although the shareholding is less than 20%, as the other assumptions required by IAS28 have been met. As a start-up Heidi Pay has low net equity, the company's high potential justifies the delta over the price paid. At 30 June 2023, the book value of the equity investment was €6.6m.

With regard to the affiliate Assicurazioni Generali, it should be noted that Mediobanca held a minority stake (13.5%) in the company INV AG S.r.l., a special purpose vehicle set up for the management of a package of Assicurazioni Generali shares (0.76% of the capital); on 22 December 2022, following the vehicle's liquidation, Mediobanca set up MB INV AG S.r.l., to which 1,600,000 Assicurazioni Generali shares were transferred by demerger, for a value of €27.4m.

The stake in Assicurazioni Generali increased from 12.77% to 13.10% also taking into account changes in the Company's treasury shares[2] (13.25% if calculated on outstanding shares). During the year, the book value increased from €3,069.4m to €3,472.2m after profits of €442.8m, changes in assets of €197m and the ex-dividend (€-237m). The value as at 30 June 2023 reflects the adoption of the new standards IFRS17/IFRS9, which led to a substantial reduction in the valuation reserves (from €-8.6bn to €-2.4bn). For further information on the impacts and on the new accounting standards, please refer to Part A – Accounting Policies.

Regarding other equity investments: IEO (25.37%) has a book value of €39.1m, in line with last 30 June; Finanziaria Gruppo Bisazza S.r.l. (22.67%) had a book value of €7.1m, slightly lower tha the one recorded on 30 June last (€7.4m), CLI Holdings II Limited (35.67%) was held for €38.6m (€41.8m last June) after the collection of dividends (€8.4m) and profits for the period (€5.2m).

[2] Increased during the year following the buyback operation and then cancelled last April by resolution approved on 13 March for approximately 70% of the outstanding amount.

Impairment test on equity investment

The value of 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 there are any indicators of impairment and, eventully, quantifying the amount of the adjustment necessary in order to reflect the value loss. 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: manifested 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 between 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 listed on an active market;
  - valuation models generally recognized by the market, including market multiples for transactions, especially if deemed significant;
- to measure value in use (as governed by IAS 28 paragraph 42), the methodologies are either:
  - the discounted value of cash flows generated by the investee company, both as cash flows generated from the company's assets and as income deriving from the disposal of the same assets; or
  - the discounted value of cash flows that may be assumed to derive from dividends and from the eventual sale of the investment.

For more information on the parameters used to calculate the value in use, refer to the considerations made on impairment testing for goodwill contained in the dedicated section of the Notes to the Consolidated Accounts.

* * *

Accounting data for the investee companies is shown below taken from the respective financial statements as at 31 December 2022, the most recent available.

7.3 Significant investments: accounting data

(€m)

Name	Entities under significant influence	
	Assicurazioni Generali S.p.A.[1]	**Istituto Europeo di Oncologia S.r.l.**
Cash and liquid assets	X	X
Financial assets	451,317	83
Non-financial assets	60,490	156
Financial liabilities	48,653	126
Non-financial liabilities	452,260	69
Total revenues	81,530	382
Profit/(Loss) on ordinary operations before tax	4,738	6
Profit/(Loss) on ordinary operations after tax	3,189	4
Profit/(Loss) on held-for-sale asset groups after tax	—	—
Profit/(Loss) for the period (1)	3,189	4
Other profit/(loss) components after tax (2)	(15)	—
Total profit/(loss) for the period (3) = (1) + (2)	3,174	4

[1] The financial data shown above refer to the year ended 31 December 2022 and therefore prior to the FTA of the IFRS 9/IFRS 17.

7.4 Non-significant investments: accounting data

(€m)

Name	Entities under significant influence		
	CLI Holdings II Ltd	Finanziaria Gruppo Bisazza S.r.l.	Heidi Pay AG
Book value of investments	38,624	7,148	6,599
Total assets	106,252	38,721	12,449
Total liabilities	106,249	6,396	8,408
Total revenues	X	X	X
Profit/(Loss) on ordinary operations after tax	1	1,361	(4,676)
Profit/(Loss) on operations after tax	—	—	—
Profit/(Loss) for the year (1)	1	1,361	(4,676)
Other profit/(loss) components after tax (2)	—	—	—
Comprehensive income (3)=(1) + (2)	1	1,361	(4,676)

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	Pro rata net equity	Differences arising upon consolidation	Consolidated book value
Assicurazioni Generali S.p.A.	26,236.5[1]	3,475.3	(3.1)[2]	3,472.2
Istituto Europeo di Oncologia S.r.l.	154.1[3]	39.1	—	39.1
CLI Holdings II Ltd	108.3[4]	38.6	—	38.6
Finanziaria Gruppo Bisazza S.r.l.	31.5	7.1	—	7.1
Heidi Pay AG	33.9[5]	6.6	—	6.6

[1] Total net equity includes the dividends paid in May 2023 (€1,790m).

[2] The differences upon consolidation refer to the Mediobanca shares held by Assicurazioni Generali as part of its securities portfolio (€23.2m, pro rata €3.1m).

[3] Net equity as at 31 March 2023 of €137.8m (pro rata: €35m) was adjusted to reflect the property asset revaluations after depreciation and amortization charges accruing (pro rata: €4.3m).

[4] Total net equity includes the dividends paid in April 2023 (€1.7m).

[5] Heidi Pay's net equity includes the higher value attributed at the time of the acquisition.

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 €3,804.8m (€18.62 per share), higher than its book value (€3,472.2m). In line with previous financial years, the value in use of the investment has been calculated in any case, resulting well above 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, i.e.:

- In order to identify cash flows to be discounted, reference has been made to the most recent analysts' estimates available;
- The cost of capital (9.83%) has been determined based on the Capital Asset Pricing Model method, a growth rate consistent with the rate of inflation was assumed, as estimated by the International Monetary Fund for the Eurozone in 2028, i.e. 1.87%;
- Sensitivity analysis has been carried out on the results obtained to assess their sensitivity to changes in the valuation parameters.

The recoverable value per share was much higher than the book value (€17 per share) and in line with the average target prices of the analysts covering the stock (€19.7 per share) in place at 30 July.

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. As at 30 June 2023, there was no (internal or external) evidence that could lead to a review of such higher value.

The equity investments in CLI Holdings II and Finanziaria Gruppo Bisazza (whose book value is the pro-rata share of their net equity) do not show critical issues such as to require proceeding with an impairment test.

Lastly, with regard to Heidi Pay, the value of the acquired company was assessed internally confirming the value attributed to it at the time of acquisition.

7.5 Equity investments: changes during the period

	30 June 2023	30 June 2022
A. Opening balance	3,157,866	3,702,990
B. Increases	659,655	408,590
B.1 Purchases[1]	7,472	—
B.2 Writebacks	—	—
B.3 Revaluations	—	—
B.4 Other changes[2]	652,183	408,590
C. Decreases	253,690	953,714
C.1 Sales	—	—
C.2 Value adjustments	—	—
C.3 Write-offs	—	—
C.4 Other changes[3]	253,690	953,714
D. Closing balance	3,563,831	3,157,866
E. Total revaluations	—	—
F. Total adjustments	733,478	733,478

[1] This refers to the acquisition of Heidi Pay.

[2] The new stake in Assicurazioni Generali held through the vehicle MB INV AG for €27.4m was transferred here.

[3] This includes dividends received.

SECTION 9

Heading 90: Property, plant and equipment

9.1 Core tangible assets: breakdown of assets stated at cost

Assets/Values	Total 30 June 2023	Total 30 June 2022
1. Property assets	232,425	220,369
a) land	100,239	100,239
b) buildings	70,359	72,866
c) furniture	28,405	19,265
d) electronic systems	6,490	6,649
e) other	26,932	21,350
2. Right of use acquired through lease	242,458	226,262
a) land	—	—
b) buildings	230,702	216,945
c) furniture	—	—
d) electronic systems	—	—
e) other	11,756	9,317
Total	474,883	446,631
of which: obtained by the enforcement of collateral	*69*	*71*

9.2 Properties held for investment purposes: breakdown of assets stated at cost

Assets/Values	Total 30 June 2023				Total 30 June 2022			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property assets	50,486	—	—	125,440	59,644	—	—	145,673
a) land	25,253	—	—	58,914	28,494	—	—	90,980
b) buildings	25,233	—	—	66,526	31,150	—	—	54,693
2. Right of use acquired through lease	—	—	—	—	—	—	—	—
a) land	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
Total	50,486	—	—	125,440	59,644	—	—	145,673
of which: obtained by the enforcement of collateral	*27,078*	—	—	*36,940*	*35,825*	—	—	*43,460*

9.3 Core tangible assets: composition of revalued activities

At 30 June 2023 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 2023 the item was not present within the Group.

9.5 Inventories pursuant to IAS 2: breakdown

Items/Values	Total 30 June 2023	Total 30 June 2022
1. Inventories of tangible assets arising from the enforcement of guarantees received	5,373	5,553
a) land	313	483
b) buildings	5,060	5,070
c) furniture	—	—
d) electronic systems	—	—
e) other	—	—
2. Other inventories of tangible assets	—	—
Total	5,373	5,553
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 devices	Other	Total
A. Gross opening balance	100,239	475,630	72,255	45,707	89,319	783,150
A.1 Decreases in total net value	—	(185,819)	(52,990)	(39,058)	(58,652)	(336,519)
A.2 Net opening balance	100,239	289,811	19,265	6,649	30,667	446,631
B. Increases	—	69,236	12,849	1,658	23,320	107,063
B.1 Purchases	—	—	12,816	1,658	12,073	26,547
- of which business combinations	—	—	—	—	—	—
B.2 Capitalized improvement costs	—	13,190	—	—	—	13,190
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	—	13	1	—	3	17
B.6 Transfer from investment properties	—	—	—	—	—	—
B.7 Other changes	—	56,033	32	—	11,244	67,309
C. Decreases:	—	57,986	3,709	1,817	15,299	78,811
C.1 Sales	—	—	151	16	396	563
- of which business combinations	—	—	—	—	—	—
C.2 Depreciation	—	43,171	3,438	1,759	11,948	60,316
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	—	—	—	—	6	6
C.6 Transfers to:	—	—	—	—	—	—
a) tangible assets held for investment purposes	—	—	—	—	—	—
b) non-current assets and asset groups held for sale;	—	—	—	—	—	—
C.7 Other changes	—	14,815	120	42	2,949	17,926
D. Net closing balance	100,239	301,061	28,405	6,490	38,688	474,883
D.1 Decreases in total net value	—	(210,758)	(54,319)	(40,745)	(64,919)	(370,741)
D.2 Gross closing balance	100,239	511,819	82,724	47,235	103,607	845,624
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 €56.3m (shown in row B.7 "Other changes"), while depreciation and amortization for rights in use amount to €44.7m (stated in row C.2 "Depreciation/amortization").

9.7 Assets held for investment purposes: changes for the year

	Total	
	Land	**Buildings**
A. Opening balance	28,494	31,150
B. Increases	1,279	5,128
B.1 Purchases	—	—
- of which business combinations	—	—
B.2 Capitalized improvement costs	—	14
B.3 Positive changes in fair value	—	—
B.4 Write-backs	—	—
B.5 Currency exchange gains	—	—
B.6 Transfers from core tangible assets	—	—
B.7 Other changes[1]	1,279	5,114
C. Decreases	4,520	11,045
C.1 Sales	2,936	6,203
- of which business combinations	—	—
C.2 Depreciation	—	1,828
C.3 Negative changes in fair value	—	—
C.4 Write-downs	—	—
C.5 Currency exchange losses	—	—
C.6 Transfers to:	—	—
a) core properties	—	—
b) non-current assets and asset groups held for sale;	—	—
C.7 Other changes	1,584	3,014
D. Closing balance	25,253	25,233
E. Measured at fair value	58,914	66,526

[1] These include a property redeemed following the termination of the related lease agreement.

These consist of the following properties:

Location of Property	Sqm.	Book value (€/000)	Book value per squ. m (€/000)
Rome	10,015	29,674	0.3
Lecce	21,024	14,705	1.4
Bologna*	6,913	5,043	1.4
Pavia	2,250	1,064	2.1
Total	40,202	50,486	

* These include warehouses and office facilities.

9.8 Inventory of tangible assets pursuant to IAS 2: changes for the year

	Inventories of tangible assets arising from the enforcement of guarantees received					Other inventories of tangible assets	Total
	Land	Buildings	Furniture	Electronic devices	Other		
A. Opening balance	483	5,070	—	—	—	—	5,553
B. Increases	—	2,122	—	—	—	—	2,122
B.1 Purchases	—	—	—	—	—	—	—
B.2 Write-backs	—	—	—	—	—	—	—
B.3 Positive exchange differences	—	—	—	—	—	—	—
B.4 Other changes	—	2,122	—	—	—	—	2,122
C. Decreases	170	2,132	—	—	—	—	2,302
C.1 Sales	170	879	—	—	—	—	1,049
C.2 Write-downs	—	—	—	—	—	—	—
C.3 Negative exchange differences	—	—	—	—	—	—	—
C.4 Other changes[1]	—	1,253	—	—	—	—	1,253
D. Closing balance	313	5,060	—	—	—	—	5,373

[1] This includes the impairment of two properties whose fair value was aligned to the market value based on a sale offer received, in the first case, and following an updated appraisal in the second case.

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: breakdown by asset type

Assets/Values	Total 30 June 2023		Total 30 June 2022	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	574,550	X	616,791
A.1.1 attributable to the group	X	574,550	X	616,791
A.1.2 attributable to minority interests	X	—	X	—
A.2 Other intangible assets	67,996	154,154	68,200	153,422
of which: software	50,319	—	48,103	—
A.2.1 Assets measured at cost:	67,996	154,154	68,200	153,422
a) intangible assets generated internally	—	—	—	—
b) other assets	67,996	154,154	68,200	153,422
A.2.2 Assets measured at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	67,996	728,704	68,200	770,213

10.2 Intangible assets: changes for the year

	Goodwill	Other intangible assets generated internally		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening balance	616,791	—	—	338,513	153,422	1,108,726
A.1 Decreases in total net value	—	—	—	270,315	—	270,315
A.2 Net opening balance	616,791	—	—	68,198	153,422	838,411
B. Increases	7,302	—	—	30,574	739	38,615
B.1 Purchases	6,444	—	—	30,003	—	36,447
- *of which business combinations*	—	—	—	—	—	—
B.2 Increases of internal intangible assets	X	—	—	—	—	—
B.3 Write-backs	X	—	—	—	—	—
B.4 Positive changes in fair value	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- to P&L	X	—	—	—	—	—
B.5 Positive exchange differences	858	—	—	8	739	1,605
B.6 Other changes	—	—	—	563	—	563
C. Decreases	49,543	—	—	30,776	7	80,326
C.1 Sales	—	—	—	95	—	95
- of which business combinations	—	—	—	—	—	—
C.2 Write-offs:	49,536	—	—	30,192	—	79,728
- Amortization	X	—	—	30,192	—	30,192
- Write-downs	49,536	—	—	—	—	49,536
+ net equity	X	—	—	—	—	—
+ to P&L	49,536	—	—	—	—	49,536
C.3 Negative changes in fair value	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- to P&L	X	—	—	—	—	—
C.4 Transfer to non-current assets held for disposal	—	—	—	195	—	195
C.5 Currency exchange losses	1	—	—	14	7	22
C.6 Other changes	6	—	—	280	—	286
D. Net closing balance	574,550	—	—	67,996	154,154	796,700
D.1 Adjustment of net total values	—	—	—	(290,238)	—	(290,238)
E. Gross closing balance	574,550	—	—	358,234	154,154	1,086,938
F. Measurement at cost	—	—	—	—	—	—

Information on intangible assets and goodwill

During the year, as part of the Buy Now Pay Later growth strategy, Compass Banca acquired 100% of the fintech company Soisy; the Purchase Price Allocation process identified a customer list with a finite useful life of €1.1m and goodwill of €6.4m.

Moreover, Mediobanca's management prudentially decided to cancel the residual goodwill of RAM AI of CHF48.4m (€49.5m at the exchange rate as at 30 June 2023). The persistence of low interest rates and abundant liquidity which radically conditioned the market for systematic funds, reducing its development prospects despite the good performance of the funds together with the current market outlook, made it difficult to predict a return to the long-standing profitability of RAM AI.

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**	**Soisy**
Acquisition date	*27/6/2008*	*1/8/2014*	*18/6/2015*	*26/8/2016*	*6/4/2017*	*10/10/2022*
Price paid	406,938	3,600	5,124	(240,000)	233,920	5,999
of which: ancillary charges	*2,000*	*200*	—	—	—	—
Liabilities	—	—	—	*80,000*	—	—
Intangible assets, defined life	(44,200)	(700)	(3,250)	(26,000)	(4,508)	(1,056)
no. of years amortization	*8*	*7*	*10*	*5*	*5*	5
Trademarks	(6,300)	—	—	—	(15,489)	—
Fair value adjustments	—	—	—	*84,200*	*11,232*	—
Imbalance of other assets (liabilities)	(2,659)	420	(466)	98,300	(176,585)	1,152
Tax effects	12,155	220	934	3,500	6,613	349
Total goodwill	**365,934**	**3,540**	**2,342**	—	**55,183**	**6,444**

* The deal generated badwill.

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*	*31/8/2021*
Currency	*GBP*	*CHF*	*EURO*	*GBP*
Price consideration	24,662	164,732	107,856	66,900
of which: ancillary charges	—	—	—	—
Liabilities	20,813	46,850	54,540	—
Intangible assets, indefinite life	—	—	—	(58,903)
Intangible assets, defined life	—	(2,398)	(11,330)	(8,455)
no. of years amortization	—	*5*	*8*	*10*
Trademarks	—	(37,395)	(10,230)	—
Fair value adjustments	—	—	—	—
Imbalance of other assets (liabilities)	(8,345)	(6,853)	(13,353)	(3,759)
Tax effects	—	7,163	6,684	15,934
Total goodwill	**37,130**	**172,099**	**134,167**	**11,717**

[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 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. The business unit to which the goodwill referred had been sold in the previous financial year, while the company Spafid Connect as at 30 June 2023 was closed and cancelled from the Register of Companies in which it was listed;

– 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,[3] 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! (approximately €80m);

[3] The client list was entirely amortized.

- the Cairn Capital acquisition[4] (£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 £31.7m at 30 June 2023;
- 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, fully written down in June 2022;
- 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.[5] Goodwill post-PPA was calculated at CHF 172.1m, including the liability in respect of the put-and-call option (over the other 20.25% not acquired) valued at CHF 46.9m. In the following years, the recognized goodwill was progressively written down: in June 2020, when a significant negative difference between actual results and budgeted results had been identified, management decided to write it down by 60% with an impact on the P&L of CHF 103.3m. In June 2021, following the reorganization resulting from the exit of the minority shareholder Reyl and the two founding partners, management decided to write it down by a further CHF 20.4m and in the current year, as mentioned above, it was

[4] Renamed Polus Capital.

[5] Amortization ended last February.

fully written off. At 30 June 2023, the put and call liability amounted to CHF1.7m;

- 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 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 to €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. During financial year 21/22, 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 and was fully offset by adjusting goodwill in the same amount. As at 30 June 2023, goodwill recognized in the financial statements amounted to €93.2m and the put and call liability amounted to €28.5m;
- the acquisition of Bybrook Capital LLP, a manager specializing in distressed assets, was completed. The closing of the strategic partnership agreement with Polus Capital Management (previously called Cairn Capital) took place on 31 August 2021 after obtaining the ECB and FCA authorizations. This operation took place in two successive phases: initially the subsidiary Polus Capital took over the Revenue Sharing Agreement ("RSA") that Bybrook had signed with an institutional investor to retrocede 25% of annual commissions generated and subsequently proceeded with the actual acquisition of Bybrook from the two founding partners for a consideration of £43.3m, which included £18.1m in cash and £25.2m in new Polus shares (D Shares) representing 21.86% of the company, on half of which a Put & Call agreement with Mediobanca is in place. The sale/purchase price for Bybrook shares and its other Group Legal Entities was set at £1. The acquisition was merged into the Polus Capital Management CGU, the goodwill of which increased from £37.1m to £48.4m, in addition to other ex-PPA intangible assets relating to asset management contracts of £67.4m (which includes £58.9m with an indefinite life and £8.5m with a finite life to be amortized over 10 years) and deferred tax liabilities totalling £15.9m.

Finally, as mentioned above, on 10 October 2022 Compass acquired 100% of the capital of Soisy S.p.A. The purchase price, settled in cash, amounted to €6m. As required by IFRS 3, the Purchase Price Allocation process was carried out leading to the identification of a customer list with a finite useful life worth €1.1m to be amortized over 5 years, goodwill of €6.4m and deferred taxes of €0.4m.

* * *

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 extraordinary transactions

Type	**Deal**	**30 June 2023**	**30 June 2022**
Customer relationship		86,304	88,731
	Spafid	—	57
	CMB	3,263	3,914
	Bybrook/Polus[1]	76,673	77,666
	RAM Active Investments	—	366
	Messier et Associés	5,312	6,728
	Soisy	1,056	—
Trademarks		68,525	67,786
	MB Private Banking	15,489	15,489
	RAM Active Investments[1]	42,806	42,067
	Messier et Associés	10,230	10,230
Total PPA intangible assets		**154,829**	**156,517**

[1] Increase entirely attributable to the currency exchange effect.

Table 3: Goodwill

Deal	30 June 2023	30 June 2022
Consumer credit	372,378	365,934
Of which Soisy	*6,444*	—
Of which the former Linea	*365,934*	*365,934*
Polus Capital Management[1]	56,916	56,923
MB Private Banking	52,103	52,103
RAM Active Investments	—	48,678
Messier et Associés	93,153	93,153
Total goodwill	**574,550**	**616,791**

[1] Increase entirely attributable to the currency exchange effect.

Table 4: Summary of Cash Generating Units

CGU	30 June 2023	30 June 2022
Consumer credit	372,378	365,934
Of which Soisy	*6,444*	—
Of which the former Linea	*365,934*	*365,934*
Polus Capital Management[1]	56,916	56,923
Mid corporate	22,650	22,650
MB Private Banking	29,453	29,453
RAM Active Investments	—	48,678
Messier et Associés	93,153	93,153
Total goodwill	**574,550**	**616,791**

[1] Increase entirely attributable to the currency exchange effect.

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[6] and the Recommendations of national regulators.[7]

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.

[6] 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.

[7] 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 notice" no. 8/20 of 16 July 2020, no. 6/20 of 9 April 2020, and no. 1/21 of 16 February 2021, concerning: "Covid-19 - Warning notice on financial reporting", which draws the attention of the members of governing and control bodies and financial reporting officers to the need to observe the principles that govern the production process of the financial reporting taking into account of the impacts that the effects due to the pandemic may have with reference, among other things, to the valuations of non-financial assets (referred to as Impairment test).

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 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 which corresponds to the remuneration of exempt or minimum risk investments over a recent period of time not exceeding one year. In practice, it is generally identified with the yield on government bonds of the country in which the asset being valued resides;

– 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 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 premium (alpha coefficient/factor) to take into account (specific and/or systematic) risk factors not perceived in the flows and/or not fully reflected by the underlying 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 Polus, 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 June 2023					
	Risk-free rate *Rf*	Equity risk premium *Erp*	Beta 2y *b*	Factor *a*	Cost of equity *Ke*	Expected growth rate *g*
Consumer credit	4.08	5.06	1.13	0.0	9.79	2.0
MB Private Banking	4.08	5.06	1.04	1.50	10.85	2.0
MB Mid corporate	4.08	5.06	0.97	1.50	10.47	2.0
Polus Capital Management	4.31	5.06	1.15	3.20	13.32	2.0
RAM Active Investments	0.92	5.06	1.15	3.20	9.93	1.9
Messier et Associés	2.92	5.06	0.97	1.50	9.32	1.6

CCGU	30 June 2022					
	Risk-free rate *Rf*	Risk premium *Erp*	Beta 2y *b*	Factor *a*	Cost of equity *Ke*	Expected growth rate *g*
Consumer credit	3.53	5.13	1.10	0.0	9.19	2.0
MB Private Banking	3.53	5.13	1.04	1.50	10.35	2.0
MB Mid corporate	3.53	5.13	0.83	1.50	9.27	2.0
Polus Capital Management	2.37	5.13	0.98	3.20	10.58	2.0
RAM Active Investments	1.18	5.13	0.98	3.20	9.40	1.9
Messier et Associés	2.03	5.13	0.83	1.50	7.77	1.6

Compared to the previous year, the Cost of Equity of all the CGUs was higher due to the increase in the risk-free rate and the beta. The risk-free rates (calculated - in line with the previous year - as an average over 1 month at the impairment test date of the daily yields at maturity of the 10-year government benchmarks where the CGU being valued is located) underwent a progressive increase due to restrictive monetary measures to contain inflation pursued by the main Central Banks; the risk-free rate in Italy went from 3.53% to 4.08%, while only for Switzerland there was a decrease from 1.18% to 0.92%. With regard to the Equity Risk Premium, the reference for all the CGUs was the very long-term historical average of the risk premiums observed in the US market (i.e. 5.06%) as representative of the premium associated with the global investment in the market stock. This value was assumed once the alignment with the range of the different risk premium measures adopted for the different European countries (based on shorter historical averages) had been verified. The Betas were all up except for the Private Banking CGU of Mediobanca, which was steady at 1.04.

Finally, the growth rate (g), equal to the expected long-term inflation rate in the countries of residence of the CGUs, was set at 2% for Italy and the UK, at 1.87% for Switzerland, and 1.56% for France.

The adoption of the valuation formula requires estimating the present value of the expected flows of each CGU beyond the explicit forecast period (the plan period) which defines the so-called *Terminal Value*. With regard to Terminal Value, it should be noted that it was obtained by capitalizing the average of distributable profits over the last two or 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.

All of the Group's CGUs passed the impairment test as their value in use exceeded the carrying amount taking into account any account undertaken during the year.

This situation is borne out by the sensitivity analysis conducted on the following variables:

- Cost of equity +/- 0.25%, with an overall increase and decrease of up to 50 bps;
- Long-term growth rate +/- 0.20%, with an overall increase and decrease of up to 60 bps;
- Flow distributable at terminal value +/-5%, with an overall increase and decrease of up to 10%;

In addition, a sensitivity analysis was performed on the cost/income ratio with the aim of identifying the increase percentage in the parameter necessary to eliminate the delta between value in use and book value of each CGU.

Moreover, a further impairment test (referred to as Level 2 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 regulatory capital integrated with goodwill and other allocated intangibles. The impairment test was passed by all three operating segments.

Lastly, 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 performance of stock market prices and the Price to Book value indicator, it should be noted that at the closing date of the financial year (30 June 2023) the stock was listed at €11 (and grew to €12 as of the end of July), lower than the Group's net equity per share. However, it should be emphasized that in an economic phase such as the current one, the valuation incorporated in stock market prices places maximum emphasis on market multiples based on: i) short-term income expectations, ii) discount rates consistent with the perpetuity projections of the current macroeconomic scenario (high risk-free rates and inflation) and iii) different value configurations (fair value from the perspective of the minority shareholder with holding discount applications) not necessarily being reflected in the Group's fundamentals. Stock market prices may therefore be lower than value in use due to the different value configuration.

* * *

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 method, 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 of the other brands' 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 Advanced tax assets: breakdown

	Total 30 June 2023	Total 30 June 2022
- Against Profit and Loss	493,245	559,819
- Against Net Equity	31,136	37,148
Total	524,381	596,967

All advance taxes qualifying as “ineligible” were subjected to a “probability test”, i.e. an annual assessment as to the probability of recovering them, taking into account 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 or 10 years, depending on the type of item, 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 the prudential corrections described above and taking into account the large income-earning capacity demonstrated by the Group in its long history.

	Total 30 June 2023	Total 30 June 2022
A – Gross advance tax assets	524,381	596,967
Loan loss provisions*	341,798	379,158
Provisions for sundry risks and charges	20,531	34,767
Goodwill and other intangible assets**	106,198	116,774
Financial instruments recognized at FVOCI	30,935	32,378
Tax losses	582	1,526
Other	24,337	32,364
B – Offset by deferred tax liabilities	—	—
C – Net advance tax assets	524,381	596,967

* Among other figures, this item includes: i) prepaid taxes recognized on write-downs and losses on loans to customers, which will be absorbed by 30 June 2027 according to the plan pursuant to Article 16 of Legislative Decree No. 83/2015, as amended; ii) prepaid taxes recognized on the components allocated to the provision for expected credit losses upon IFRS 9 FTA, which will be absorbed in tenths by 30 June 2029.

** The figure mainly includes goodwill redemptions on the Compass/Linea merger transaction (€101.5m), of which €18.2m pursuant to Article 176 of Presidential Decree No. 917/1986 and €83.3m in implementation of the provisions of Article 110 of Law-Decree No. 104/2020, with an amortization period of 18 years.

11.2 Deferred tax liabilities: breakdown

	Total 30 June 2023	Total 30 June 2022
- Against Profit and Loss	286,798	302,098
- Against Net Equity	163,533	100,421
Total	450,331	402,519

11.3 Changes in advance tax during the period (against profit and loss)

	Total 30 June 2023	Total 30 June 2022
1. Opening balance	559,819	556,808
2. Increases	18,432	106,864
2.1 Prepaid taxes for the year	18,127	103,871
a) relating to previous years	—	—
b) due to changes in accounting parameters	—	—
c) write-backs	—	—
d) other	18,127	103,871
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	305	2,993
3. Decreases	85,006	103,853
3.1 Prepaid taxes derecognized in the year	72,178	96,861
a) reversals of temporary differences	70,617	96,062
b) write-downs due to intervening unrecoverable status	—	—
c) changes in accounting policies	—	—
d) other	1,561	799
3.2 Reductions in tax rates	—	—
3.3 Other decreases:	12,828	6,992
a) conversion into tax receivables pursuant to Italian Law No. 214/2011	—	—
b) other	12,828	6,992
4. Closing balance	493,245	559,819

*11.4 Changes in prepaid taxes pursuant to Italian Law No. 214/11**

	Total 30 June 2023	Total 30 June 2022
1. Opening balance	400,281	476,065
2. Increases	—	—
3. Decreases	57,719	75,784
3.1 Reversals of temporary differences	49,384	71,065
3.2 Conversion into tax credit:	—	946
a) arising from losses for the year	—	946
b) arising from tax losses	—	—
3.3 Other decreases	8,335	3,773
4. Closing balance	342,562	400,281

* 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 of 23 December 2016, 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, 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)

	Total 30 June 2023	Total 30 June 2022
1. Opening balance	302,098	301,938
2. Increases	1,085	2,692
2.1 Deferred taxes for the year	102	1,563
a) relating to previous years	—	—
b) due to changes in accounting standards	—	—
c) other	102	1,563
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	983	1,129
3. Decreases	16,385	2,532
3.1 Deferred taxes derecognized in the year	15,842	231
a) reversals of temporary differences	14,780	228
b) due to changes in accounting standards	—	—
c) other	1,062	3
3.2 Reductions in tax rates	—	—
3.3 Other decreases	543	2,301
4. Closing balance	286,798	302,098

*11.6 Changes in prepaid taxes during the period (against net equity)**

	Total 30 June 2023	Total 30 June 2022
1. Opening balance	37,148	27,395
2. Increases	161,046	47,242
2.1 Prepaid taxes for the year	160,947	47,218
a) relating to previous years	—	7
b) due to changes in accounting parameters	—	—
c) other	160,947	47,211
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	99	24
3. Decreases	167,058	37,489
3.1 Prepaid taxes derecognized in the year	165,537	37,089
a) reversals of temporary differences	164,409	32,286
b) write-downs due to intervening unrecoverable status	—	—
c) due to changes in accounting policies	—	—
d) other	1,128	4,803
3.2 Reductions in tax rates	—	—
3.3 Other decreases	1,521	400
4. Closing balance	31,136	37,148

* 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 June 2023	Total 30 June 2022
1. Opening balance	100,421	36,847
2. Increases	147,052	202,018
2.1 Deferred taxes for the year:	135,086	200,110
a) relating to previous years	—	—
b) due to changes in accounting parameters	—	—
c) other	135,086	200,110
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	11,966	1,908
3. Decreases	83,940	138,444
3.1 Deferred taxes derecognized in the year	78,079	127,278
a) reversals of temporary differences	78,079	127,278
b) due to changes in accounting parameters	—	—
c) other	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases	5,861	11,166
4. Closing balance	163,533	100,421

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 June 2023	30 June 2022
A. Assets held for sale		
A.1 Financial assets	242,164	—
A.2 Equity investments	—	—
A.3 Tangible assets	105	—
of which: obtained by the enforcement of collateral	—	—
A.4 Intangible assets	195	191
A.5 Other non-current assets	9,523	—
Total (A)	251,987	191
of which carried at cost	*251,987*	*191*
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	2,149	—
C.2 Securities	—	—
C.3 Other liabilities	5,985	—
Total (C)	8,134	—
of which carried at cost	*8,134*	—
of which designated at fair value - level 1	—	—
of which designated at fair value - level 2	—	—
of which designated at fair value - level 3	—	—

As at 30 June 2023, assets and liabilities held for sale of the subsidiary Revalea S.p.A. being sold to Banca Ifis were recorded. These assets mainly consist of the NPL portfolio managed by the company (under item “A.1 Financial assets” i.e. €238.8m). Other non-current assets mainly include tax assets, while other liabilities include employee severance indemnities.

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 Entities Spafid Connect to Euronext.

SECTION 13

Heading 130: Other assets

13.1 Other assets: breakdown

	30 June 2023	30 June 2022
1. Gold, silver and precious metals	695	695
2. Accrued income other than capitalized income from the related assets	71,130	63,283
3. Trade receivables or invoices to be issued	237,258	304,665
4. Amounts due from tax revenue authorities (not recorded under Heading 110)	351,639	239,720
5. Other items:	254,812	272,248
- bills for collection	69,933	66,818
- amounts due in respect of premiums, grants, indemnities, and other items in respect of lending transactions	23,986	22,023
- advance payments on deposit commissions	2,475	2,687
- other items in transit	87,850	89,084
- sundry items[1]	70,568	91,636
Total Other Assets	915,534	880,611

[1] This includes accrued income.

This item, as required by the Bank of Italy/Consob/IVASS Document No. 9,[8] includes tax credits (eco-bonuses and subsidies for energy-intensive enterprises) recorded in the financial statements in compliance with the so-called Group tax ceiling. The book value was €185m (€76m as at 30 June 2022); in detail, purchases during the year amounted to €179m (€95m as at 30 June 2022), while receivables offset against tax liabilities of the individual entities amounted to €71m. The nominal value as at 30 June 2023 was €204m, of which €153.3m referable to the ‘*Superbonus 110*’ discount pursuant to Article 119 of Law-Decree No. 34/2020, which may be offset in the next 4 years.

[8] The Bank of Italy/Consob/Ivass Document No. 9 - Coordination table between the Bank of Italy, Consob and IVASS for the purpose of adopting the IAS/IFRS Accounting treatment of tax credits connected with the "Cura Italia" and "Rilancio" Law-Decrees purchased following the transfer by the direct beneficiaries or previous purchasers indicates the item "Other assets" as the most appropriate to receive the tax credits referred to in the "Cura Italia" and "Rilancio" Law-Decrees.

Liabilities

SECTION 1

Heading 10: Financial liabilities measured at amortized cost

1.1 Financial liabilities measured at amortized cost: product breakdown of amounts due to banks

Transaction Type/Values	Total 30 June 2023				Total 30 June 2022			
	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	5,634,137	X	X	X	8,442,206	X	X	X
2. Due to banks	7,640,952	X	X	X	7,309,620	X	X	X
2.1 Current accounts and demand deposits	268,655	X	X	X	461,414	X	X	X
2.2 Term deposits	68,864	X	X	X	29,131	X	X	X
2.3 Loans	7,125,681	X	X	X	6,704,893	X	X	X
2.3.1 Repos	3,467,320	X	X	X	3,160,595	X	X	X
2.3.2 Other	3,658,361	X	X	X	3,544,298	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	228	X	X	X	82	X	X	X
2.6 Other liabilities	177,524	X	X	X	114,100	X	X	X
Total	13,275,089	—	13,275,089	—	15,751,826	—	15,751,826	—

1.2 Financial liabilities measured at amortized cost: composition of due to customers

Transaction Type/Values	Total 30 June 2023				Total 30 June 2022			
	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	17,795,987	X	X	X	24,528,643	X	X	X
2. Term deposits	11,712,096	X	X	X	5,924,530	X	X	X
3. Loans	649,255	X	X	X	1,893,112	X	X	X
3.1 Repos	614,310	X	X	X	1,782,550	X	X	X
3.2 Other	34,945	X	X	X	110,562	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Lease liabilities	216,381	X	X	X	208,765	X	X	X
6. Other liabilities[1]	376,883	X	X	X	168,525	X	X	X
Total	30,750,602	—	30,750,602	—	32,723,575	—	32,723,575	—

[1] As at 30 June 2023 the item included liabilities related to the purchase of MBFACTA's unfunded loans.

1.3 Financial liabilities measured at amortized cost: composition of debt securities in issue

Type of exposure/ Amounts	30 June 2023				30 June 2022			
	Book value	Fair value*			Book value	Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	19,875,779	1,038,611	18,586,665	—	17,398,373	859,014	16,471,829	—
1.1 Structured	2,999,458	—	3,005,730	—	2,493,001	—	2,535,107	—
1.2 Other	16,876,321	1,038,611	15,580,935	—	14,905,372	859,014	13,936,722	—
2. Other securities	1,001,596	—	740,103	261,493	841,851	—	782,599	59,252
2.1 Structured	—	—	—	—	—	—	—	—
2.2 Other[1]	1,001,596	—	740,103	261,493	841,851	—	782,599	59,252
Total	20,877,375	1,038,611	19,326,768	261,493	18,240,224	859,014	17,254,428	59,252

* Fair value amounts are shown after deducting issuer risk, which at 30 June 2023 suggested a capital gain of €156.4m.

[1] This item includes transactions in financial bills, which began in the financial year ended June 2023 for a value of €219,763.

Bonds increased from €17.4bn to €19.9bn after new issues of €4.8bn covered by redemptions and repurchases of €2.8bn (realizing gains of €7.1m), to which other increases of €533.5m (exchange rate adjustment, amortized cost and effect of hedges) should be added.

The bonds in issue include €1.7bn[9] (of which, €1.6bn issued by the subsidiary Mediobanca International and guaranteed by the Parent Company) related to arbitrage strategies leveraging derivative basis indexes (skew) mainly linked to credit derivatives and commodity derivatives and, to a lesser extent, to interest rate arbitrage, inflation and equity risk (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 para. 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.

[9] €1.7bn in the previous financial year.

1.4 Breakdown of subordinated debt securities

"Outstanding securities" include the following five subordinated Tier 2 issues, for a total of €1,351,237. During the year, an issue matured in April 2023 and a 5-year callable 10-year bond was issued for €300m at the 3-month Euribor rate +480 bps.

Issue	**30 June 2023**		
	ISIN code	**Nominal Value**	**Book value**
MB SUBORDINATO TV with 3% minimum rate 2025	IT0005127508	496,805	501,129
MB SUBORDINATO 3.75% 2026	IT0005188351	299,750	272,969
MB SUBORDINATO 1.957% 2029	XS1579416741	50,000	50,735
MB SUBORDINATO 2.3% 2030	XS2262077675	248,854	226,414
MB SUBORDINATO TF 10Y Callable	XS2577528016	299,950	299,990
Total subordinated issues		1,395,359	1,351,237

1.6 Lease liabilities

Amounts due under leases are calculated by applying the criteria set forth in IFRS 16.

SECTION 2

Heading 20: Trading liabilities

2.1 Trading financial liabilities: composition

Transaction Type/Values	30 June 2023					30 June 2022				
	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	42,854	34,173	10,552	—	44,725	9,642	8,981	—	—	8,981
2. Due to customers	4,160,964	4,085,164	205	—	4,085,369	3,732,348	3,720,646	—	—	3,720,646
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)	4,203,818	4,119,337	10,757	—	4,130,094	3,741,990	3,729,627	—	—	3,729,627
B. Derivative instruments										
1. Financial derivatives[1]	—	848,671	3,739,098	302,426	—	—	875,249	3,367,400	703,975	—
1.1 Trading	X	848,671	3,739,040	302,426	X	X	875,249	3,366,543	703,490	X
1.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	58	—	X	X	—	857	485	X
2. Credit derivatives	—	—	416,383	—	—	—	—	530,454	—	—
2.1 Trading	X	—	416,383	—	X	X	—	530,454	—	X
2.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total (B)	X	848,671	4,155,481	302,426	X	X	875,249	3,897,854	703,975	X
Total (A+B)	X	4,968,008	4,166,238	302,426	X	X	4,604,876	3,897,854	703,975	X

* Fair value computed by excluding variations due to changes in the issuer's credit score following the date of emission.

[1] This includes €789 (€409,692 in June 2022) for options traded, matching the amount recorded among assets held for trading.

SECTION 3

Heading 30: Financial liabilities designated at fair value

3.1 Financial liabilities designated at fair value: product breakdown

Transaction Type/Values	Total 30 June 2023					Total 30 June 2022				
	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 Other	—	—	—	—	X	—	—	—	—	X
of which:	—									
- loan commitments	—	X	X	X	X	X	X	X	X	X
- financial guarantees issued	—	X	X	X	X	X	X	X	X	X
2. Due to customers	—	—	—	—	—	—	—	—	—	—
2.1 Structured	—	—	—	—	X	—	—	—	—	X
2.2 Other	—	—	—	—	X	—	—	—	—	X
of which:										
- loan commitments	—	X	X	X	X	X	X	X	X	X
- financial guarantees issued	—	X	X	X	X	X	X	X	X	X
3. Debt securities	1,679,786	—	1,540,419	40,537	1,580,905	751,428	—	638,151	3,513	641,664
3.1 Structured	1,679,786	—	1,540,419	40,537	X	751,428	—	638,151	3,513	X
3.2 Other	—	—	—	—	X	—	—	—	—	X
Total	1,679,786	—	1,540,419	40,537	1,580,905	751,428	—	638,151	3,513	641,664

* Fair value computed by excluding variations due to changes in the issuer's credit score following the date of emission.

The item contains certificates of €1,479.3m (which includes €596.3m, i.e. the delta one without Mediobanca risk and backed by specific financial assets at fair value recorded under Item 20) and structured issues of €101.7m.

Heading 40: Hedging derivatives

4.1 Hedging derivatives: by hedge type and level

	30 June 2023				30 June 2022			
	Fair value			Nominal value	Fair value			Nominal value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	2,069,542	—	49,729,652	—	1,361,863	—	38,300,798
1) Fair value	—	2,068,723	—	49,699,652	—	1,358,504	—	38,164,524
2) Cash flows	—	819	—	30,000	—	3,359	—	136,274
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flows	—	—	—	—	—	—	—	—
Total	—	2,069,542	—	49,729,652	—	1,361,863	—	38,300,798

4.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction / Type of hedge	Fair value							Cash flows		Foreign investments
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Equities and stock indexes	Currencies and gold	Credit	Commodities	Other				
1. Financial assets measured at fair value through other comprehensive income	—	—	—	—	X	X	X	—	X	X
2. Financial assets measured at amortized cost	85,440	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other transactions	—	—	—	—	—	—	X	—	X	—
Total assets	85,440	—	—	—	—	—	—	—	—	—
1. Financial liabilities	1,983,283	X	—	—	—	—	X	819	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	1,983,283	—	—	—	—	—	—	819	—	—
1. Highly probable transactions	X	X	X	X	X	X	X	—	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 11.

SECTION 7

Heading 70: Liabilities associated to assets held for disposal

Please see asset section 12.

SECTION 8

Heading 80: Other liabilities

8.1 Other liabilities: composition

	30 June 2023	**30 June 2022**
1. Working capital payables and invoices pending receipt	338,827	368,606
2. Amounts due to revenue authorities	78,426	58,740
3. Amounts due to staff	300,129	254,751
4. Other items	333,698	273,099
- bills for collection	24,838	25,698
- coupons and dividends pending collection	3,557	2,638
- available sums payable to third parties	90,475	74,134
- premiums, grants, and other items in respect of lending transactions	20,552	20,400
- sundry items[1]	194,276	150,229
Total other liabilities	1,051,080	955,196

[1] This includes the liability in respect of the put-and-call agreements relating to Polus Capital, RAM AI and MA.

SECTION 9

Heading 90: Staff severance indemnity provisions

9.1 Staff severance indemnity provisions: changes during the period

	Total 30 June 2023	Total 30 June 2022
A. Opening balance	21,969	26,886
B. Increases	9,826	9,878
B.1 Provisions for the year	7,750	7,630
B.2 Other changes	2,076	2,248
- *of which business combinations*	—	—
C. Decreases	11,211	14,795
C.1 End-of service payments	2,120	3,132
C.2 Other changes[1]	9,091	11,663
- *of which business combinations*	—	—
D. Closing balance	20,584	21,969
Total	20,584	21,969

[1] This includes €5,255 in transfers to external, defined contribution pension schemes (€4,750 at 30 June 2022).

The Provision for statutory end-of-service payments concerns Group companies residing in Italy; for a detailed explanation of the accounting standards adopted, please refer to Part A – Accounting policies.

9.2 Other information

The provision for statutory end-of-service payments 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 2023 has been used for similar companies to those being valued (equal to 3.67%, compared with 2.47% at end-June 2022), while the inflation rate is 2.40%.

SECTION 10

Heading 100: Provisions for risks and charges

10.1 Provisions for risks and charges: breakdown

Items/Components	30 June 2023	30 June 2022
1. Provisions for credit risk related to commitments and financial guarantees issued	21,581	23,727
2. Provisions for other commitments and guarantees issued	585	537
3. Company retirement plans	—	—
4. Other risk and obligation funds	138,961	113,504
4.1 legal and tax disputes	—	—
4.2 obligations for employees	28,235	2,458
4.3 others	110,726	111,046
Total	161,127	137,768

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 in a best estimate, based on experience of similar operations or the opinion of independent experts. Provisions are revised on a regular basis in order to reflect the best current estimate.

As at 30 June, the item "Provisions for risks and charges" amounted to €161.1m (up compared to €137.8m in the previous year) with the component of commitments and guarantees issued being slightly down (from €23.7m to €21.6m). The increase in "other provisions for risks and charges" covering legal/tax disputes and other liabilities including personnel costs (€26m) refers to the extraordinary provision made by some Group companies (Mediobanca, Compass and CheBanca!) for the launch of an early retirement and turnover plan aiming to promote generational turnover. The stock at the end of the year was divided as follows: Mediobanca €67.3m (€67.9m), Compass €29m (€18.4m), CheBanca! €32m (€17.2m), SelmaBPM €6.1m (€5,2m) and CMB Monaco €2.2m (€2.1m); other Group companies €2.3m (€2.7m).

With reference to the main legal proceedings, the following should be noted:

- regarding the claim for damages made by Lucchini S.p.A. in A.S. ("Lucchini") against 12 banks (including Mediobanca) on the assumption that they had allegedly contributed to the company's economic and financial failure, by ruling dated 28 December 2022, the Court of Appeal of Milan dismissed the claims brought by Lucchini splitting legal expenses among the parties. As at 30 June 2023, the deadline for the appeal had expired without Lucchini having notified the appeal to the Court of Cassation; as a result, the sentence of the Court of Appeal of 28 December 2022 became final and the dispute may be considered as settled on a final basis;
- in relation to the effects of the so-called "Lexitor" ruling of the Court of Justice of the European Union, the Italian Constitutional Court, by ruling dated 22 December 2022, stated that Article 11-octies, paragraph 2, of the Italian government's Sostegni Bis Decree was partially unconstitutional. As a result of such ruling of the Constitutional Court, consumers will be entitled to a proportional reduction of all costs incurred in relation to consumer credit agreements, even if they were concluded before 25 July 2021, without prejudice to the statute of limitations provided by law (10 years). On the basis of such ruling, it was deemed appropriate to set aside €3.3m which, after withdrawals, brings the balance of the specific provision to €13.2m;
- with regard to disputes relating to the hiring of bankers and financial advisers and relating to the indemnification policy, it was decided to increase the provisions to €13.7m with a net provision of approximately €7m.

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 CMG Monaco 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 judgement. In detail, Mediobanca won the case in the first and second instances of the dispute relating to financial year 2013/2014 (2013 profits, tax of €21.3m, plus interest and penalties), but an appeal before the Court of Cassation is pending. The Bank won the case in the first instance in the joint proceedings relating to financial years 2014/2015 and 2015/2016 (respectively 2014 and 2015 profits) for a total tax of €32.5m, plus interest and penalties, but an appeal in the second instance brought by the Italian Revenue Agency is still pending;

– with reference to Mediobanca's alleged failure to apply withholding taxes on interest expense paid as part of a secured financing transaction in 2014, 2015 and 2016 (tax of €6.4m, plus interest and penalties), after the Milan Provincial Tax Commission dismissed the first two disputed years, the Bank proceeded to file an appeal at second instance, while the first-level judgement for the year 2016 is pending;
– dispute before the Court of Cassation concerning a transfer of money abroad involving the operations of Banca Esperia fully expensed in prior financial year.

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);
– six disputes involving direct and indirect tax of minor amounts and at different stages of the ruling process, involving a total certified amount of €1.5m 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.

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

	Provisions for other commitments and guarantees given	Retirement plans	Other risk and obligation funds: Obligations for employees	Other risk and obligation funds: Other	Total
A. Opening balance	537	—	2,458	111,046	114,041
B. Increases	873	869	26,437	30,577	58,756
B.1 Provisions of the year	873	869	26,000	24,491	52,233
B.2 Changes due to the passage of time	—	—	—	—	—
B.3 Changes due to fluctuations in the discount rate	—	—	—	—	—
B.4 Other changes[1]	—	—	437	6,086	6,523
of which business combinations	—	—	—	—	—
C. Decreases	825	869	660	30,897	33,251
C.1 Uses during the year	—	—	360	29,942	30,302
C.2 Changes due to fluctuations in the discount rate[2]	—	404	—	—	404
C.3 Other changes	825	465	300	955	2,545
of which business combinations	—	—	—	—	—
D. Closing balance	585	—	28,235	110,726	139,546

[1] In light of the changes introduced by the 2023 Budget Law and the progress of the dispute, a reassessment of the tax risk as a whole was carried out, leading to a release of funds in the order of €6m.

[2] 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.

10.3 Provisions for credit risk related to commitments and financial guarantees given

	Provisions for credit risk related to commitments and financial guarantees issued				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets	Total
Loan commitments	18,064	1,941	135	—	20,140
Financial guarantees issued	978	463	—	—	1,441
Total	19,042	2,404	135	—	21,581

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.[10] The current value of the liability is adjusted by the fair value of any assets to be used under the terms of such plan.

[10] 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.

In particular, the "technical" surplus encountered for the first time in June 2022 persisted in the year under review, albeit decreasing, and it led to an adjustment pursuant to IFRIC 14[11] in the same amount and a derecognition of the net liability.

The following Table shows the breakdown of the net defined benefit obligation as at the most recent reporting date (30 June 2023):

IAS 19 Net obligation*	**CHF/1000**		**EUR/1000**	
	30 June 2023	**30 June 2022**	**30 June 2023**	**30 June 2022**
Present value of defined benefit obligation	(6,823)	(6,440)	(6,971)	(6,466)
Present value of assets servicing the fund	7,426	7,221	7,586	7,250
Surplus/(deficit)	603	781	616	784
IFRIC 14 adjustment	(603)	(781)	(616)	(784)
Net accounting (liability)/asset	—	—	—	—

* Financial assumptions (discount rate of 1.85% against 2.30% in December 2022 and 2.25% in June 2022; salary increase of 1%) and demographic assumptions were used to determine the value of the liability.

A sensitivity analysis is performed on the DBO to measure its sensitivity to changes in the main assumptions adopted.

[11] 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 June 2023	30 June 2022
A. Non-life business	—	111,338	111,338	119,001
A1. Premium reserves	—	101,895	101,895	108,097
A2. Accident reserves	—	9,443	9,443	10,904
A3. Other reserves	—	—	—	—
B. Life business	—	—	—	—
B1. Mathematical reserves	—	—	—	—
B2. Reserves for sums to be paid out	—	—	—	—
B3. Other reserves	—	—	—	—
C. Technical reserves when investment risk is incurred by insured parties	—	—	—	—
C1. Reserves related to contracts whose performance is linked to investment funds and market indexes	—	—	—	—
C2. Reserves originated by retirement funds management	—	—	—	—
D. Total technical reserves	—	111,338	111,338	119,001

11.2 Technical reserves: changes during the period

	30 June 2023	30 June 2022
A. Non-life business		
Opening balance	119,001	131,350
Business combinations	—	—
Changes in reserves (+/-)	(7,663)	(12,349)
Other changes	—	—
Closing balance	111,338	119,001
B. Life business and other technical reserves		
Opening balance	—	—
Business combinations	—	—
Changes due to premiums	—	—
Changes due to sums to be paid out	—	—
Changes due to payments	—	—
Changes due to income and other bonuses paid out to insurers (+/-)	—	—
Changes to other technical reserves (+/-)	—	—
Other changes	—	—
Closing balance	—	—
C. Total technical reserves	111,338	119,001

SECTION 13

Heading 120, 130, 140, 150, 160, 170 and 180: Group 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 Capital – Number of parent company shares: changes for the year

Items/Values	Ordinary
A. Shares in issue at the start of the period	864,698,552
- fully paid up	864,698,552
- partially paid up	—
A.1 Treasury shares (-)	(25,812,945)
A.2 Shares in issue: opening balance	838,885,607
B. Increases	1,916,938
B.1 New shares issuance as a result of:	1,058,922
- for consideration	—
- business combinations	—
- bond conversions	—
- exercise of warrants	—
- other	—
- free of charge:	1,058,922
- to employees	1,058,922
- to directors	—
- other	—
B.2 Disposals of treasury shares	858,016
B.3 Other changes	—
C. Decreases	—
C.1 Cancellation	—
C.2 Treasury shares' buybacks	—
C.3 Disposal of business	—
C.4 Other changes	—
D. Shares in issue: closing balance	840,802,545
D.1 Treasury shares (+)	(8,454,929)
D.2 Shares in issue at the end of the period	849,257,474
- fully paid up	849,257,474
- partially paid up	—

On 2 September last, 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. As part of the performance share plans, 1,916,938 shares were allocated during the year, 858,016 of which through treasury shares and 1,058,922 through a capital increase.

The changes in the Reserve for treasury shares during the year were as follows:

Items/Values	Number of shares	Value (€/000)
Reserve for treasury shares: opening amount at 30 June 2022	25,812,945	240,807
Increases	—	—
- Newly issued shares	—	—
- Treasury shares' buybacks	—	—
- Other changes	—	—
Decreases	17,358,016	161,931
- Cancellation	16,500,000	153,928
- Treasury shares' disposal	858,016	8,003
- Other changes	—	—
Reserve for treasury shares: closing amount at 30 June 2023	8,454,929	78,876

13.4 Profit reserves: other information

Items/Values	30 June 2023	30 June 2022
Legal reserve	88,728	88,728
Statutory reserve	720,073	836,680
Treasury shares	78,876	240,807
Other	6,787,606	5,742,048
Total	7,675,283	6,908,263

13.5 Equity instruments: breakdown 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 June 2023	30 June 2022
1. SelmaBipiemme S.p.A.	91,719	90,232
2. RAM Active Investments S.A.	906	995
3. Polus Capital Group Ltd.	11,499	10,331
4. Other minor	19	13
Total	104,143	101,571

Other Information

1. Commitments and financial guarantees given

	Nominal value of commitments and financial guarantees given				Total 30 June 2023	Total 30 June 2022
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
1. Loan commitments	15,441,080	89,254	1,066	—	15,531,400	15,079,889
a) Central Banks	2,901	—	—	—	2,901	—
b) Public administrations	3,158,946	—	—	—	3,158,946	2,724,900
c) Banks	30,050	—	—	—	30,050	46,867
d) Other financial companies	1,543,909	350	—	—	1,544,259	1,935,724
e) Non-financial companies	7,726,313	57,708	373	—	7,784,394	7,701,716
f) Households	2,978,961	31,196	693	—	3,010,850	2,670,682
2. Financial guarantees issued	496,741	10,998	—	—	507,739	572,551
a) Central Banks	—	—	—	—	—	—
b) Public administrations	—	—	—	—	—	—
c) Banks	500	—	—	—	500	11,563
d) Other financial companies	13,288	—	—	—	13,288	19,961
e) Non-financial companies	459,562	10,998	—	—	470,560	509,381
f) Households	23,391	—	—	—	23,391	31,646

2. Other commitments and guarantees given

	Nominal Value 30 June 2023	Nominal Value 30 June 2022
1. Other guarantees issued	159,776	177,447
of which: non-performing exposures[1]	—	*300*
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	478	478
d) Other financial companies	47,839	61,198
e) Non-financial companies	25,782	35,125
f) Households	85,677	80,646
2. Other commitments	132,587	111,333
of which: non-performing exposures	—	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	32,016	101,645
d) Other financial companies	60,774	—
e) Non-financial companies	39,797	9,688
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	Amount 30 June 2023	Amount 30 June 2022
1. Financial assets measured at fair value through to profit or loss	2,957,778	4,194,222
2. Financial assets measured at fair value through other comprehensive income	2,166,220	2,370,377
3. Financial assets measured at amortized cost	22,234,273	23,634,127
4. Tangible assets	—	—
of which: tangible assets that constitute surplus	—	—
5. Investments	22,765	210,435

5. Assets managed on behalf of third parties

Type of service	Value 30 June 2023	Value 30 June 2022
1. Orders executed on behalf of customers		
a) Purchases	50,053,053	39,869,719
1. settled	49,699,700	38,948,514
2. unsettled	353,353	921,205
b) Sales	41,972,612	30,693,114
1. settled	41,619,259	29,771,909
2. unsettled	353,353	921,205
2. Portfolio management		
a) Individual	7,856,270	7,044,324
b) Collective	18,317,545	18,922,300
3. Custody and administration of securities		
a) Third-party securities on deposits: relating to depositary banks activities (excluding portfolio management)	9,097,812	8,894,618
1. securities issued by companies included in the area of consolidation	2,524,304	613
2. other securities	6,573,508	8,894,005
b) Third-party securities held in deposits (excluding portfolio management): other	26,179,576	17,986,082
1. securities issued by companies included in the area of consolidation	30,000	30,000
2. other securities	26,149,576	17,956,082
c) Third-party securities deposited with third parties	16,240,406	16,448,308
d) Own securities deposited with third parties	11,893,879	7,875,485
4. Other operations	13,563,348	13,015,912

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 (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) 30 June 2023	Net amount 30 June 2022
				Financial instruments (d)	Cash deposits received as guarantee (e)		
1. Derivatives	3,265,444	1,870,581	1,394,863	1,318,420	18,827	57,616	291,527
2. Reverse Repos	3,449,319	—	3,449,319	3,449,319	—	—	—
3. Securities lending	—	—	—	—	—	—	—
4. Other	—	—	—	—	—	—	—
Total at 30 June 2023	6,714,763	1,870,581	4,844,182	4,767,739	18,827	57,616	X
Total at 30 June 2022	5,882,805	1,245,133	4,637,672	4,236,507	109,638	X	291,527

[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 (b)	Net amount of financial liabilities stated in the balance sheet (c=a-b)	Related amounts not offset in the balance sheet		Net amount (f=c-d-e) 30 June 2023	Net amount (f=c-d-e) 30 June 2022
				Financial instruments (d)	Cash deposits established as guarantee (e)		
1. Derivatives	2,254,881	—	2,254,881	1,318,420	377,349	559,112	319,299
2. Repos	4,080,842	—	4,080,842	4,080,842	—	—	—
3. Securities lending	—	—	—	—	—	—	—
4. Other transactions	—	—	—	—	—	—	—
Total at 30 June 2023	6,335,723	—	6,335,723	5,399,262	377,349	559,112	X
Total at 30 June 2022	7,275,846	—	7,275,846	6,551,860	404,687	X	319,299

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".

Type of securities lending transaction	**Type of security**		
	Government bonds	**Securities issued by banks**	**Other securities**
1. Cash-collateralized securities lending received from:	60,071	27,496	424,331
a) Banks	—	26,889	410,218
b) Financial brokers	60,071	607	14,113
c) Customers	—	—	—
2. Cash-collateralized securities lending provided to:	—	(200,895)	(363,625)
a) Banks	—	(200,789)	(363,143)
b) Financial brokers	—	(106)	(482)
c) Customers	—	—	—
Total securities lending (book value)	60,071	(173,399)	60,706

Type of securities lending transaction	**Type of security**		
	Government bonds	**Securities issued by banks**	**Other securities**
1. Security-collateralized or non-collateralized securities lending received from:	1,848,627	588,000	189
a) Banks	—	588,000	72
b) Financial brokers	1,848,627	—	—
c) Customers	—	—	117
2. Security-collateralized or non-collateralized securities lending provided to:	(1,923,436)	(35,856)	(767,244)
a) Banks	(451,929)	—	(399,041)
b) Financial brokers	(1,471,507)	(35,856)	(368,203)
c) Customers	—	—	—
Total securities lending (fair value)	(74,809)	552,144	(767,055)

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/Instrument type	Debt securities	Loans	Other transactions	12 mths ended 30/6/23	12 mths ended 30/6/22
1. Financial assets measured at fair value through to profit or loss:	74,188	20,620	—	94,808	62,191
1.1 Financial assets held for trading	74,114	158	—	74,272	40,876
1.2 Financial assets designated at fair value	—	20,460	—	20,460	21,108
1.3 Other financial assets mandatorily measured at fair value	74	2	—	76	207
2. Financial assets measured at fair value through other comprehensive income	129,128	—	X	129,128	58,295
3. Financial assets measured at amortized cost:	99,195	2,502,227	—	2,601,422	1,630,285
3.1 Due from banks	6,846	173,350	X	180,196	12,863
3.2 Due from customers	92,349	2,328,877	X	2,421,226	1,617,422
4. Hedging derivatives[1]	X	X	—	—	60,936
5. Other assets	X	X	8,603	8,603	821
6. Financial liabilities[2]	X	X	X	123	35,459
Total	302,511	2,522,847	8,603	2,834,084	1,847,987
of which: interest income on impaired assets	*697*	*50,285*	—	*50,982*	*71,143*
of which: interest income on finance leases	*X*	*62,023*	*X*	*62,023*	*40,173*

[1] Mostly hedges of funding.

[2] Item 6 "Financial liabilities" includes interest expense as the result of negative interest rates.

1.2 Interest and similar income: other information

As at 30 June 2023, the balance of the account includes €231.8m (€105.2m) in connection with financial assets in foreign currencies.

1.3 Interest expenses and similar charges: composition

Items/Instrument type	Debts	Securities	Other transactions	12 mths ended 30/6/23	12 mths ended 30/6/22
1. Financial liabilities measured at amortized cost	(485,966)	(439,404)	—	(925,370)	(317,767)
1.1 Due to central banks	(105,542)	X	X	(105,542)	(112)
1.2 Due to banks	(156,729)	X	X	(156,729)	(8,618)
1.3 Due to customers	(223,695)	X	X	(223,695)	(40,537)
1.4 Securities in issue	X	(439,404)	X	(439,404)	(268,500)
2. Trading liabilities	—	—	—	—	—
3. Financial liabilities designated at fair value	—	(22,043)	—	(22,043)	(20,420)
4. Other liabilities and funds	X	X	(6)	(6)	(255)
5. Hedging derivatives	X	X	(77,121)	(77,121)	—
6. Financial assets[1]	X	X	X	(1,951)	(15,239)
Total	(485,966)	(461,447)	(77,127)	(1,026,491)	(353,681)
of which: interest expense related to lease liabilities	*(2,671)*	*X*	*X*	*(2,671)*	*(2,092)*

[1] Item 6 “Financial assets” includes interest expense as the result of negative interest rates.

1.4 Interest expense and similar charges: other information

As at 30 June 2023, the balance of the account included €131.8m (€90.6m) in connection with financial liabilities in foreign currencies.

1.5 Margins on hedging transactions

Items	12 mths ended 30/6/23	12 mths ended 30/6/22
A. Positive margins on hedging transactions	732,225	362,643
B. Negative margins on hedging transactions	(809,346)	(301,707)
C. Net balance (A-B)	(77,121)	60,936

SECTION 2

Headings 40 and 50: Net fee and commission income

2.1 Fee and commission income: breakdown

Type of income/Values	12 mths ended 30/6/23	12 mths ended 30/6/22
a) Financial instruments	260,779	255,613
1. Placement of securities	163,858	164,313
1.1 With underwriting commitment and/or on the basis of an irrevocable commitment	—	—
1.2 Without irrevocable commitment	163,858	164,313
2. Receipt and transmission of orders and execution of orders on behalf of clients	27,332	22,512
2.1 Receipt and transmission of orders for one or more financial instruments	27,332	22,512
2.2 Execution of orders on behalf of clients	—	—
3. Others commissions connected with activities relating to financial instruments	69,589	68,788
of which: trading on own account	*18,464*	*17,795*
of which: individual portfolio management	*51,125*	*50,993*
b) Corporate Finance	146,974	161,718
1. Advice on mergers and acquisitions	146,974	161,718
2. Treasury services	—	—
3. Other commissions connected with corporate finance services	—	—
c) Investment advisory activities	5,034	5,411
d) Offsetting and settlement	—	—
e) Collective portfolio management	108,674	106,170
f) Custody and administration	31,079	29,529
1. Custodian bank	7,458	7,458
2. Other fees associated with custody and administration	23,621	22,071
g) Central administrative services for collective portfolio management	—	—
h) Fiduciary activities	5,648	5,587
i) Payment services	41,488	34,770
1. Current accounts	14,285	10,172
2. Credit cards	15,823	14,637
3. Debit cards and other payment cards	7,958	7,021
4. Wire transfers and payment orders	523	461
5. Other fees linked to payment services	2,899	2,479
j) Distribution of third-party services	95,961	100,021
1. Collective portfolio management	4,344	4,023
2. Insurance products	80,765	80,872
3. Other products	10,852	15,126
of which: individual portfolio management	*10,724*	*15,107*
k) Structured finance	—	—
l) Securitization servicing	526	393
m) Loan commitments	73,383	75,894
n) Financial guarantees issued	6,400	6,228
of which: credit derivatives	—	—
o) Lending transactions	20,501	16,089
of which: factoring services	*18,263*	*13,642*
p) Currency trading	119	91
q) Commodities	—	—
r) Other commission income	39,406	37,209
of which: for the management of multilateral trading facilities	—	—
of which: for the management of organized trading systems	—	—
Total	835,972	834,723

2.2 Fee and commission expenses: composition

Services/Amounts	12 mths ended 30/6/23	12 mths ended 30/6/22
a) Financial instruments	(9,309)	(10,044)
of which: securities trading	*(8,098)*	*(8,426)*
of which: financial instruments placement	*(1,187)*	*(1,541)*
of which: individual portfolio management	*(24)*	*(77)*
- Own assets	(24)	(77)
- Under mandate to third parties	—	—
b) Offsetting and settlement	—	—
c) Collective portfolio management	(8,185)	(8,304)
1. Own instruments	—	—
2. Delegated to third parties	(2,419)	(2,842)
d) Custody and administration	(4,861)	(4,092)
e) Collection and payment services	(18,867)	(15,206)
of which: credit cards, debit cards and other payment cards	*(9,730)*	*(7,124)*
f) Securitization servicing	—	—
g) Borrowing commitments	—	—
h) Financial guarantees received	(142)	(141)
of which: credit derivatives	—	—
i) Off-site distribution of financial instruments, products, and services	(15,356)	(24,677)
j) Currency trading	—	—
k) Other commission expense	(101,285)	(104,255)
Total	(158,005)	(166,719)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: breakdown

Item / Income	12 mths ended 30/6/23		12 mths ended 30/6/22	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	62,524	24	84,439	3
B. Other financial assets mandatorily measured at fair value	—	10,654	16	26,249
C. Financial assets measured at fair value through other comprehensive income	5,556	—	7,057	—
D. Equity investments	—	—	—	—
Total	68,080	10,678	91,512	26,252

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: breakdown

Transactions/Income components	Capital gains (A)	Trading income (B)	Capital l osses (C)	Trading loss (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	177,771	628,370	(210,560)	(188,629)	406,952
1.1 Debt securities	133,244	126,308	(78,677)	(77,892)	102,983
1.2 Equity securities	44,187	499,951	(131,844)	(109,725)	302,569
1.3 UCIT units	3	2,111	(39)	(1,012)	1,063
1.4 Loans	337	—	—	—	337
1.5 Other	—	—	—	—	—
2. Trading liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Other	—	—	—	—	—
3. Financial assets and liabilities: currency exchange gains/losses[1]	X	X	X	X	(14,287)
4. Derivatives instruments	2,169,201	2,215,878	(2,547,299)	(2,162,864)	(293,254)
4.1 Financial derivatives:	1,708,970	1,717,443	(2,054,607)	(1,714,865)	(311,229)
- on debt securities and interest rates	294,581	947,895	(508,183)	(962,000)	(227,707)
- on equity securities and share indexes	1,377,640	768,103	(1,517,215)	(748,074)	(119,546)
- on currencies and gold	X	X	X	X	31,830
- other	36,749	1,445	(29,209)	(4,791)	4,194
4.2 Credit derivatives	460,231	498,435	(492,692)	(447,999)	17,975
of which: natural hedges related to the fair value option	*X*	*X*	*X*	*X*	—
Total	2,346,972	2,844,248	(2,757,859)	(2,351,493)	99,411

[1] Of which €336 in negative margins on interest rate derivatives (a negative €12,178 at 30 June 2022).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): breakdown

Income items/Amounts	12 mths ended 30/6/23	12 mths ended 30/6/22
A. Income from:		
A.1 Fair value hedging instruments	489,724	1,134,281
A.2 Hedged asset items (fair value)	145,523	108,420
A.3 Hedged liability items (fair value)	582,802	1,565,842
A.4 Cash-flow hedging derivatives	3	6
A.5 Assets and liabilities denominated in foreign currency	—	—
Total gains on hedging activities (A)	1,218,052	2,808,549
B. Charges relating to:		
B.1 Fair value hedging instruments	(916,297)	(1,832,714)
B.2 Hedged asset items (fair value)	(247,748)	(927,461)
B.3 Hedged liability items (fair value)	(52,568)	(50,489)
B.4 Cash-flow hedging derivatives	—	—
B.5 Assets and liabilities denominated in foreign currency	—	—
Total charges for hedging activities (B)	(1,216,613)	(2,810,664)
C. Net gain (loss) from hedging activities (A-B)	1,439	(2,115)
of which: gain (loss) of hedges on net exposures	—	—

SECTION 6

Heading 100: Gain (loss) on disposals/repurchases

6.1 Gain (loss) on disposals/repurchases: breakdown

Items / Income components	12 mths ended 30/6/23			12 mths ended 30/6/22*		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net gain (loss)
A. Financial assets						
1. Financial assets measured at amortized cost	21,308	(16,881)	4,427	18,092	(11,880)	6,212
1.1 Due from banks	1,559	(1,668)	(109)	2,009	(198)	1,811
1.2 Due from customers	19,749	(15,213)	4,536	16,083	(11,682)	4,401
2. Financial assets measured at fair value through other comprehensive income	7,117	(13,856)	(6,739)	19,959	(199)	19,760
2.1 Debt securities	7,117	(13,856)	(6,739)	19,959	(199)	19,760
2.2 Loans	—	—	—	—	—	—
Total assets (A)	28,425	(30,737)	(2,312)	38,051	(12,079)	25,972
B. Financial liabilities measured at amortized cost						—
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	7,831	(692)	7,139	849	(1,869)	(1,020)
Total liabilities (B)	7,831	(692)	7,139	849	(1,869)	(1,020)

* The numbers relating to financial year 2021/2022 were reclassified following the transfer from heading 100 to Heading 80 of the banking book exchange rate valuations of securities.

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 components	Capital gains (A)	Proceeds from disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	22,107	—	—	—	22,107
1.1 Debt securities	—	—	—	—	—
1.2 Loans	22,107	—	—	—	22,107
2. Financial liabilities	39,848	130	(24,238)	(22,526)	(6,786)
2.1 Debt securities in issue	39,848	130	(24,238)	(22,526)	(6,786)
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	(266)
Total	61,955	130	(24,238)	(22,526)	15,055

7.2 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/ Income components	Capital gains (A)	Proceeds from disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	18,073	3,520	(25,199)	(30)	(3,636)
1.1 Debt securities	338	—	(8)	—	330
1.2 Equity securities	525	—	(2,532)	—	(2,007)
1.3 UCIT units	17,210	3,520	(22,659)	(30)	(1,959)
1.4 Loans	—	—	—	—	—
2. Financial assets: currency exchange gains / losses	X	X	X	X	(1,745)
Total	18,073	3,520	(25,199)	(30)	(5,381)

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 components	Write-downs (1)						Writebacks (2)				Total 12 mths ended 30/6/23	Total 12 mths ended 30/6/22
	First stage	Second stage	Third stage		Purchased or originated credit impaired assets		Stage 1	Second stage	Third stage	Purchased or originated credit impaired assets		
			Write-offs	Other	Write-offs	Other						
A. Due from banks	(104)	—	—	—	—	—	549	—	—	—	445	1,430
- Loans	(54)	—	—	—	—	—	371	—	—	—	317	1,173
- Debt securities	(50)	—	—	—	—	—	178	—	—	—	128	257
B. Due from customers	(185,775)	(209,930)	(6,163)	(319,675)	(44,980)	(86)	204,208	145,842	116,585	67,440	(232,534)	(205,307)
- Loans	(182,174)	(206,329)	(6,163)	(319,572)	(44,980)	(86)	202,128	145,842	115,796	67,440	(228,098)	(204,355)
- Debt securities	(3,601)	(3,601)	—	(103)	—	—	2,080	—	789	—	(4,436)	(952)
Total	(185,879)	(209,930)	(6,163)	(319,675)	(44,980)	(86)	204,757	145,842	116,585	67,440	(232,089)	(203,877)

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 components	Net loss provisions						12 mths ended 30/6/23	12 mths ended 30/6/22
	First stage	Second stage	Third stage		Purchased or originated credit impaired assets			
			Write-offs	Other	Write-offs	Other		
1. Loans that have received concessions in conformity with EBA Guidelines*	—	(2)	—	—	—	—	(2)	—
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	—	(71)	—	(16)	—	—	(87)	77
4. New loans	(162)	-	—	(138)	—	—	(300)	341
Total at 30 June 2023	(162)	(73)	—	(154)	—	—	(389)	X
Total at 30 June 2022	443	241	—	(266)	—	—	—	418

* 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 value adjustments for credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/ Income components	Write-downs (1)						Writebacks (2)				Total	
	First stage	Second stage	Third stage	First stage	Purchased or originated credit impaired assets	Other	First stage	Second stage	Third stage	Purchased or originated credit impaired assets	12 mths ended 30/6/23	12 mths ended 30/6/22
			Write-offs	Other	Write-offs	Other						
A. Debt securities	(74)	—	—	—	—	—	—	790	—	—	716	(2,305)
B. Loans	—	—	—	—	—	—	—	—	—	—	—	—
- To customers	—	—	—	—	—	—	—	—	—	—	—	—
- To banks	—	—	—	—	—	—	—	—	—	—	—	—
Total	(74)	—	—	—	—	—	—	790	—	—	716	(2,305)

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 €-617,000, 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 recognized in the income statement.

SECTION 10

Heading 160: Net premium income

10.1 Net premium income: breakdown

Insurance premiums	Direct business	Indirect business	12 mths ended 30/6/23	12 mths ended 30/6/22
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 (+)	—	33,820	33,820	32,074
B.2. Outward reinsurance premiums (-)	—	X	—	—
B.3. Change in gross value of premium reserve (+/-)	—	6,202	6,202	12,300
B.4. Change in premium reserve for premiums ceded to reinsurers (+/-)	—	—	—	—
B.5. Total	—	40,022	40,022	44,374
C. Total net premiums	—	40,022	40,022	44,374

SECTION 11

Heading 170: Other (net) income from insurance activities

11.1 Other (net) income from insurance activities: breakdown

Items	**12 mths ended 30/6/23**	**12 mths ended 30/6/22**
1. Net change in technical reserves	—	—
2. Claims paid out during the year	(7,916)	(8,877)
3. Other income and expense from insurance operations	(2,269)	(4,039)
Total	(10,185)	(12,916)

11.3 Breakdown of sub-heading "Claims paid out during the year"

Charges for claims	**12 mths ended 30/6/23**	**12 mths ended 30/6/22**
Life-business: expense related to claims, after reinsurance ceded		
A. Amounts paid out	—	—
A.1 Gross annual amount	—	—
A.2 (-) Amounts reinsured with third parties	—	—
B. Change in reserve for amounts payable	—	—
B.1 Gross annual amount	—	—
B.2 (-) Amounts reinsured with third parties	—	—
Total life-business claims	—	—
Non-life business: expense related to claims, after recoveries and reinsurance ceded		
C. Amounts paid out	(7,916)	(8,927)
C.1 Gross annual amount	(7,916)	(8,927)
C.2 (-) Amounts reinsured with third parties	—	—
D. Change in recoveries after amounts ceded to reinsurers	—	—
E. Change in claims reserves	—	50
E.1 Gross annual amount	—	50
E.2 (-) Amounts reinsured with third parties	—	—
Total non-life business claims	(7,916)	(8,877)

SECTION 12

Heading 190: Administrative expenses

12.1 Personnel cost: breakdown

Type of expense/Sectors	12 mths ended 30/6/23	12 mths ended 30/6/22
1) Employees:	(710,812)	(650,012)
a) wages and salaries	(526,313)	(479,587)
b) social security contributions	(112,958)	(99,771)
c) severance pay	(3,456)	(3,718)
d) social security costs	—	—
e) provisions for statutory end-of-service payments	(16,401)	(13,245)
f) provisions for retirement plans and similar provisions:	269	(219)
- defined-contribution	—	—
- defined-benefit	269[1]	(219)
g) payments to external pension funds:	(17,795)	(16,289)
- defined-contribution	(17,795)	(16,289)
- defined-benefit	—	—
h) expenses resulting from share-based payments	(11,177)	(13,266)
i) other employee benefits	(22,981)	(23,917)
2) Other staff in service	(6,514)	(6,332)
3) Directors and Statutory Auditors	(11,309)	(12,751)
4) Early retirement costs	(3,008)	(2,379)
Total	(731,643)	(671,474)

[1] This figure refers to the benefit deriving from the "curtailment cost" and the "Plan amendments" decided by Caisse Bâloise.

12.2 Average number of staff by category

	12 mths ended 30/6/23	12 mths ended 30/6/22
Employees:		
a) Senior executives	491	447
b) Middle managers	2,211	2,073
c) Other employees	2,330	2,324
Other staff	335	268
Total	5,367	5,112

12.5 Other administrative expenses: breakdown

Type of income/Values	12 mths ended 30/6/23	12 mths ended 30/6/22
OTHER ADMINISTRATIVE EXPENSES		
- legal, tax and professional services	(60,369)	(55,832)
- loan recovery activity	(75,941)	(73,745)
- marketing and communications	(49,157)	(42,073)
- real property expenses	(23,005)	(22,514)
- data processing	(162,180)	(151,738)
- info-providers	(54,104)	(48,925)
- bank charges, collection and payment fees	(32,889)	(31,272)
- operating expenses	(66,635)	(60,488)
- other staff expenses	(19,434)	(12,197)
- other[1]	(99,960)	(102,109)
- indirect and other taxes	(111,791)	(109,100)
Total other administrative expenses	(755,465)	(709,993)

[1] This item includes contributions to the various resolution funds: €70.4m for the year ended at 30 June 2023, and €76.6m for the year ended at 30 June 2022.

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

	12 mths ended 30/6/23			12 mths ended 30/6/22
	Provisions	Reallocation of surplus	Total	Total
Loan commitments	(8,849)	10,409	1,560	3,067
Financial guarantees issued	(293)	915	622	66
Total	(9,142)	11,324	2,182	3,133

13.2 Net transfers related to other commitments and guarantees issued

	12 mths ended 30/6/23			12 mths ended 30/6/22		
	Provisions	Reallocation of surplus	Total	Provisions	Reallocation of surplus	Total
Other commitments	—	825	825	—	—	—
Other guarantees issued	(873)	—	(873)	(241)	1	(240)
Total	(873)	825	(48)	(241)	1	(240)

13.3 Net transfers to other provisions for risks and charges: breakdown

	12 mths ended 30/6/23			12 mths ended 30/6/22
	Provisions	**Reallocation of surplus**	**Total**	
1. Other funds				
1.1 Legal disputes	—	—	—	—
1.2 Staff costs	(26,000)	—	(26,000)	(584)
1.3 Other	(25,254)	13,303	(11,951)	(9,250)
Total	(51,254)	13,303	(37,951)	(9,834)

SECTION 14

Heading 210: Net adjustments to tangible assets

14.1 Net adjustments to tangible assets: breakdown

Asset/Income component	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net gain (loss) (a + b - c)
A. Property, plant and equipment				
1 Core	(60,316)	—	—	(60,316)
- Owned	(15,596)	—	—	(15,596)
- Right-of-use assets acquired under lease	(44,720)	—	—	(44,720)
2 Held for investment purposes	(1,828)	—	—	(1,828)
- Owned	(1,828)	—	—	(1,828)
- Right-of-use assets acquired under lease	—	—	—	—
3 Inventories	X	—	—	—
Total	(62,144)	—	—	(62,144)

SECTION 15

Heading 220: Net adjustments to intangible assets

15.1 Net adjustments/writebacks of intangible assets: breakdown

Asset/Income components	Depreciation (a)	Impairment losses (b)	Writebacks (c)	Net gain (loss) (a + b - c)
A. Intangible assets				
of which: software	(17,018)	—	—	(17,018)
A.1 Owned	(30,192)	—	—	(30,192)
- Generated by the company internally	—	—	—	—
- Other	(30,192)	—	—	(30,192)
A.2 Right-of-use assets acquired under lease	—	—	—	—
Total	(30,192)	—	—	(30,192)

SECTION 16

Heading 230: Other operating income (expense)

16.1 Other operating expenses: breakdown

Type of income/Values	12 mths ended 30/6/23	12 mths ended 30/6/22
a) Leasing activity	(8,797)	(8,451)
b) Sundry costs and expenses[1] [2]	(35,335)	(20,975)
Total other operating expenses	(44,132)	(29,426)

[1] This item includes the provision for the portion of ordinary and extraordinary dividends pertaining to minority interests of Messier et Associés, equal to €3.7m (€8.6m in June 2022). The extraordinary dividend component was calculated on the basis of the company's 2022 net calendar year profits.

[2] The item includes 20 million linked to a refund to a customer who has been the subject of fraudulent action by a third party.

16.2 Other operating income: breakdown

Type of income/Values	12 mths ended 30/6/23	12 mths ended 30/6/22
a) Amounts recovered from customers	104,164	96,143
b) Leasing activity	8,096	8,251
c) Other income[1]	105,506	102,367
Total other operating income	217,766	206,761

[1] This heading includes €6,5m for indemnification on a fraud suffered by a Private client.

SECTION 17

Heading 250: Gain (loss) on equity investments

17.1 Gain (loss) on equity investments: breakdown

Income components/ Sectors	**12 mths ended 30/6/23**	**12 mths ended 30/6/22**
1) Joint venture		
A. Income	—	—
1. Write-ups	—	—
2. Gains on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	—	—
1. Write-downs	—	—
2. Impairment losses	—	—
3. Losses on disposal	—	—
4. Other expenses	—	—
Net gain (loss)	—	—
2) Companies subject to significant influence		
A. Income	454,912	359,322
1. Write-ups	454,912	359,322
2. Gains on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	(1,052)	(68)
1. Write-downs	(1,052)	(68)
2. Impairment losses	—	—
3. Losses on disposal	—	—
4. Other expenses	—	—
Net gain (loss)	453,860	359,254
Total	453,860	359,254

SECTION 19

Heading 270: impairment changes to goodwill

19.1 Value adjustments to goodwill: breakdown

Income components	12 mths ended 30/6/23	12 mths ended 30/6/22
Value adjustments to goodwill	(49,536)	(3,733)

The amount for financial year 2022/2023 refers to the derecognition of the goodwill of the subsidiary RAM AI. For further information on the methods for calculating the impairment of goodwill, please refer to the content of Part A – Accounting Policies; for a description of the results of the goodwill impairment test and procedures used to carry it out, please refer to the content of Part B – Information on the consolidated balance sheet.

SECTION 20

Heading 280: Gain (loss) on disposal of investments

20.1 Gain (loss) on disposal of investments: breakdown

Income components/ Sectors	12 mths ended 30/6/23	12 mths ended 30/6/22
A. Real property	2,911	(331)
- Gains on disposal	2,911	121
- Losses on disposal	—	(452)
B. Other assets	(17,296)	7,418
- Gains on disposal	423	9,259
- Losses on disposal	(17,719)	(1,841)
Net gain (loss)	(14,385)	7,087

As at 30 June 2023, the item included the capital loss recorded following the agreement for the sale of the subsidiary Revalea S.p.A. to Banca Ifis.

As 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 operations

21.1 Income tax for the year on ordinary activity: breakdown

Income components/ Sectors	12 mths ended 30/6/23	12 mths ended 30/6/22
1. Current taxes (-)	(354,106)	(254,427)
2. Changes in current taxes of previous years (+/-)	3,621	(2,058)
3. Reduction in current taxes for the year (+)	570	—
3.bis Reduction in current taxes for the year due to tax credits pursuant to Law No. 214/2011 (+)	8	1,261
4. Changes in prepaid taxes (+/-)	(60,138)	2,675
5. Changes in deferred taxes (+/-)	15,300	554
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(394,745)	(251,995)

In general, for IRES (corporate income tax) purposes, the tax loss generated by a company not participating in a tax consolidation may be calculated as a decrease in the income earned in subsequent years, in an amount not exceeding 80% of the taxable income for each period. In other words, the loss incurred in a financial year will generate future tax savings which, under certain conditions, may be presented for accounting purposes through the entry of credits for deferred tax assets. Within a tax consolidation, on the other hand, the share of tax losses incurred by a member company which is covered by the income earned by the other participating companies generates an immediate tax saving, which is recognized as income by the company that contributed the loss.

The item "Current taxes" includes the allocation of the substitute tax (€19.2m) on profit reserves earned abroad (by the subsidiary CMB Monaco) and not distributed relating to the year ended in the tax period prior to the year in progress as at 1 January 2022, in compliance with the provisions of the Italian budget law for 2023 (Article 1, paragraphs 87 to 95, Law No. 197/2022).

During the year ended as at 30 June 2022, extraordinary provisions of €11.6m were set aside 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. Of this amount, €9m were allocated to cover IRAP (regional tax on production activities) taxation on such items.

21.2 Reconciliation between theoretical and effective tax burden

	12 mths ended 30/6/23	
	Value in %	**Absolute value**
Total profit or loss before tax	100.0%	1,424,575
Theoretical tax rate	27.50%	391,758
Dividends (-)	0.31%	4,345
Gains on equity-accounted investments (-)	-7.68%	(109,412)
Other tax rates (non-financial and non-Italian companies) (+/-)	0.17%	2,412
Non-taxable income 10% IRAP and staff cost (-)	-0.05%	(646)
Impairment (+/–)	1.09%	15,544
Release of CMB reserves under Article 1 of Law No. 197/2022	1.35%	19,200
Other changes (+/-)	-0.25%	(3,496)
TOTAL IRES	22.44%	319,705
IRAP	5.27%	75,040
TOTAL HEADING[1]	27.71%	394,745

[1] Compared with a tax rate of 25.14% in the previous 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 30/6/23**	**12 mths ended 30/6/22**
1. SelmaBipiemme S.p.A.	(2,140)	(1,810)
2. RAM Active Investments S.A.	101	85
3. Polus Capital Group Ltd.	(995)	(952)
Total	(3,034)	(2,677)

SECTION 25

Earnings per share*

25.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/23	12 mths ended 30/6/22
Net profit	1,026,796	906,977
Average number of shares in issue	840,761,242	838,844,304
Average number of potentially diluted shares	4,561,321	4,131,090[1]
Average number of diluted shares	845,322,563	842,975,394
Earnings per share	1.22	1.08
Earnings per share, diluted	1.21	1.08

[1] The number of shares in issue at 30 June 2022 takes into account the shares repurchased under the buyback plan.

* For management purposes, as published in the Press Release and in the "excel divisional" document available on the website www.mediobanca.com, the so-called normalized EPS calculated on profit adjusted for non-operating/non-recurring items and applying a normalized tax rate amounted to 1.42 (1.12 as at 30 June 2022).

Part D - Consolidated comprehensive income

Breakdown of comprehensive profit income constituencies

Items	30 June 2023 Net amount	30 June 2022 Net amount
10. Net profit (loss) of the year	**1,029,830**	**909,654**
Other comprehensive income not reclassified through profit or loss		
20. Equity instruments designated at fair value through other comprehensive income:	**18,906**	**37,918**
a) fair value changes	(43,652)	36,871
b) transfers to other net equity items	62,558	1,047
30. Financial liabilities measured at fair value through profit or loss (own creditworthiness changes):	**(6,636)**	**4,425**
a) fair value changes	(6,636)	7,243
b) transfers to other shareholders' equity items	—	(2,818)
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. Tangible assets	—	—
60. Intangible assets	—	—
70. Defined benefit plans	**1,012**	**4,718**
80. Non-current assets and disposal groups classified as held for sale	**—**	**—**
90. Valuation reserves from equity-accounted investments:	**46,091**	**51,126**
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:	319	(10,606)
a) fair value changes	319	(10,606)
b) reclassification through profit or loss	—	—
c) other changes	—	—
120. Currency exchange gains/losses:	**1,172**	**8,156**
a) value changes	—	—
b) reclassification through profit or loss	—	—
c) other changes	1,172	8,156
130. Cash flow hedging:	**96,448**	**193,621**
a) fair value changes	96,448	193,621
b) reclassification through profit or loss	—	—
c) other changes	—	—
of which: income of net position	—	—
140. Hedging instruments (not designated items):	—	—
a) value changes	—	—
b) reclassification through profit or loss	—	—
c) other changes	—	—
150. Financial assets (other than equity instruments) measured at fair value through other comprehensive income:	**(8,210)**	**(89,644)**
a) fair value changes	(10,584)	(78,161)
b) reclassification through profit or loss	2,374	(11,483)
- credit risk adjustments	(480)	1,542
- gains/losses on disposals	2,854	(13,025)
c) other changes	—	—
160. Assets held for sale	**—**	**—**
a) fair value changes	—	—
b) reclassification through profit or loss	—	—
c) other changes	—	—
170. Valuation reserves from equity-accounted investments	**(457,415)**	**(698,007)**
a) fair value changes	—	—
b) reclassification through profit or loss	—	—
- impairment losses	—	—
- gains/losses on disposals	—	—
c) other changes	(457,415)	(698,007)
180. Income tax relating to other income items reclassified through profit or loss	—	—
190. Total other comprehensive income	**(308,313)**	**(498,293)**
200. Other comprehensive income (Item 10+190)	**721,517**	**411,361**
210. Consolidated comprehensive income attributable to minority interests	3,628	3,793
220. Consolidated comprehensive income attributable to the parent company	**717,889**	**407,568**

Part E – Information on risks and related hedging policies

INTRODUCTION

As part of the Group'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 (reinsurance), Compass Rent, RAM UK, 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, MBContact Solutions, and RAM UK (other companies).

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)

Portfolio/quality	Bad loans	Unlikely to pay	Overdue exposures (NPLs)	Overdue performing exposures	Other performing exposures	Total
1. Financial assets measured at amortized cost	41,256	211,024	117,421	244,388	61,941,620	62,555,709
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	5,801,120	5,801,120
3. Financial assets designated at fair value	—	—	—	—	538,590	538,590
4. Other financial assets mandatorily measured at fair value	—	4,689	—	—	1,997	6,686
5. Financial assets held for sale*	238,455	378	—	—	—	238,833
Total 30/6/23	279,711	216,091	117,421	244,388	68,283,327	69,140,938
Total 30/6/22	402,779	248,095	84,146	198,303	64,284,609	65,217,932

* This includes the NPLs acquired by Revalea in an amount of €236.8m, €238.5m of which bad loans (net values).

Overdue performing loans concern overdue performing loans and mainly refer to factoring (€60.6m, 0.1% of total performing loans of the segment) and mortgage loans (€59.1m, i.e. 0.1%). The item also includes net exposures being renegotiated under the terms of collective agreements amounting to €108.1m, consisting primarily of mortgage loans totalling €106.5m. Of the overdue performing loans, the instalments actually unpaid stood at 22% (gross value of €66.2m).

A.1.2 Financial assets by portfolio/credit quality (gross/net values)

Portfolio/quality	Non-performing				Performing			Total (Net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortized cost	1,328,389	(958,688)	369,701	3,662	62,899,997	(713,989)	62,186,008	62,555,709
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	5,809,042	(7,922)	5,801,120	5,801,120
3. Financial assets designated at fair value	—	—	—	—	X	X	538,590	538,590
4. Other financial assets mandatorily measured at fair value	11,325	(6,636)	4,689	—	X	X	1,997	6,686
5. Financial assets held for sale	242,354	(3,521)	238,833	—	—	—	—	238,833
Total 30/6/23	1,582,068	(968,845)	613,223	3,662	68,709,039	(721,911)	68,527,715	69,140,938
Total 30/6/22	1,688,411	(953,391)	735,020	4,307	64,668,553	(703,347)	64,482,912	65,217,932

Portfolio/quality	Assets with obviously poor credit quality		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	—	—	9,428,794
2. Hedging derivatives	—	—	243,217
Total 30/6/23	—	—	9,672,011
Total 30/6/22	—	—	8,270,450

Net non-performing assets include €238.8m held by Revalea (purchases of Non-Performing Loans) corresponding to a nominal value of €6.5bn at 30 June 2023; of these €4.6m, for a nominal value of €371.5m, relate to assets (essentially Consumer Banking) purchased from other Group companies. It should be noted that, as stated in Part A of the Notes to the accounts, the agreement for the sale of Revalea to Banca Ifis was signed recently. Its assets therefore fall under assets held for sale based on the provisions of IFRS 5 and were stated under Heading "5. Financial assets held for sale".

Information on sovereign debt exposures

*A.1.2a Exposures to sovereign debt securities by state, counterparty and portfolio**

Portfolio/quality	Non-performing				*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	(917,768)	(917,768)
France	—	—	—	—	X	X	74,208	74,208
Germany	—	—	—	—	X	X	—	—
Italy	—	—	—	—	X	X	(447,179)	(447,179)
Belgium	—	—	—	—	X	X	(712,776)	(712,776)
Other	—	—	—	—	X	X	167,979	167,979
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	4,548,276	—	4,548,276	4,548,276
Italy	—	—	—	—	3,019,973	—	3,019,973	3,019,973
Germany	—	—	—	—	266,821	—	266,821	266,821
United States	—	—	—	—	779,543	—	779,543	779,543
Spain	—	—	—	—	292,899	—	292,899	292,899
Other	—	—	—	—	189,040	—	189,040	189,040
3. Financial assets measured at amortized cost	—	—	—	—	3,389,278	—	3,389,278	3,389,278
Italy	—	—	—	—	2,111,125	—	2,111,125	2,111,125
Germany	—	—	—	—	443,361	—	443,361	443,361
United States	—	—	—	—	399,705	—	399,705	399,705
France	—	—	—	—	402,986	—	402,986	402,986
Other	—	—	—	—	32,101	—	32,101	32,101
Total 30/6/23	—	—	—	—	7,937,554	—	7,019,786	7,019,786

* This 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 €-74m.

*A.1.2b Exposures to sovereign debt securities by portfolio of financial assets**

Portfolio/quality	Trading Book[1]			Banking Book[2]			
	Nominal Value	*Book value*	*Duration*	Nominal Value	*Book value*	*Fair value*	*Duration*
Italy	21,340	74,208	2.30	5,256,719	5,131,098	5,092,855	3.24
United States	—	—	—	750,046	710,182	699,516	1.38
Germany	(475,090)	(447,179)	4.13	1,195,000	1,179,248	1,169,294	0.72
France	(701,225)	(712,776)	0.81	710,400	695,885	682,641	1.21
Other	179,846	167,979	—	224,000	221,142	219,322	—
Total 30/6/23	(975,129)	(917,768)		8,136,165	7,937,555	7,863,628	

* This figure does not include forward sales with a notional amount of €278m.

[1] This item does not include sales on the Bund/Bobl/Schatz future (Germany) for €215m (with a positive fair value of €0.6m) and sales on the BTP future (Italy) for €464m (with a negative fair value of €0.6m); moreover, net hedging purchases of €667m, €318m of which attributable to France country risk and €370m of which to Germany country risk, were not counted.

[2] This item does not include the instrument linked to the appreciation of Greek GDP (referred to as "GDP Linkers Securities") with a notional value 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, Polus Capital Management 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 (Polus Capital Management, Mediobanca SGR and RAM Active Investments).

B.2.1 Structured entities consolidated prudentially

As at 30 June 2023 there was no disclosure to be made as no instances of this type of interest apply.

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 RAM Active Investments SA funds, the Parent Company subscribed to investments for a NAV of €149.4m, namely RAM Global Sustainable Income Equities (€14.1m), RAM Stable Climate Global Equities (€30.3m), RAM Global Multi-Asset (€36.4m), RAM Asia Bond Total Return (€16m), Palladium FCP - RAM Mediobanca Strata UCITS Credit (€52.6m); all of the above investments are UCITS established under Luxembourg law with a NAV calculated daily, to which direct investments of €3m should be added.

With regard to Polus Capital Management, the Parent Company subscribed to investments for a NAV of €163.3m, namely: Polus European Loan Fund (€108.5m), direct investments for €3.7m in addition to €51.1m invested in the CLO special purpose vehicles called CLI Holdings I (€12.5m) and CLI Holdings II (€38.6m), the latter recognized by the Parent Company using the equity method (IAS 28) due to holding a stake higher than 35% and to its status as Qualifying Noteholder.

With regard to funds managed by Mediobanca SGR and Mediobanca Management Company, the Group subscribed to investments for a total NAV of €38.4m, of which €13.4m subscribed by the Parent Company in the funds Mediobanca Fondo per le Imprese II (€1.6m), Mediobanca Euro High Yield (€4.1m) and Mediobanca Social Impact (€7.7m); to these €24.9m subscribed by CheBanca! as part of the distribution business and relating to Mediobanca MFS Prudent Capital Euro Hedged (€2.3m), Mediobanca Global Multimanager 15 (€6.1m), Palladium Protetto (€1.5m) and the new Mediobanca Morgan Stanley funds Step ES and Mediobanca Fidelity World (€5m and €10m respectively) should be added.

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 2023, the Parent Company held no investment 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 €64.1m.

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 €539m.

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-C)
Mediobanca Global Multimanager 15	*Financial assets mandatorily measured at fair value*	6,150	—	—	6,150	6,150	—
Mediobanca MFS Prudent Capital Euro Hedged	*Financial assets mandatorily measured at fair value*	2,267	—	—	2,267	2,267	—
Palladium Protetto	*Financial assets mandatorily measured at fair value*	1,478	—	—	1,478	1,478	—
Mediobanca Morgan Stanley Step ES	*Financial assets mandatorily measured at fair value*	5,045	—	—	5,045	5,045	—
Mediobanca Fidelity World	*Financial assets mandatorily measured at fair value*	10,000	—	—	10,000	10,000	—
CMG Funds	*Financial assets mandatorily measured at fair value*	45	—	—	45	45	—
Polus European Loan Fund	*Financial assets mandatorily measured at fair value*	108,462	—	—	108,462	108,462	—
CLI Holdings I	*Financial assets mandatorily measured at fair value*	12,452	—	—	12,452	12,452	—
CLI Holdings II	*Investments measured using the Equity Method under IAS 28*	38,624	—	—	38,624	38,624	—
Other Polus Funds	*Financial assets mandatorily measured at fair value*	3,729	—	—	3,729	3,729	—
Palladium FCP - RAM Mediobanca Strata UCITS Credit Fund	*Financial assets mandatorily measured at fair value*	52,564	—	—	52,564	52,564	—
RAM - Asia Bond Total Return	*Financial assets mandatorily measured at fair value*	16,004	—	—	16,004	16,004	—
RAM - Global Sustainable Income Equities	*Financial assets mandatorily measured at fair value*	14,105	—	—	14,105	14,105	—
RAM - Global Multi-Asset	*Financial assets mandatorily measured at fair value*	36,412	—	—	36,412	36,412	—
RAM Stable Climate Global Equities	*Financial assets mandatorily measured at fair value*	30,283	—	—	30,283	30,283	—
Mediobanca Funds	*Financial assets held for trading*	230	—	—	230	230	—
Mediobanca Social Impact	*Financial assets mandatorily measured at fair value*	7,657	—	—	7,657	7,657	—

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-C)
Mediobanca Fondo per le Imprese II	*Financial assets mandatorily measured at fair value*	1,643	—	—	1,643	1,643	—
Mediobanca Euro High Yield	*Financial assets mandatorily measured at fair value*	4,134	—	—	4,134	4,134	—
Negentropy RAIF Fund	*Financial assets mandatorily measured at fair value*	64,067	—	—	64,067	64,067	—
Asset-backed SPEs	*Financial assets at amortized cost*	538,926	—	—	538,926	538,926	—

B.2 Leveraged finance transactions

The scope of Leveraged Transactions, according to the ECB definition confirmed in the letter to the system of July 2022, concerned exposures to counterparties with sub-investment grade ratings and:

– whose ratio between the total committed gross debt and EBITDA, at the time of disbursement, was 4 times higher (if it is 6 times higher, the transactions would be classified as "Highly Leveraged Transactions"), or;

– Group Legal Entities (with more than 50% of the share capital owned or possessed) by a financial sponsor.

Based on the instructions of the ECB,[2] exposures to Holding and Margin Loans (about €1bn last June), whose transactions were characterized by a high degree of guarantee coverage with a low Loan to Value were not included.

At 30 June 2023, the total exposure of Leveraged Transactions amounted to €3,453m,[3] a decrease of 1% on the previous year (from €3,471m to €4,486m including Holding and Margin Loans) representing 20% of the total loan portfolio, i.e. approximately 7% of the Group's RWA.

[2] However, starting from July 2023, the ECB stated the need to include the Holding and Margin Loan categories in the scope of Leveraged Finance, unchanged in June 2023, at around €1bn (€989m disbursed and €1,007m committed, including off balance).

[3] To which off-balance sheet exposures (commitments and derivatives) of €1,026m should be added (down 46% compared to 30 June last, which included a transaction with a significant ticket disbursed in July and now merged into the *Corporate* segment).

The portion of “Highly Leveraged Transactions” (HLT) amounted to €1,106m, representing 32% of the total Leveraged Portfolio, down by 26% compared to June 2022 (€1,490m); the exposure in “Pure LBOs” remained contained (€219m, down 22% compared to last June). The NPL portion fell by 15%, from €131m to €112m, following the reclassification of a UTP position as performing.

The leveraged exposure is mainly related to the Corporate (73%) and Infrastructure (16%) categories.

During the financial year, overall new loans of €890m were recorded, offsetting terminations of €888m, and net repayments on revolving lines of €93m. Exits from the Leveraged scope due to an improvement in the classification parameters amounted to €40m.

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,[4] 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-

* The prudential consolidation scope does not include the companies Compass RE, Compass Rent, MBContact Solutions, and RAM UK.

[4] On 27 June 2023, the Board of Directors approved the Policy update on the definition of Risk Appetite and calibration of the risk appetite statement (RAS). In this Framework, based on the strategic plan and the maximum tolerable risk, the Group defines the level and type of risks which the Bank intends to assume, plus any objectives, tolerance thresholds and operating limits to be complied with under normal operating and stress conditions.

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 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, responsible for the development of quantitative methodologies for measuring and managing credit risk; 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 Liability 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) Internal & Validation Control, which defines the methodologies, processes, tools and reporting used in internal validation activities, carries out the validation of the Group’s risk measurement systems, and defines and carries out control activities concerning the Parent Company’s main credit processes.

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”). The next step in the extension of the portfolio covered by IRB models will be attributable to Compass, which received the ECB authorization to use its rating system for consumer exposures starting from the quarterly reporting of 30 September 2023.

The development of the model applicable to Corporate exposures relating to the factoring activities of MBFACTA is also in progress. The related Application Package is expected to be submitted by the end of 2023. 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 to the Russian Federation, Ukraine and Belarus.

Exposures in place as at 30 June 2023 concerned approximately €12m in Corporate and Investment Banking (down from €28m last year), €307m in private loans (€240m) and €92m in retail (basically unchanged).

The CIB direct exposure was provided by Mediobanca International and is classified at Stage 2 but is covered by insurance (Sace).

Private Banking exposures concern 57 households of CMB Monaco customers of Russian or Ukrainian nationality, most of whom reside in Europe or in any case abroad (only 6 households of persons residing in the Russian Federation remain for €12.3m); however, these are largely loans secured by prestigious properties in the Monaco – Côte d'Azur area and/or by financial instruments deposited with the Bank (sureties altogether established on such exposures entail a limited Loan to Value, under 40%).

Retail Banking exposures concerned Compass clients (€61.8m) and CheBanca! clients (€30m), classified according to their Russian and Ukrainian nationality, even though residing in Italy in nearly all cases.

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 adoption of 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 coordinating 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: 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 to 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 following framework risk pillars, in line with best international practice: capital adequacy, liquidity and funding adequacy, 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),[5] 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.

[5] In line with the provisions of the Bank of Italy contained in Circular No. 285 "Supervisory instructions for banks" of 17 December 2013 and subsequent updates.

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 takes place on the basis of the residual life of instruments that have undergone a significant deterioration in risk (referred to as "Stage 2") or which show objective signs of deterioration ("Stage 3") and over a 12-month horizon for instruments that do not fall within the previous 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.[6] The change in PD selected to determine reclassification to Stage 2, and the qualitative elements observed, are specific to each Group company.

[6] During 2022, the Supervisory Authority conducted a specific assessment of the Parent Company's Corporate portfolio by analysing, among other things, quantitative aspects relating to the IFRS 9 scope. Based on the findings of the above analysis, the methodological approach is currently being perfected for the purpose of refining the "Low Credit risk Exemption" criteria and moving towards a life-time approach for the evaluation of SICR. The new features identified will be progressively introduced over the course of the next financial year.

Provisioning reflects the sum of the expected credit losses (over a time horizon of twelve months or based on a lifetime approach[7] 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, drawn up 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, as specified in paragraph 6.

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 quantified in detail on the basis of historical analyses.

In light of the main assumptions characterizing the base case scenario relating to a level of inflation that will remain steadily very high, and in consideration of the fact that the impact will be distributed in a different way across the various product categories, the Mediobanca Group, confirming the decision taken in the previous financial year, decided to adopt additional provisions ("overlays"). Unlike the previous financial year, which was mainly characterized by the effects of the continuation of the pandemic, the current overlays have been applied in the Corporate division (including Factoring and Leasing) concerning sectors particularly exposed to inflationary pressure in order to enhance any risk peaks in specific industrial sectors that the quantitative methodology captures only on average. Overlays on retail positions (Consumer Banking and mortgage loans) were maintained against the uncertainties of the macroeconomic scenario, as done in the previous financial year.

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 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, in terms of ECLs, resulting from applying the risk parameters obtained respectively through the adoption of a baseline scenario and two alternative scenarios, mild-positive and mild-negative, was estimated on a historical-statistical basis.

[7] 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 analysis covered the 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, the Selma leasing operations.

ECL calculated when the baseline scenario occurs corresponds to a variation of 0.2% compared to the pre-overlay ECL. Conversely, ECL calculated in a mild-negative (mild-positive) scenario corresponds to a variation of +5.1% (-4.8%) of the post-overlay ECL.

Assuming that each scenario, i.e. mild-negative, baseline, and mild-positive, occurs with certainty, the relative change in Stage 2 exposure, i.e. gross carrying amount, including both on- and off-balance sheet figures, would be +22 %, +1% and -5.2%, respectively.

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:

– 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 Legal Entities, 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 hedging of non-performing loans once they have been held in the portfolio for a defined period.

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 Group assesses whether or not such concessions (typically rescheduling expiry dates, suspending payments, refinancing operations 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 deferrals granted) and real estate loans (e.g. whether the borrower has been made unemployed, cases of serious illness and/or divorce and separation).

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 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 adoption 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.

Expected credit losses is 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 "watch list") 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 watch list 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. watch list) 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 the transition of leasing transactions to Stage 2, in addition to the positions identified using the PD increase quantitative method, with regard to forborne performing positions, i.e. positions 30 days past due, the evidence deriving from the Parent Company's watchlist for Corporate customers is used (counterparties classified as "Amber" or "Red" will be included in Stage 2).

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. During the financial year, Compass strengthened its NPE early detection criteria since, in the presence of minor signs such as queuing (still considered forbearance) or slight but repeated delays in association with negative evidence on external databases, the account is classified as default according to the "unlikely-to-pay" principle. 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 (revolving / balance payment 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 PDs, the transition matrices related thereto, and LGDs with specific macroeconomic models based on the Group's internal scenarios and on recent trends in internal default and loss 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.

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. The evidence obtained from the Parent Company's watch list for corporate clients is also used as qualitative information for reclassification to Stage 2, which includes counterparties classified as "Amber" or "Red".

NPL business[8]

This business is performed by Revalea, which operates on the NPLs market, acquiring non-performing loans on a non-recourse basis at a price well below the nominal value.

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. This activity is no longer among Mediobanca's core activities. In the financial statements as at 30 June 2023 it was included among assets held for sale pursuant to IFRS 5.

[8] Please refer to Part A of the Notes to the Accounts for a definition and discussion of POCIs.

Premier and Private Banking

Premier and 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 granting credit on a bank account or through short-, medium- or long-term loans), authorizing overdrafts on current account, endorsements, mortgage loans and credit limits on credit cards.

Loans are normally secured by collateral or unsecured 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 calculated 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 watch list 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.

ECLs are quantified analytically for bad loans and based on clusters of similar positions for unlikely to pay, other overdue and performing accounts. With regard to the analytical portion for bad loans, account is taken 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 transition 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 Macroeconomic scenarios and impacts

The macroeconomic environment in the first half of 2023 governing the IFRS 9 provision of June 2023 is characterized by the same assumptions underlying the scenario available in December 2022.

Stagflation has been confirmed as the most probable feature for 2023 with an increase in the price level associated with weak growth, especially in the second half of the current year.

However, the macroeconomic forecasts for 2023 are slightly better than the baseline scenario available in December 2022 due to the improved performance of the overall economic system observed between November 2022 and March 2023.

Starting from 2024, growth will remain contained but positive for the following two-year period.

For example, concerning the Italian domestic economy, despite the continuous increase in prices, the year 2022 was characterized by economic growth well beyond expectations with a growth rate of the domestic product over 3.8%, i.e. half a percentage point higher than basic level forecast for 2022 in the past half-year period.

However, growth in 2023 has been more modest, also following the ongoing monetary tightening. The forecast for the annual closing shows that the level of GDP growth will be reduced to 0.7%, despite being higher than as expected in the previous six-month period which estimated negative numbers. For the European context in general, and for the related main national economies such as Germany, the same trend has been observed. Growth in 2022 will be above the initial expectations even if with a lower intensity than the one observed in Italy, while the year 2023 will be characterized by a sharp reduction in growth compared to previous forecasts.

However, the greater resilience of the main European economies compared to Italy regarding the effects of the energy crisis, due both to the possibility of enjoying effective price containment measures in some cases (e.g. Germany) or alternative energy supplies to fossil fuels in other cases (e.g. France), will allow them to resume a more sustained growth path than in Italy starting from 2024. For example, for the EU in the two-year period 2024-2025 the growth rates will be 1.9% and 2.4% respectively against 1.3% and 1.2% in Italy.

Furthermore, an additional aspect that could penalize the Italian domestic economy is the level of unemployment, with an average rate that will mark a significant increase in the three-year period 2023-2025 for Italy and is expected to stand at 8.5% against 8.1% in 2022, remaining steadily above 8% throughout the next three-year period, compared to a European trend that will remain steady and at more contained levels (6.2% on average in the three-year period 2023/25).

Table 1 - Baseline macro-economic scenario at 30 June 2023[9]

GDP forecasts	**2022**	**2023**	**2024**	**2025**
Italy	3.8%	0.7%	1.3%	1.2%
EU	3.5%	0.6%	1.9%	2.4%
USA	2.1%	0.6%	0.5%	2.4%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	8.1%	8.5%	8.4%	8.2%
EU	6.1%	6.4%	6.2%	6.0%
USA	3.6%	4.1%	4.6%	3.9%
Interest rate on Government bonds (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	3.1%	4.8%	4.8%	4.7%
Germany	1.2%	2.7%	2.7%	2.7%
USA	3.0%	4.0%	4.1%	3.9%

[9] 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 – Mild-positive macro-economic scenario at 30 June 2023

GDP forecasts	2022	2023	2024	2025
Italy	3.8%	1.9%	2.9%	2.4%
EU	3.5%	2.6%	4.7%	4.6%
USA	2.1%	2.4%	2.3%	3.8%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	8.1%	8.2%	7.6%	7.1%
EU	6.1%	6.1%	5.4%	4.9%
USA	3.6%	3.7%	3.7%	2.8%
Interest rate on Government bonds (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	3.1%	5.1%	5.6%	5.7%
Germany	1.2%	3.1%	3.8%	4.2%
USA	3.0%	5.1%	5.6%	5.7%

Table 3 – Mild-negative macro-economic scenario at 30 June 2023

GDP forecasts	2022	2023	2024	2025
Italy	3.8%	-0.6%	-0.5%	-0.2%
EU	3.5%	-1.4%	-0.9%	0.1%
USA	2.1%	-1.1%	-1.4%	0.8%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	8.1%	8.8%	9.2%	9.4%
EU	6.1%	6.7%	7.0%	7.1%
USA	3.6%	4.5%	5.4%	5.0%
Interest rate on Government bonds (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	3.1%	4.4%	4.0%	3.7%
Germany	1.2%	2.3%	1.7%	1.3%
USA	3.0%	3.5%	2.8%	2.3%

The Group has maintained the additional provisions (referred to as "overlays") with the aim of including the uncertainties of the evolution of the macroeconomic context in hedging levels. Unlike the previous financial year, which was mainly characterized by the effects of the continuation of the pandemic, in the year under review overlays were applied in the Corporate division (including Factoring and Leasing) concerning sectors particularly exposed to inflationary pressure in order to enhance any risk peaks in specific industrial sectors that the quantitative methodology captures only on average. Lastly, overlays on Consumer Banking positions and mortgage loans were maintained against the uncertainties of the macroeconomic scenario, as done the previous financial year.

Overall, such overlays amounted to €268.5m, split between Consumer (€208.6m), Corporate (€39.9m, which includes €25.3m in Wholesale, €14.6m in Factoring), Leasing (€8.7m) and Wealth Management (€11.3m, entirely attributable to CB! mortgage loans). The reduced overlays (€294m in June 2022) mainly regarded the Corporate and Investment Banking segment, following the reduced scope of counterparties with a high inflation impact.

The overlays have increased the level of provisioning, which for performing loans now stands at €703.7m, i.e. 1.34%.

Table 4 – Overlay Stock

	Overlay *stock at*	
	30 June 2023	**30 June 2022**
Corporate and Investment Banking	39.9	57.8
Consumer Banking	208.6	215.3
Wealth Management	11.3	14.8
Leasing (Holding Functions)	8.7	6.1
Total	268.5	294.0

Consumer Credit continues to increase the level of provisioning (with a coverage ratio of performing loans of 3.75% as in the previous financial year) by allocating overlays in line with the previous year (€208.6m against €215.3m). In particular, these conservative levels cover the current economic uncertainties and 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.

With reference to Corporate and Investment Banking, overlays of €39.9m were allocated (€25.3m of which in the Large Corporate segment and €14.6m in Factoring) and provided to sectors especially exposed to inflationary pressures. Overlays were reduced compared to the previous year in consideration of the good responsiveness of the models to the worsening scenarios expected for 2023/2024 and for the classification of some sectors from High/Medium impact to Low Impact for inflation risk in consideration of their ability to overcome the increase in costs of raw materials by adjusting selling prices and maintaining volumes unchanged in general. The overlay portion of leasing amounted to €8.7m and includes a small portion to cover the possible request for a moratorium by customers residing in the areas affected by the floods in Emilia-Romagna.

With reference to mortgage loans, the overlay amount was €14.6m (€13.2m in June 2022). Overlays were 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.

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 assets		
	1 to 30 days	30 to 90 days	After 90 days	1 to 30 days	30 to 90 days	After 90 days	1 to 30 days	30 to 90 days	After 90 days	1 to 30 days	30 to 90 days	After 90 days
1. Financial assets measured at amortized cost	212,493	24,483	36,409	40,779	77,399	19,578	115,134	34,951	174,758	—	—	—
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—
3. Financial assets held for sale	—	—	—	—	—	—	—	—	—	—	—	238,833
Total 30/6/23	212,493	24,483	36,409	40,779	77,399	19,578	115,134	34,951	174,758	—	—	238,833
Total 30/6/22	36,007	9,650	21,313	50,744	50,486	30,103	99,024	31,864	172,702	—	—	350,583

A.1.2 Prudential consolidation - 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 banks and 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	On-demand loans to banks and 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	On-demand loans to banks and 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	First stage	Second stage	Third stage	Purchased or originated credit-impaired loan commitments and financial guarantees issued	
Opening balance overall amount	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	4,013	160	—	1,674,074
Increases due to purchased or originated financial assets	4	172,066	3,897	—	—	175,967	—	92,248	—	—	—	92,248	—	51,767	—	—	1,092	50,675	X	X	X	X	X	7,004	216	94	—	327,296
Derecognition other than write-offs	(30)	(26,625)	(1,153)	—	—	(27,808)	—	(14,940)	(1,008)	—	—	(15,948)	—	(151,397)	—	—	(5,567)	(145,830)	—	—	—	—	—	(1,554)	(12)	—	—	(196,719)
Net write-offs (write-backs) for credit risk:	(94)	(119,129)	(2,994)	—	—	(121,631)	—	(61,339)	(954)	—	—	(62,310)	—	178,908	—	—	63,343	118,814	—	—	3,521	—	3,521	(5,232)	(616)	(119)	—	(8,048)
Contractual changes without derecognition	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in estimation methods	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-offs not recognized directly through profit or loss	—	(1,963)	—	—	—	(1,963)	—	(1,993)	—	—	—	(1,993)	—	(57,567)	—	—	(33,739)	(23,828)	—	—	—	—	—	—	—	—	—	(61,523)
Other changes	—	(4,225)	—	—	—	(4,225)	—	(13,342)	—	—	—	(13,342)	—	(92)	—	—	(92)	—	(9,686)	—	—	(735)	(8,951)	(729)	(1,198)	—	—	(29,272)
Closing overall adjustments	170	329,581	6,537	—	—	336,870	—	384,345	1,385	—	—	385,714	—	958,688	—	—	255,137	706,800	—	—	3,521	-	3,521	19,043	2,403	135	—	1,705,808
Recoveries for collections of written-off financial assets	—	—	—	—	—	—	—	—	—	—	—	—	—	1,165	—	—	825	340	2,832	—	1,392	2,832	1,392	—	—	—	—	5,389
Write-offs recognized directly through profit or loss	—	(581)	—	—	—	(581)	—	(956)	—	—	—	(956)	—	(5,162)	—	—	(1,926)	(3,236)	(26,313)	—	(18,667)	(26,313)	(18,667)	—	—	—	—	(51,679)

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 value / nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortized cost	1,423,760	1,000,125	261,059	123,908	216,135	5,439
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	—	—
3. Financial assets held for sale	—	—	—	—	—	—
4. Loan commitments and financial guarantees issued	51,752	88,458	—	416	260	3,087
30 June 2023	1,475,512	1,088,583	261,059	124,324	216,395	8,526
30 June 2022	1,631,750	1,044,661	201,829	179,912	171,262	9,651

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*A.1.3a Loans covered by Covid-19 support measures: transfers between different credit risk stages (gross values)**

Portfolios/risk stages	Gross value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. Loans measured at amortized cost	135	—	—	130	391	—
A.1 subject to forbearance measures in compliance with the EBA Guidelines	—	—	—	—	—	—
A.2 subject to moratoria in place that are no longer compliant with GL and not assessed as eligible for forbearance measures.	—	—	—	—	—	—
A.3 subject to other forbearance measures	—	—	—	99	—	—
A.4 New issues	135	—	—	31	391	—
B. Loans measured at fair value through other comprehensive income	—	—	—	—	—	—
B.1 subject to forbearance measures in compliance with the GLs	—	—	—	—	—	—
B.2 subject to moratoria in place that are no longer compliant with GL and not assessed as eligible for forbearance measures.	—	—	—	—	—	—
B.3 subject to other forbearance measures	—	—	—	—	—	—
B.4 New issues	—	—	—	—	—	—
Total 30/6/23	135	—	—	130	391	—
Total 30/6/22	5,259	—	—	53	600	—

* On 16 December 2022, at the time of the publication of the "Closure Report of Covid-19 Measures", the EBA announced the repeal of its reporting and disclosure guidelines regarding the Covid-19 pandemic starting from 1 January 2023.

A.1.4 Prudential consolidation - On- and off-balance sheet exposures to banks: gross and net values

Types of exposure / value	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 assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
A. On-Balance sheet credit exposures												
A.1 On-demand	4,112,241	4,112,241	—	—	—	170	170	—	—	—	4,112,071	—
a) Non-performing	—	X	—	—	—	—	X	—	—	—	—	—
b) Performing	4,112,241	4,112,241	—	X	—	170	170	—	X	—	4,112,071	—
A.2 Other	6,480,485	4,965,794	—	—	—	3,533	3,533	—	—	—	6,476,952	—
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	6,480,485	4,965,794	—	X	—	3,533	3,533	—	X	—	6,476,952	—
- of which: forborne exposures	—	—	—	X	—	—	—	—	X	—	—	—
Total (A)	10,592,726	9,078,035	—	—	—	3,703	3,703	—	—	—	10,589,023	—
B. Off-balance sheet credit exposures												
a) Non-performing	—	X	—	—	—	—	X	—	—	—	—	—
b) Performing	16,214,708	33,429	—	X	—	—	—	—	X	—	16,214,708	—
Total (B)	16,214,708	33,429	—	—	—	—	—	—	—	—	16,214,708	—
Total (A+B)	26,807,434	9,111,464	—	—	—	3,703	3,703	—	—	—	26,803,731	—

A.1.5 Prudential consolidation - On- and off-balance sheet exposures to customers: gross and net values

Types of exposure / value	Gross exposure					Overall value adjustments and overall provisions					Net exposure	Partial write off*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad loans	672,799	X	—	424,187	241,976	393,088	X	—	382,931	3,521	279,711	3,627
- of which: forborne exposures	*169,477*	*X*	—	*162,841*	—	*163,623*	*X*	—	*156,987*	—	*5,854*	—
b) Unlikely to pay	635,865	X	—	630,798	378	419,774	X	—	419,774	—	216,091	35
- of which: forborne exposures	*291,084*	*X*	—	*286,395*	—	*182,725*	*X*	—	*182,725*	—	*108,359*	*35*
c) Overdue exposures (NPLs)	273,404	X	—	273,404	—	155,983	X	—	155,983	—	117,421	—
- of which: forborne exposures	*62,484*	*X*	—	*62,484*	—	*48,224*	*X*	—	*48,224*	—	*14,260*	—
d) Overdue performing exposures	294,813	136,658	158,155	X	—	50,427	1,736	48,691	X	—	244,386	—
- of which: forborne exposures	*16,127*	—	*16,127*	*X*	—	*4,350*	—	*4,350*	*X*	—	*11,777*	—
e) Other performing exposures	67,659,725	60,381,170	2,771,611	X	—	667,888	330,849	337,039	X	—	66,991,837	5
- of which: forborne exposures	*657,711*	—	*657,711*	*X*	—	*91,376*	—	*91,376*	*X*	—	*566,335*	—
TOTAL (A)	69,536,606	60,517,828	2,929,766	1,328,389	242,354	1,687,160	332,585	385,730	958,688	3,521	67,849,446	3,667
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	1,066	X	—	1,066	—	135	X	—	135	—	931	—
b) Performing	26,683,320	15,923,619	100,253	X	—	22,030	19,627	2,404	X	—	26,661,290	—
TOTAL (B)	26,684,386	15,923,619	100,253	1,066	—	22,165	19,627	2,404	135	—	26,662,221	—
TOTAL (A+B)	96,220,992	76,441,447	3,030,019	1,329,455	242,354	1,709,325	352,212	388,134	958,823	3,521	94,511,667	3,667

* This includes NPLs acquired by Revalea.

At 30 June 2023, gross non-performing loans decreased from €1,687.6m to €1,582.1m, i.e., 2.9% of on-balance sheet credit exposures to customers (3.2%), the lowest level in the last decade. The increase in the coverage ratio (61.2% against 56.4%) led to a more marked reduction in net non-performing loans (from €735m to €613.2m). The impact of gross non-performing assets without including NPLs purchased by Revalea stood at 2.5%, as at 30 June 2022.

*Gross NPL ratio Finrep**

(€m)

	30 June 2023	30 June 2022
Loans	52,642.2	51,654.8
NPLs	1,339.7	1,327.3
Loans to customers	53,981.9	52,982.1
NPLs purchased	242.4	360.3
Treasury financial assets[1]	10,229.0	12,664.1
Total loans and advances	64,453.3	66,006.5
Gross NPL ratio Finrep %	2.5%	2.6%

* In the EBA Risk Dashboard, the gross NPL ratio is defined as the ratio of gross book value of NPLs (loans and advances) to 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, this item excludes cash and includes untied deposits held with Central Banks.

At 30 June 2023, the Mediobanca Group recorded a *Finrep Gross NPL ratio* of 2.5%, a slight improvement on the previous year (2.6%). The Finrep Gross NPL ratio calculated without NPLs purchased by Revalea (a business that was sold and is being discontinued) may stand at 2.1%, i.e. a slight increase compared to June 2022 (2%), but still confirming the Group's alignment with the domestic market.[10]

[10] Source: EBA Risk Dashboard in 1Q2023 (2.4%).

*A.1.5a On-balance sheet exposures to customers benefiting from Covid-related support measures: gross and net values**

Type of exposure/Amounts	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 assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
A. BAD LOANS	117	—	—	117	—	117	—	—	117	—	—	—
a) Subject to forbearance measures compliant with GLs	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria in place no longer compliant with GLs and not eligible for forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
d) New loans	117	—	—	117	—	117	—	—	117	—	—	—
B. UNLIKELY-TO-PAY LOANS	1,553	—	—	1,553	—	589	—	—	589	—	964	—
a) Subject to forbearance measures compliant with GLs	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria in place no longer compliant with GLs and not eligible for forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	1,242	—	—	1,242	—	467	—	—	467	—	775	—
d) New loans	311	—	—	311	—	122	—	—	122	—	189	—
C. OVERDUE NON-PERFORMING LOANS	27	—	—	27	—	11	—	—	11	—	16	—
a) Subject to forbearance measures compliant with GLs	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria in place no longer compliant with GLs and not eligible for forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
d) New loans	27	—	—	27	—	11	—	—	11	—	16	—
D. OTHER OVERDUE PERFORMING LOANS	1,163	275	888	—	—	42	—	42	—	—	1,121	—
a) Subject to forbearance measures compliant with GLs	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria in place no longer compliant with GLs and not eligible for forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	721	—	721	—	—	42	—	42	—	—	679	—
d) New loans	442	275	167	—	—	—	—	—	—	—	442	—
E. OTHER PERFORMING LOANS	99,325	85,824	13,501	—	—	685	317	368	—	—	98,640	—
a) Subject to forbearance measures compliant with GLs	124	—	124	—	—	2	—	2	—	—	122	—
b) Subject to moratoria in place no longer compliant with GLs and not eligible for forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	13,377	—	13,377	—	—	366	—	366	—	—	13,011	—
d) New loans	85,824	85,824	—	—	—	317	317	—	—	—	85,507	—
TOTAL (A+B+C+D+E)	102,185	86,099	14,389	1,697	—	1,444	317	410	717	—	100,741	—

* On 16 December 2022, at the time of the publication of the "Closure Report of Covid-19 Measures", the EBA announced the repeal of its reporting and disclosure guidelines regarding the Covid-19 pandemic starting from 1 January 2023.

A.1.7 Prudential consolidation – On-balance sheet exposures to customers: trend in gross NPLs

Reason/Category	Bad loans*	Unlikely to pay*	Overdue non-performing exposures
A. Opening balance (gross amount)	778,882	661,399	248,130
- of which: sold but not derecognized	*28,573*	*59,110*	*35,696*
B. Increases	153,688	403,688	209,149
B.1 inflows from performing exposures	22,962	282,202	160,137
B.2 inflows from purchased or originated credit impaired financial assets	661	—	—
B.3 transfers from other categories of non-performing exposures	106,423	60,754	15,371
B.4 contractual changes without cancellations	—	—	—
B.5 other increases	23,642	60,732	33,641
C. Decreases	259,771	429,222	183,875
C.1 transfers to performing exposures	1,266	117,558	11,579
C.2 write-offs	64,760	25,221	19,883
C.3 collection	63,832	87,564	57,388
C.4 gains on disposal	81,315	9,465	2,522
C.5 losses on disposal	38	364	2
C.6 transfers to other categories of non-performing exposures	1,665	108,097	72,786
C.7 contractual changes without cancellations	—	—	—
C.8 other decreases	46,895	80,953	19,715
D. Final gross exposures	672,799	635,865	273,404
- of which: sold but not derecognized	*22,148*	*57,417*	*30,192*

* This includes NPLs purchased by Revalea.

The headings "Inflows from purchased or originated credit-impaired financial assets" refer to the portfolios purchased by Revalea.

The heading "Other increases" refers primarily to Consumer Credit and the NPLs purchased by Revalea.

The heading "Other decreases" 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

Reason/Category	Forborne non-performing exposures	Forborne performing exposures
A. Opening balance (gross amount)	547,774	735,490
- of which: sold but not derecognized	*41,334*	*27,653*
B. Increases	206,408	443,608
B.1 inflows from not forborne performing exposures	56,626	282,302
B.2 inflows from forborne performing exposures	34,400	X
B.3 inflows from forborne non-performing exposures	X	102,369
B.4 inflows from not forborne non-performing exposures	80,045	755
B.5 other increases	35,337	58,182
C. Decreases	231,137	505,260
C.1 outflows to not forborne performing exposures	X	307,993
C.2 outflows to forborne performing exposures	102,369	X
C.3 outflows to forborne non-performing exposures	X	34,400
C.4 write-offs	6,408	117
C.5 collection	65,880	104,398
C.6 gains on disposal	4,162	106
C.7 losses on disposal	109	7
C.8 other decreases	52,209	58,239
D. Final gross exposures	523,045	673,838
- of which: sold but not derecognized	*41,177*	*53,875*

As at 30 June 2023, gross impaired positions subject to forbearance[11] decreased from €547.8m to €523m. The coverage ratio increased from 67.1% to 75.4%, and is reflected in the reduction in the net position, from €180.5m to €128.5m.

Forborne performing loans have a gross value of €673.8m, down on the previous year (€735.5m) mainly following the transfer to non-forborne performing exposures (due to the end of the probation period). On a net basis, forborne performing exposures decreased from €606m to €578.1m with a coverage ratio of 14.2% (17.6%).

Net forborne non-performing exposures account for 0.2% (0.3%) of total customer loans, whereas net forborne performing exposures account for 1.1% (1.3%).

[11] 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	376,103	91,771	413,304	234,048	163,984	41,466
- of which: sold but not derecognized	*27,316*	*4,986*	*45,467*	*22,701*	*24,318*	*5,684*
B. Increases	183,507	99,370	295,909	105,189	124,767	35,871
B.1 Value adjustments to purchased or originated credit impaired assets	—	X	—	X	—	X
B.2 other value adjustments	71,408	22,999	195,493	45,634	88,609	14,023
B.3 losses on disposal	38	28	364	79	2	2
B.4 transfers from other categories of non-performing exposures	77,956	46,085	52,821	13,830	11,405	6,485
B.5 contractual changes without cancellations	—	—	—	—	—	—
B.6 Other increases	34,105	30,258	47,231	45,646	24,751	15,361
C. Decreases	166,522	27,518	289,439	156,512	132,768	29,113
C.1 write-backs from assessments	2,369	356	25,918	15,000	5,127	1,589
C.2 write-backs from recoveries	37,640	8,187	23,491	12,482	21,239	6,687
C.3 gains on disposal	6,594	1,476	7,517	2,066	1,499	255
C.4 write-offs	64,760	2,485	25,221	3,495	19,883	428
C.5 transfers to other categories of non-performing exposures	2,986	398	78,233	51,747	60,963	15,213
C.6 contractual changes without cancellations	—	—	—	—	—	—
C.7 Other decreases	52,173	14,616	129,059	71,722	24,057	4,941
D. Closing overall amount of adjustments	393,088	163,623	419,774	182,725	155,983	48,224
- of which: sold but not derecognized	*21,611*	*7,161*	*40,959*	*18,749*	*20,164*	*6,224*

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	1,913,163	4,935,894	5,358,070	1,970,876	679,826	31,551	49,042,220	63,931,600
- First Stage	1,910,528	4,920,497	5,354,248	1,932,994	619,796	25,318	44,947,785	59,711,166
- Second Stage	2,635	15,397	3,822	37,882	60,030	6,233	2,766,046	2,892,045
- Third Stage	—	—	—	—	—	—	1,328,389	1,328,389
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
B. Financial assets measured at fair value through other comprehensive income	1,506,406	157,967	3,328,081	425,068	161,123	—	230,396	5,809,041
- First Stage	1,506,406	157,967	3,328,081	425,068	123,400	—	230,396	5,771,318
- Second Stage	—	—	—	—	37,723	—	—	37,723
- Third Stage	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
C: Financial assets being sold	—	—	—	—	—	—	242,354	242,354
- First Stage	—	—	—	—	—	—	—	—
- Second Stage	—	—	—	—	—	—	—	—
- Third Stage	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	242,354	242,354
Total (A+B+C)	3,419,569	5,093,861	8,686,151	2,395,944	840,949	31,551	49,514,970	69,982,995
D. Loan commitments and financial guarantees issued	134,972	1,026,817	7,090,978	531,653	334,866	2,973	6,916,380	16,038,639
- First Stage	134,972	1,026,817	7,090,978	531,493	321,042	2,973	6,829,046	15,937,321
- Second Stage	—	—	—	160	13,824	—	86,268	100,252
- Third Stage	—	—	—	—	—	—	1,066	1,066
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
Total (D)	134,972	1,026,817	7,090,978	531,653	334,866	2,973	6,916,380	16,038,639
Total (A+B+C+D)	3,554,541	6,120,678	15,777,129	2,927,597	1,175,815	34,524	56,431,350	86,021,634

The Mediobanca Group adopts the Standard & Poor’s ratings for all portfolios subject to assessment.

The table is compliant with the classification provided by the Bank of Italy Circular No. 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 84% 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 retail 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)

	Internal rating classes						Non-performing	Unrated	Total
Exposures	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6			
A. Financial assets measured at amortized cost	2,434,962	9,366,709	19,794,453	15,572,916	8,045,805	1,292,736	1,283,043	6,140,976	63,931,600
- First Stage	2,433,934	9,352,311	19,755,900	14,992,914	6,987,588	212,804	—	5,975,715	59,711,166
- Second Stage	1,028	14,398	38,553	580,002	1,058,217	1,079,932	—	119,915	2,892,045
- Third Stage	—	—	—	—	—	105,418	1,283,043	45,346	1,328,389
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
B. Financial assets measured at fair value through other comprehensive income	1,381,153	333,808	3,350,177	355,021	108,780	—	—	280,102	5,809,041
- First Stage	1,381,153	333,808	3,350,177	317,298	108,780	—	—	280,102	5,771,318
- Second Stage	—	—	—	37,723	—	—	—	—	37,723
- Third Stage	—	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
C: Financial assets being sold	—	—	—	—	—	—	242,354	—	242,354
- First Stage	—	—	—	—	—	—	—	—	—
- Second Stage	—	—	—	—	—	—	—	—	—
- Third Stage	—	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	242,354	—	242,354
Total (A+B+C)	3,816,115	9,700,517	23,144,630	15,927,937	8,154,585	1,292,736	1,525,397	6,421,078	69,982,995
D. Loan commitments and financial guarantees issued	87,980	1,251,372	9,565,387	1,821,083	565,543	42,077	1,066	2,704,131	16,038,639
- First Stage	87,980	1,251,372	9,565,352	1,792,556	520,415	21,026	—	2,698,620	15,937,321
- Second Stage	—	—	35	28,527	45,128	21,051	—	5,511	100,252
- Third Stage	—	—	—	—	—	—	1,066	—	1,066
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
Total (D)	87,980	1,251,372	9,565,387	1,821,083	565,543	42,077	1,066	2,704,131	16,038,639
Total (A+B+C+D)	3,904,095	10,951,889	32,710,017	17,749,020	8,720,128	1,334,813	1,526,463	9,125,209	86,021,634

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 exposure	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
			Property mortgages	Real properties – Finance leases	Securities	Other collateral guarantees	CLN	Other derivatives				Public administrations	Banks	Other financial companies	Other entities	
								Central counterparts	Banks	Other financial companies	Other entities					
1. Secured on-balance sheet credit exposures:	2,580,127	2,580,086	—	—	2,516,382	283	—	—	—	—	—	—	—	—	—	2,516,665
1.1 fully secured	2,279,593	2,279,558	—	—	2,216,382	283	—	—	—	—	—	—	—	—	—	2,216,665
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2. partially secured	300,534	300,528	—	—	300,000	—	—	—	—	—	—	—	—	—	—	300,000
- of which non-performing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off-balance sheet credit exposures:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.1 fully 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 exposure	Net exposure	Collaterals (1)				Personal guarantees (2)										Total (1)+(2)
			Property mortgages	Real properties – Finance leases	Securities	Other collateral guarantees	Credit derivatives					Unsecured loans					
							CLN	Other derivatives				Public administrations	Banks	Other financial companies	Other entities		
								Central counterparts	Banks	Other financial companies	Other entities						
1. Secured on-balance sheet credit exposures:	25,259,414	24,972,190	13,710,926	731,569	3,132,927	3,952,059	—	—	—	—	—	644,149	28,166	772,486	991,223		23,963,505
1.1 fully secured	20,834,774	20,612,839	12,511,029	731,569	3,045,289	2,270,815	—	—	—	—	—	525,150	28,166	572,844	718,238		20,403,100
- of which non-performing	263,794	117,530	78,908	26,444	87	7,232	—	—	—	—	—	80	27	—	4,701		117,479
1.2. partially secured	4,424,640	4,359,351	1,199,897	—	87,638	1,681,244	—	—	—	—	—	118,999	—	199,642	272,985		3,560,405
- of which non-performing	98,399	39,670	39,395	—	108	—	—	—	—	—	—	151	—	—	—		39,654
2. Secured off-balance sheet credit exposures:	2,544,868	2,541,834	59,086	—	422,570	472,099	—	—	—	—	—	14,554	18	99,566	241,630		1,309,523
2.1 fully secured	1,189,937	1,188,227	48,872	—	397,663	467,818	—	—	—	—	—	1,455	—	60,489	141,677		1,117,974
- of which non-performing	434	407	38	—	—	369	—	—	—	—	—	—	—	—	—		407
2.2. partially secured	1,354,931	1,353,607	10,214	—	24,907	4,281	—	—	—	—	—	13,099	18	39,077	99,953		191,549
- 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, plant and equipment	52,540	51,169	(18,649)	32,520	7,686
A.1. Core assets	82	76	(7)	69	—
A.2. Held for investment purpose	45,620	45,561	(18,483)	27,078	6,265
A.3. Inventories	6,838	5,532	(159)	5,373	1,421
B. Equity and debt securities	—	—	—	—	—
C. Other assets	—	—	—	—	—
D. Non-current assets and asset groups being sold	—	—	—	—	—
D.1. Tangible assets	—	—	—	—	—
D.2. Other assets	—	—	—	—	—
Total 30/6/23	52,540	51,169	(18,649)	32,520	7,686
Total 30/6/22	61,482	61,346	(19,897)	41,449	95

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 administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. On-Balance sheet credit exposures										
A.1 Bad loans	—	(145)	309	(6,636)	—	—	60,774	(86,468)	218,628	(299,839)
- of which: forborne exposures	—	—	—	(6,636)	—	—	4,869	(69,531)	985	(87,456)
A.2 Unlikely to pay	419	(563)	3,416	(3,853)	—	—	39,916	(80,210)	172,340	(335,148)
- of which: forborne exposures	—	—	1,279	(2,846)	—	—	17,925	(31,620)	89,155	(148,259)
A.3 Overdue exposures (NPLs)	798	(119)	138	(201)	—	—	31,837	(4,734)	84,648	(150,929)
- of which: forborne exposures	—	—	—	—	—	—	228	(319)	14,032	(47,905)
A.4 Performing exposures	11,412,322	(7,466)	8,863,897	(25,897)	1,059,606	(1,624)	18,449,911	(74,358)	28,510,093	(610,593)
- of which: forborne exposures	—	—	9,138	(529)	—	—	200,382	(10,652)	368,592	(84,545)
Total (A)	11,413,539	(8,293)	8,867,760	(36,587)	1,059,606	(1,624)	18,582,438	(245,770)	28,985,709	(1,396,509)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	369	(4)	562	(131)
B.2 Performing exposures	3,163,895	(31)	8,736,209	(1,089)	916,858	(262)	11,659,280	(12,211)	3,101,906	(8,699)
Total (B)	3,163,895	(31)	8,736,209	(1,089)	916,858	(262)	11,659,649	(12,215)	3,102,468	(8,830)
Total (A+B) 30/6/2023	14,577,434	(8,324)	17,603,969	(37,676)	1,976,464	(1,886)	30,242,087	(257,985)	32,088,177	(1,405,339)
Total (A+B) 30/6/2022	11,644,185	(9,649)	17,016,190	(28,821)	1,965,484	(1,402)	32,858,916	(226,305)	30,169,755	(1,411,567)

B.2 Prudential consolidation – Distribution of on- and off-balance sheet exposures to customers 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. On-Balance sheet credit exposures										
A.1 Bad loans	276,329	(335,688)	2,927	(57,235)	137	(165)	13	—	305	—
A.2 Unlikely to pay	193,139	(382,751)	17,119	(36,334)	—	—	5,833	(689)	—	—
A.3 Overdue exposures (NPLs)	79,009	(155,115)	12,131	(370)	2	—	—	—	26,279	(498)
A.4 Performing exposures	49,681,551	(674,552)	14,809,750	(35,765)	2,324,042	(6,752)	107,772	(213)	313,110	(1,033)
Total (A)	50,230,028	(1,548,106)	14,841,927	(129,704)	2,324,181	(6,917)	113,618	(902)	339,694	(1,531)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	931	(135)	—	—	—	—	—	—	—	—
B.2 Performing exposures	11,396,101	(14,931)	14,537,871	(6,200)	434,251	(590)	16,455	—	276,612	(309)
Total (B)	11,397,032	(15,066)	14,537,871	(6,200)	434,251	(590)	16,455	—	276,612	(309)
Total (A+B) 30/6/2023	61,627,060	(1,563,172)	29,379,798	(135,904)	2,758,432	(7,507)	130,073	(902)	616,306	(1,840)
Total (A+B) 30/6/2022	58,567,067	(1,571,103)	27,741,778	(86,223)	3,264,045	(17,506)	1,362,455	(383)	753,702	(1,126)

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. On-Balance sheet credit exposures										
A.1 Bad loans	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
A.3 Overdue exposures (NPLs)	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	6,321,180	(3,518)	4,205,600	(184)	61,588	(1)	851	—	(196)	—
Total (A)	6,321,180	(3,518)	4,205,600	(184)	61,588	(1)	851	—	(196)	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	—	—	—	—
B.2 Performing exposures	1,135,677	—	15,076,130	—	—	—	—	—	2,901	—
Total (B)	1,135,677	—	15,076,130	—	—	—	—	—	2,901	—
Total (A+B) 30/6/2023	7,456,857	(3,518)	19,281,730	(184)	61,588	(1)	851	—	2,705	—
Total (A+B) 30/6/2022	10,203,356	(4,766)	17,762,865	(130)	76,883	(7)	4,201	(2)	39	—

B.4a Credit risk indicators

	30/6/2023	30/6/2022
a) Gross bad loans/total loans	1.08%	1.31%
b) Non-performing accounts receivable / on-balance sheet credit exposures	2.33%	2.66%
c) Net bad loans / Regulatory capital[1]	3.03%	4.54%

[1] Net bad loans include the NPL portfolios purchased and held by Revalea, which went from €350.6m to €238.8m.

B.4b Large exposures

	30/6/2023	30/6/2022
a) Book value	9,360,267	8,940,901
b) Weighted value	7,115,015	6,697,929
c) Number of positions	8	7

At 30 June 2023, exposures (including market risk and equity investments) exceeding 10% of CET 1 concerned eight customer groups (one more than in the previous financial year) for a gross exposure of €9.4bn (€7.1bn taking into account guarantees and weightings), a slight increase compared to June 2022 (€8.9bn and €6.7bn, respectively). In detail, the eight positions concerned an industrial group, an insurance company and six banking groups.

C. Securitization

QUALITATIVE INFORMATION

The Group has a portfolio of securities deriving from securitizations by other issuers totalling €1,053m (€1,282.6m at 30 June last), €788.8m of which as part of the banking book and €264.3m as part of the trading book (respectively, €1,021.2m and €261.3m).

In the early months of 2023, the ABS market reversed the trend of widening spreads in line with the general market trend, which, despite inflationary fears, showed good resistance to rising rates, also benefiting from the BTP-Bund tightening (for the domestic component).

The primary market partially reopened for high standing issuers in the core European area (for example German and French autoloans), while for issuers in Southern Europe the lack of the Central Bank in bookbuilding translated into a very limited investor base.

After the repayment of the TLTRO in June (with the simultaneous repayment of liquidity and release of collateral), issuers will continue to evaluate the issuance of ABS against the cost-effectiveness of other forms of refinancing.

Exposures in the banking book decreased from €1,021.2m to €788.8m with a prevalence of senior securities with underlying NPLs (€486.3m, down by €217.3m) and CLOs (€259.4m, steady over the period). Positions on mezzanine tranches (€3.5m) and junior tranches (€0.5m) remained limited and essentially unchanged. The difference between book value (amortized cost) and fair value (taken from market platforms) amounted to €15.2m, mainly due to the rate increase.

The trading book stood at €264.3m (€261.3m): the senior portion amounted to €149.3m (€143.3m), €100.5m of which in the Transferable Custody Receipt transaction;[12] €23.9m in performing consumer loans and €24.8m in CLOs (€19.5m in June 2022). The mezzanine portion amounted to €115m (€115.3m) divided between €66.1m in the “negative basis” strategy, €27.4m in CLOs and 3 tranches in Italian consumer ABS. There are no junior exposures any longer.

[12] In financial year 21/22, 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:

- CLI Holdings I and CLI Holdings II,[13] SPVs under English law, which respectively subscribed to the capital of Cairn Loan Investments and Cairn Loan Investments II, independent managers of Polus-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); As at 30 June, CLI H I was recognized for €12.5m and CLI H II for €38.6m;
- *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 acted as advisor; the fund has senior tranches of real estate NPLs and loans as the underlying instrument, with an aggregate NAV of €118.8m (the share of Mediobanca being €64.1m), which takes into account uncertainties on recoveries and rate hikes.

[13] CLI H I is reported in the disclosure on structured entities not consolidated for accounting purposes, while CLI H II is an investment consolidated using the equity method pursuant to IAS 28.

QUANTITATIVE INFORMATION

C.2 Prudential consolidation – Exposures from main "third-party" securitizations divided by asset type / exposure type

Type of securitized asset/ Exposure	**Cash exposure**					
	Senior		**Mezzanine**		**Junior**	
	Book value	**Writedowns / writeback**	**Book value**	**Writedowns / writeback**	**Book value**	**Writedowns / writeback**
A. Italy NPLs (residential mortgages and real estate properties)	486,305	(2,387)	—	—	—	—
B. Consumer ABS Italy	15,990	2	21,516	99	—	—
C. Performing Loans Netherlands	12,759	(14)	992	—	451	(8)
D. Performing Loans UK	34,262	—	—	—	—	—
E. Other loans*	384,757	(75)	96,006	2,291	—	—
Total 30/6/23	934,073	(2,474)	118,514	2,390	451	(8)
Total 30/6/22	1,160,628	(4,277)	118,778	(12,860)	3,185	(402)

* CLO transactions, €100m of which relating to TCR.

C.3 Prudential consolidation – Interests in SPVs

Name of securitization / name of SPV	**Head Office**	**Consolidation**	***Assets***			***Liabilities***		
			Receivables	**Debt securities**	**Other**	**Senior**	**Mezzanine**	**Junior**
Quarzo 7 - Quarzo S.r.l.	Milan	Accounting	888,979	—	113,385	654,114	—	290,900
Quarzo 9 - Quarzo S.r.l.	Milan	Accounting	201,587	—	46,117	124,978	—	120,915
Quarzo 10 - Quarzo S.r.l.	Milan	Accounting	744,472	—	75,883	570,477	—	248,800
Quarzo 11 - Quarzo S.r.l.	Milan	Accounting	508,123	—	57,487	477,949	—	72,000
Quarzo 12 - Quarzo S.r.l.	Milan	Accounting	685,338	—	29,049	605,500	—	94,500
Quarzo CQS S.r.l. Quarzo 2018	Milan	Accounting	63,564	—	7,650	13,480	—	52,000
MB Funding Lux S.A.	Luxembourg	Accounting	1,012,488	343,701	—	1,100,896	—	—

C.5 Prudential consolidation – Servicing – Collecting securitized receivables and redeeming securities issued by SPVs

Servicer	Vehicle company	*Securitized assets (end-of-period figure)*		*Receivables collected during the year*		Percentage share of securities repaid (end-of-period figure)					
						Senior		*Mezzanine*		*Junior*	
		Non performing	Performing	Non performing	Performing	Non performing	Performing	Non performing	Performing	Non performing	Performing
Compass	Quarzo CQS (2018)	6,511	61,527	—	43,598	—	95	—	—	—	—
Compass	Quarzo Srl (Q7)	63,303	906,320	—	739,645	—	46	—	—	—	—
Compass	Quarzo Srl (Q8)	—	—	—	35,395	—	100	—	—	—	—
Compass	Quarzo Srl (Q9)	20,397	206,102	—	170,762	—	84	—	—	—	—
Compass	Quarzo Srl (Q10)	56,863	756,103	—	665,616	—	68	—	—	—	—
Compass	Quarzo Srl (Q11)	17,609	494,071	—	316,696	—	9	—	—	—	—
Compass	Quarzo Srl (Q12)	3,127	682,427	—	76,057	—	—	—	—	—	—

C.6 Prudential consolidation – Consolidated securitization-related SPVs

Quarzo S.r.l. (Compass Banca)

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 in place are summarized in the table below:

Issue date	senior		junior	Credit transferred in the year	From the repayment date
	A1	A2			
15/2/2017	—	1,215	285	131	15/11/2022
25/11/2019	600	183	117	—	15/7/2020
17/4/2020	—	1,760	240	—	15/12/2021
06/4/2022	528	—	72	196	15/5/2023
11/5/2023	450	155	95	35	17/6/2024

Legend:
A1: issued on the market
A2: subscribed to by the Parent Company and/or Group companies

During the year, the Quarzo 8 transaction was closed for a consideration of €159.4m following the repurchase of the remaining receivables.

On 11 May last, this special purpose vehicle completed the Quarzo 12 securitization through the sale of a portfolio of performing loans worth €700m, subsequently supplemented by additional revolving loans of €35m.

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 salary-backed loans of Futuro (now merged into Compass Banca) sold in a single non-revolving tranche. The senior securities (originally issued in a total amount of €598m, with €13.5m currently in issue) are listed on the Dublin stock exchange and sold on the market, while the junior securities (€52m) are held by Compass Banca entirely. The transaction is currently expected to be closed during the month of September 2023.

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.

During the year under review, action was taken to carry out a restructuring of the transactions in place as at 30 June 2022 by combining three transactions with issue dates 22 May 2017, 1 December 2017, and 10 October 2018 into a single transaction and proceeding to increase their operations by €100m. The three transactions in place, for a total nominal value of €1.1bn, are therefore divided as follows:

Issue Date	Nominal Value	Repayment Date
22/5/2017	800	03/7/2028
20/2/2019	200	15/10/2026
11/12/2020	100	11/6/2026

For a better understanding, the table published as at 30 June 2022 is also shown below:

Issue Date	Nominal Value	Repayment Date
25/6/2017	200	25/6/2028
20/12/2017	100	20/12/2024
30/10/2018	400	30/10/2023
11/12/2020	100	11/6/2026
13/10/2021	200	15/10/2026

Please note that a single unsecured issue of €10m expired in the month of 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	—	47.2	0.2	1.1	4.8
Quarzo S.r.l.	1,062.1	2,020.1	6.8	22.2	276.3
MB Funding Lux	215,741.3	142,715.0	—	—	2.7

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 repurchase agreements	- of which non-performing	Book value	of which: subject to securitization transactions	of which: subject to repurchase agreements
A. Financial assets held for trading	1,499,821	—	1,499,821	X	1,364,696	—	1,364,696
1. Debt securities	1,349,542	—	1,349,542	X	1,219,563	—	1,219,563
2. Equity securities	150,279	—	150,279	X	145,133	—	145,133
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	1,184,230	—	1,184,230	—	847,866	—	847,866
1. Debt securities	1,184,230	—	1,184,230	—	847,866	—	847,866
2. Equity securities	—	—	—	X	—	—	—
3. Loans	—	—	—	—	—	—	—
E. Financial assets measured at amortized cost	3,703,385	2,355,717	1,347,668	27,023	2,817,053	1,852,999	964,054
1. Debt securities	1,341,450	—	1,341,450	—	953,981	—	953,981
2. Loans	2,361,935	2,355,717	6,218	27,023	1,863,072	1,852,999	10,073
Total 30/6/23	6,387,436	2,355,717	4,031,719	27,023	5,029,615	1,852,999	3,176,616
Total 30/6/22	7,687,785	2,628,586	5,059,199	26,278	5,808,973	1,610,451	4,198,522

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	
			30/6/2023	30/6/2022
A. Financial assets held for trading	1,499,821	—	1,499,821	2,324,398
1. Debt securities	1,349,542	—	1,349,542	1,798,008
2. Equity securities	150,279	—	150,279	526,390
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	1,184,230	—	1,184,230	1,610,176
1. Debt securities	1,184,230	—	1,184,230	1,610,176
2. Equity securities	—	—	—	—
3. Loans	—	—	—	—
E. Financial assets measured at amortized cost (fair value)	3,914,581	—	3,914,581	4,065,285
1. Debt securities	1,383,584	—	1,383,584	1,112,925
2. Loans	2,530,997	—	2,530,997	2,952,360
Total financial assets	6,598,632	—	6,598,632	7,999,859
Total associated financial liabilities	5,781,150	—	X	X
Net value 30/6/2023	817,482	—	6,598,632	X
Net value 30/6/2022	1,425,926	—	X	7,999,859

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 transferee 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-).

The programme includes 7 transactions in place for a value of €5,250m placed with institutional investors and secured by assets sold by CheBanca! to Mediobanca Covered Bond for €7,099.3m, 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%	Feb-31
Jun-22*	750	Fix: 2.375%	Jun-27

* On 10/8/2022, there was an increase of €250m over the issue of €500m in June.

During the year under review, assets were sold by CheBanca! to the special purpose vehicle Mediobanca Covered Bond in the amount of €672.1m, with the simultaneous repurchase of assets for €14.5m.

Following the enactment of the new Title 1-*bis* within Law No. 130/1999 (the "Title 1-*bis*") and the 42nd update of Circular No. 285/2013 (the "Provisions"), Mediobanca and CheBanca!, respectively as Issuing Bank and Assignor Bank under the covered bond programme in place, carried out a series of activities aimed at adapting the programme, operating procedures, control measures the related contractual documentation to the new regulatory framework included in the aforementioned Title 1-*bis* and in the new Provisions.

***

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 as well (the "Roll-Out Plan"), as part of which Compass will be applying the IRB method to Consumer exposures as of 30 September 2023. For 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 information, please refer to the content of "Section 1.1 Credit risks" of this Part 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. 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 characterized by persistent volatility in all asset classes, especially interest rates. The reason for this can be ascribed to the macroeconomic context, characterized by a high inflation rate in the main Western economies. Furthermore, in March, the default of Silicon Valley Bank and the forced takeover of Credit Suisse by UBS raised fears of the onset of a new banking crisis, which quickly subsided. Last but not least, the Russian-Ukrainian conflict contributed to a period of market instability.

The inflationary push which began at the end of 2021 as an effect of the post-Covid recovery accelerated during 2022 also due to the war in Ukraine and the consequent tensions on the market of energy commodities. To deal with the increase in prices, the Central Banks (in particular the Fed and the ECB) resorted to restrictive monetary policies through repeated increases in the discount rates (+525 bps in the US and +400 bps in the Euro Area compared to 2020). Despite this, inflation in the United States and in the European Union remained well above monetary policy targets. This generated volatility on the markets due to uncertainties as to the end of such restrictive policies and due to the fear of a recession, given the high cost of money. A more marked decrease in the inflation rate in Europe and in the United States only occurred in the period May-June. In the context described above, the peak of volatility was recorded in March when news on the state of the accounts of Silicon Valley Bank (SVB) and its subsequent default raised fears about the stability of the banking sector both in the US and in Europe. In the following weeks, the sell-off panic moved to Credit Suisse, which was considered to be the most fragile global financial institution, causing a sudden drop in prices until the Swiss authorities pushed for its acquisition by its rival UBS. During the same days, stock market movements were compounded by unprecedented fluctuations on the interest rates market, especially for US government securities - the short-term yield curve lost more than 80 bps in a single session; this situation occurred due to an erroneous forecast by market operators of a sudden change in monetary policy by the Fed, aimed at avoiding the contagion effect on other American banking institutes considered to be unsound.

The VaR and Stop Loss limits were exceeded during the month of March, at the time of the exceptional volatility peaks on the interest rate market.

The Value-at-Risk of the Trading aggregate fluctuated over the year under review between a minimum of €4.5m in September and a maximum of €16.7m, as recorded in mid-March. The average figure (€8.4m) was 35% higher than the average figure in the previous year (€6.1m). After the peak, the VaR figure progressively decreased until it reached €6.7m, well below the average for the year.

The risk factors that explain the VaR trend are mainly as follows: (i) short-term USD interest rates (futures on the 3-month forward curve, SOFR) underlying some call and put option positions brokered on listed markets; (ii) yields of Italian Government Bonds and of countries in the core Euro Area. The contribution of other risk factors, such as share prices or exchange rates, is marginal. With respect to these, the Bank's position is conservative or substantially neutral.

In line with the VaR trend, the Expected shortfall - which measures a further stress scenario on the same VaR historical series - shows a higher average figure than in the previous period (€12.8m against €8.2m).

Daily back-testing results (based on the comparison with the theoretical Profits and Losses) showed three cases of deviation from the VaR during the twelve-month observation period. Thresholds were exceeded at the time of the interest rate volatility peaks in March.

Table 1: Value-at-risk and Expected Shortfall of the trading portfolio

€/000

Risk factors (€/000)	FY 2022-2023				2021-2022
	30 June	Min	Max	Avg	Avg
Interest rates	5,044	1,697	15,354	7,071	2,735
Credit	2,571	1,483	3,641	2,548	1,532
Shares	2,359	815	8,852	3,609	3,817
Exchange rates	1,145	543	2,327	904	633
Inflation	47	43	1,586	365	140
Volatility	5,469	1,884	15,083	6,254	3,421
*Diversification effect**	*(9,918)*	*(20,769)*	*(6,664)*	*(12,369)*	*(617)*
Total	6,717	(14,304)	40,179	8,382	11,661
Expected Shortfall	**11,048**	**5,581**	**27,851**	**12,846**	**8,190**

* Associated with a less-than-perfect correlation between risk factors.

Apart from the general VaR limit on Trading positions, a system reflecting a greater degree of granularity for the individual trading desks is also in place.

Furthermore, each desk has sensitivity limits to changes in the various risk factors, which are monitored on a daily basis. Compared to the previous year, there was an increase in the average delta of interest rates (from €83,000 to €218,000), consistent with the general change in rates. Please also note that the average equity vega decreased from €1.4m to €757,000 per percentage point. The average exposure to exchange rates also decrease from €427,000 to €142,000 per percentage point. The equity delta was essentially closed at the end of the financial year.

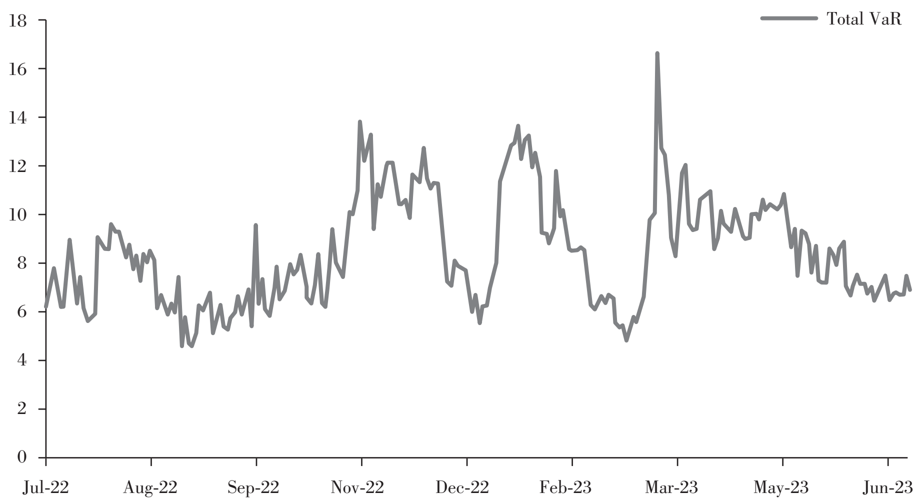
Table 2: Summary of trends in the main trading portfolio sensitivities

(€/000)

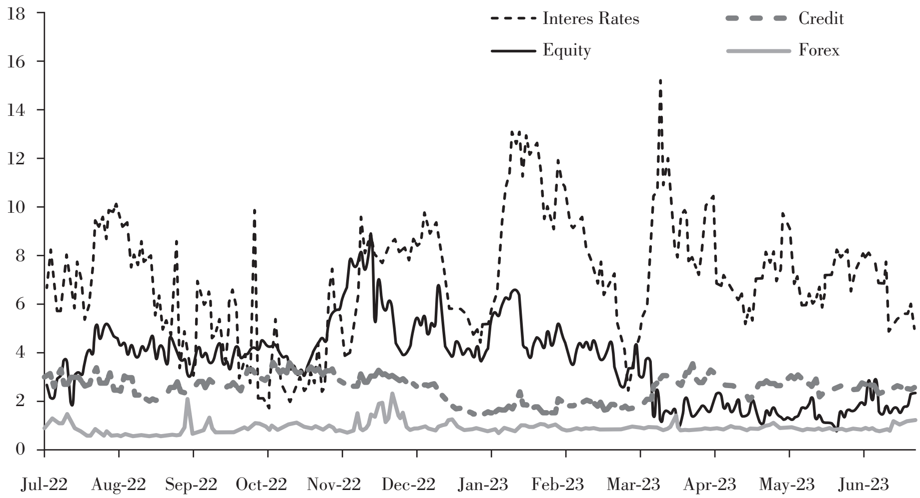
Risk factors	FY 2022/2023				FY 2021/2022
	30 June	Min	Max	Avg	
Equity delta (+1%)	(24,805)	(513,481)	6,330,451	418,680	318,529
Equity vega (+1%)	239,406	(461,445)	3,166,955	757,496	1,438,665
Interest rate delta (+1 bp)	183,720	(173,610)	612,456	218,649	82,913
Inflation delta (+1 bp)	3,705	(245)	42,311	13,079	221
Exchange rate delta (+1%)*	137,294	(3,739,534)	763,080	142,539	427,898
Credit delta (+1 bp)	460,497	(4,356)	730,681	421,632	514,646

* This refers to the Euro gaining versus other foreign 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 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	—	576,197	365,394	1,844,709	1,904,444	330,350	456,999	—
1.1 Debt securities	—	576,197	365,394	1,844,709	1,904,444	330,350	456,999	—
- with early redemption option	—	—	—	—	—	—	—	—
- other	—	576,197	365,394	1,844,709	1,904,444	330,350	456,999	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	3,428	26,806	616,511	810,676	2,090,077	403,444	139,024	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	3,428	26,806	616,511	810,676	2,090,077	403,444	139,024	—
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ Long positions	—	—	—	—	—	—	—	—
+ Short positions	—	—	—	—	—	—	—	—
– Other								
+ Long positions	—	713,906	72,696	—	204,380	—	—	—
+ Short positions	—	713,906	72,696	—	204,380	—	—	—
3.2 Without underlying securities								
– Options								
+ Long positions	—	5,721,196	1,078,673	1,187,570	4,602,679	1,467,297	—	—
+ Short positions	—	5,721,196	1,078,673	1,187,570	4,602,679	1,467,297	—	—
– Other								
+ Long positions	9,925	18,199,251	23,494,283	32,600,624	34,765,334	10,421,303	6,545,566	—
+ Short positions	9,925	44,758,814	26,199,416	15,156,741	27,814,701	8,848,824	3,247,866	—

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2. Regulatory trading portfolio: cash exposures in equities and UCITS units

Type of exposure/Amounts	Book value		
	Leve 1	Level 2	Level 3
A. Equities[1]			
A.1 Shares	980,684	—	163,498
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	—
B. UCITS			
B.1 Under Italian law	—	—	230
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	230
- reserved	—	—	—
- speculative	—	—	—
B.2 Under other EU states law	25	—	—
- harmonized	25	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Under non-EU states law	—	—	—
- open	—	—	—
- closed	—	—	—
Total	980,709	—	163,728

[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 sensitivity of the net interest income quantifies the impact on current earnings in the worst-case scenario among those outlined in the guidelines of the Basel Committee (BCBS) implemented in the document published by the EBA in October 2022 (EBA/GL/2022/14). 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 at minus 1.5% on the demand maturity with linear progression up to 0% at the fifty-year maturity. In the current market environment, this floor has a very limited impact on sensitivity metrics.

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, 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 as at 30 June, in the event of a parallel decline of the curve ("Parallel Down"), the expected net interest income would undergo a negative change of €142m, a clear worsening compared to the previous year (€-57m), due to a sudden rise in market interest rates and the resulting loss of the benefit of the regulatory floor. However, the expected net interest income is significantly lower than the one recorded at the end of December (€-262m), which resulted in the RAF threshold being exceeded and promptly returned to normal levels in the first few months of 2023.

In detail, the reduction in the sensitivity of the net interest income concerned the management of the refixing risk by restructuring hedges in place, reducing the liquidity deposited with the Central Bank, and purchasing fixed-rate government bonds.

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 in the event of a flattening of the interest rate curve ("Flattener").

The change would in fact be negative by €76m, mainly due to the impact of Mediobanca (€-42m) and Compass (€-35m) against a positive change for the other subsidiaries. In the previous year, the maximum change amounted to €201m in the "Short Up" scenario.

(€m)

Data at 30 June 2023	***Banking Book***					
	Maximum level scenario	**Group**	**Mediobanca S.p.A.**	**CheBanca!**	**Compass**	**Other**
Net interest income sensitivity	*Parallel Down*	(142)	(66)	(14)	(18)	(44)
Sensitivity of discounted value of expected cash flows	*Flattener*	(76)	(42)	9	(35)	(8)

At Group level, the values obtained for the net interest income sensitivity are lower than the Group RAF limit of 14.5% (net interest income/Group expected net interest income sensitivity), while the economic value sensitivity is lower than the Group RAF limit by 4.5% (Economic Value sensitivity/CET1).

The SOT regulatory indicator is 1.75% (net interest income/Tier 1 Capital sensitivity) and well below the regulatory threshold recently raised from 2.5% to 5%.

The reduction in the sensitivity of the net interest income reflects the corrective actions undertaken in recent months, including: management of the refixing risk by restructuring hedges in place, reducing liquidity deposited with the Central Bank, and purchasing fixed-rate government bonds, all elements that, on the other hand, determined a surge at the end of December.

In addition to the scenarios envisaged from a regulatory standpoint, other scenarios were analysed:

– Steepening-Up is a scenario where the curve grows but more pronounced on the long part of the curve;

– Flattening-Up is a scenario in which the curve grows but more pronounced in the short part of the curve;

– +50 bps is a scenario where the curve moves in parallel upwards by 50 basis points.

(€m)

Data at 30 June 2023	**Banking Book**	
Scenario	**Group**	**Mediobanca S.p.A.**
Steepening-Up	49	15
Flattener	186	75
+50 bps	36	17

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).[14]

[14] 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.

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 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.

Some structured bond issues remain in the portfolio without causing any risks correlated to the main risk, broken down into the interest rate component (hedged) and other risks which are represented in the trading book and are usually covered by external positions of the opposite sign; for structured bonds issued during the year, mostly interest rate, the Bank applied the fair value option in the initial recognition phase of the liability and the related risks were hedged with derivatives measured at Fair Value Through Profit or Loss in order to deal with the impacts through profit or loss.

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 the mortgage repayment plan and the expected prepayment rate for the loan book based on the model developed by Risk Management and subject to internal approval, considering a prudential margin on prepayments.

At the beginning of the year under review, a new behavioural model relating to CheBanca! deposits was newly calibrated in order to make the coverage of these balance sheet items more efficient, further reducing the Group's exposure to interest rate risk, thus benefiting, in terms of margins, from the change in maturity dates.

Finally, it should be noted that the transition to SOFR (for USD) 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.

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.

D. Hedging instruments

E. Hedged items

Hedged items and hedging instruments have been 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 derivative and short-term collateralized loan 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 collateralized loan agreements (e.g. CSA), if any, plus exposures deriving from interbank market transactions. Exposures deriving from transactions on the interbank market should be added to these. 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 derivative transactions, as required by IFRS 13, fair value incorporates the effects of the counterparty's credit risk (referred to as Credit Valuation Adjustments, CVA) and Mediobanca's credit risk (referred to as Debit Valuation Adjustment, DVA) based on the future exposure profile of all 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 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	8,006,982	28,640,272	7,583,236	5,325,770	15,323,138	4,384,371	3,743,565	500
1.1 Debt securities	44,961	1,346,746	2,046,064	2,371,534	3,524,090	956,667	112,289	—
– with early repayment option	—	—	—	—	—	—	—	—
– other	44,961	1,346,746	2,046,064	2,371,534	3,524,090	956,667	112,289	—
1.2 Loans to banks	5,331,214	1,636,345	631,093	367,960	707	—	128,550	98
1.3 Loans to customers	2,630,807	25,657,181	4,906,079	2,586,276	11,798,341	3,427,704	3,502,726	402
– current accounts	1,544,870	—	—	—	—	—	—	—
– other loans	1,085,937	25,657,181	4,906,079	2,586,276	11,798,341	3,427,704	3,502,726	402
– with early redemption option	199,265	6,623,341	1,133,657	2,054,903	9,883,033	3,354,249	3,443,778	—
– other	886,672	19,033,840	3,772,422	531,373	1,915,308	73,455	58,948	402
2. Cash liabilities	18,009,241	19,895,493	5,323,128	10,598,118	13,769,150	1,046,041	1,271,453	—
2.1 Due to customers	17,167,715	7,562,102	2,810,186	3,738,399	373,219	69,824	41,002	—
– current accounts	15,598,614	1,876,569	—	—	—	—	—	—
– other liabilities	1,569,101	5,685,533	2,810,186	3,738,399	373,219	69,824	41,002	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	1,569,101	5,685,533	2,810,186	3,738,399	373,219	69,824	41,002	—
2.2 Due to banks	840,465	6,722,802	398,885	2,457,694	3,849,576	29,348	629,130	—
– current accounts	268,656	—	—	—	—	—	—	—
– other liabilities	571,809	6,722,802	398,885	2,457,694	3,849,576	29,348	629,130	—
2.3 Debt securities	1,061	5,610,589	2,114,057	4,402,025	9,546,355	946,869	601,321	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	1,061	5,610,589	2,114,057	4,402,025	9,546,355	946,869	601,321	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– other	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities								
– Options								
+ long positions	22,120	130,000	—	2,917	721,204	—	835,704	—
+ short positions	22,120	130,000	—	2,917	721,204	—	835,704	—
– Other derivatives								
+ long positions	—	57,270,174	6,331,537	9,319,835	8,551,181	2,312,573	3,067,800	—
+ short positions	—	56,215,408	1,177,180	3,361,721	15,827,994	3,905,298	6,365,500	—
4. Other off-balance sheet trades	2,019,612	12,100,379	2,616,406	4,009,396	17,036,323	1,356,444	414,087	—
+ long positions	4,686	6,988,747	1,264,399	2,053,871	8,662,328	678,094	124,198	—
+ short positions	2,014,926	5,111,632	1,352,007	1,955,525	8,373,995	678,350	289,889	—

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	115,868	—	128,550
A.2 Innovative equity instruments	—	—	—
A.3 Other equity instruments	—	—	244,396
B. UCITS			
B.1 Under Italian law	36,730	—	153,850
- harmonized open	32,596	—	—
- non-harmonized open	—	—	—
- closed	—	—	152,207
- reserved	—	—	—
- speculative	4,134	—	1,643
B.2 Under other EU states law	122,987	—	245,058
- harmonized	—	—	—
- non-harmonized open	—	—	72,593
- non-harmonized closed	122,987	—	172,465
B.3 Under non-EU states law	—	—	—
- open	—	—	—
- closed	—	—	—
Total	275,585	—	771,854

[1] Of which 54% Italian and 46% of 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 trend in the exchange rate component of VaR shown in 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 equity investment in RAM (CHF) was hedged in the same currency until March, when the related bond expired. The currency exchange effect of both items was managed according to "Net Investment of foreign operations", i.e. currency exchange gains / losses deriving from asset items, and the related goodwill, and from the liability issued were directly accounted for in a net equity reserve.

QUANTITATIVE INFORMATION

1. Breakdown of assets, liabilities and derivatives by currency

Items	Currencies					
	US Dollar	Great Britain Pound	Japanese Yen	Swedish Krona	Swiss Franc	Other currencies
A. Financial assets	3,273,893	776,168	14,082	36,720	140,593	85,477
A.1 Debt securities	864,204	93,506	—	—	4,556	—
A.2 Equity securities	293,569	151,143	—	261	17,257	1,263
A.3 Due from banks	212,085	76,577	5,718	1,775	22,930	45,587
A.4 Due from customers	1,755,216	453,284	8,234	34,621	95,779	38,436
A.5 Other financial assets	148,819	1,658	130	63	71	161
B. Other assets	1,283	17,253	—	—	11,522	5
C. Financial liabilities	4,084,617	519,996	120,271	13,197	119,218	84,222
C.1 Due to banks	130,377	153,788	—	12,071	3	8,113
C.2 Due to customers	2,386,941	346,024	6,210	1,126	113,875	76,105
C.3 Debt securities	1,403,097	15,943	114,061	—	—	—
C.4 Other financial liabilities	164,202	4,241	—	—	5,340	4
D. Other liabilities	15,376	1,148	5,681	127	6,937	83
E. Financial derivatives						
- Options						
+ Long positions	368,639	39,942	1,278	9,255	25,644	9,056
+ Short positions	400,370	46,253	941	9,550	25,035	8,357
- Other derivatives						
+ Long positions	3,338,517	425,467	354,328	131,197	697,473	721,501
+ Short positions	2,486,617	688,937	189,493	176,973	767,457	706,766
Total assets	6,982,332	1,258,830	369,688	177,172	875,232	816,009
Total liabilities	6,986,980	1,256,334	316,386	199,847	918,647	799,428
Difference (+/-)	(4,648)	2,496	53,302	(22,675)	(43,415)	16,581

2. Internal models and other methodologies used for sensitivity analysis

During the year under review, the Euro-dollar rate moved around the average value of 1.04, with a minimum of 0.95 and a maximum of 1.10, to close at 1.08, i.e. near the values recorded at the beginning of the year. The overall Forex VaR remained relatively steady at 800,000 with short-lived peaks at 2m during phases of maximum fluctuation of the EUR/USD exchange rate.

1.3DERIVATIVE 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	30/6/2023				30/6/2022			
	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	94,215,475	22,556,759	1,258,298	2,115,793	51,140,611	24,802,696	2,223,147	243,799,846
a) Options	—	4,802,779	613,240	1,269,393	—	5,824,722	708,379	242,979,042
b) Swap	94,215,475	13,709,595	645,058	—	51,140,611	14,862,262	1,514,768	—
c) Forward	—	277,076	—	—	—	348,654	—	—
d) Futures	—	—	—	846,400	—	—	—	820,804
e) Others	—	3,767,309	—	—	—	3,767,058	—	—
2. Equity securities and stock price indexes	—	14,285,141	3,047,327	18,361,567	—	24,930,392	2,337,731	18,485,564
a) Options	—	13,792,650	744,742	17,860,244	—	23,520,849	328,337	18,079,439
b) Swap	—	492,491	—	—	—	1,409,543	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	501,323	—	—	—	406,125
e) Others [1]	—	—	2,302,585	—	—	—	2,009,394	—
3. Currencies and gold	—	20,148,517	789,845	—	—	18,773,897	1,377,560	—
a) Options	—	3,604,697	—	—	—	458,175	—	—
b) Swap	—	6,601,337	504,598	—	—	7,820,925	528,736	—
c) Forward	—	9,942,483	285,247	—	—	10,494,797	848,824	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
4. Commodities	—	1,750,000	169,947	—	—	1,700,000	127,453	—
5. Other	—	—	—	—	—	—	—	—
Total	94,215,475	58,740,417	5,265,417	20,477,360	51,140,611	70,206,985	6,065,891	262,285,410

[1] This exclusively regards Certificates issued.

A.2 Trading financial derivatives: gross positive and negative fair values by product

Types of derivatives	Total 30/6/23				Total 30/6/22			
	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	—	616,293	270,054	688,152	—	1,039,048	427	784,678
b) Interest rate swap	242,613	239,367	59,887	—	169,330	196,220	4,753	—
c) Cross currency swap	—	238,334	—	—	—	381,596	—	—
d) Equity swap	—	172,525	—	—	—	161,284	—	—
e) Forward	—	148,770	21,239	—	—	286,453	41,523	—
f) Futures	—	—	—	7,826	—	—	—	11,923
g) Others[1]	—	—	12,602	—	—	—	—	—
Total	242,613	1,415,289	363,782	695,978	169,330	2,064,601	46,703	796,601
2. Negative fair value								
a) Options	—	724,524	325,764	833,108	—	1,053,244	22,965	1,200,474
b) Interest rate swap	21,750	510,238	18,861	—	19,959	385,617	2,088	—
c) Cross currency swap	—	198,055	22,994	—	—	308,391	36,283	—
d) Equity swap	—	2,875	—	—	—	685	—	—
e) Forward	—	104,804	4,089	—	—	252,588	51,894	—
f) Futures	—	—	—	23,631	—	—	—	14,886
g) Others[1]	—	—	2,099,503	—	—	—	1,597,551	—
Total	21,750	1,540,496	2,471,211	856,739	19,959	2,000,525	1,710,781	1,215,360

[1] This exclusively regards Certificates issued.

A.3 OTC trading financial derivatives: notional values, gross positive and negative fair values by counterparty

Underlying assets	**Central counterparts**	**Banks**	**Other financial companies**	**Other entities**
Contracts not included in offsetting arrangements				
1) Debt securities and interest rates[1]				
- notional amount	X	127,912	200,000	930,386
- positive fair value	X	59,930	—	344
- negative fair value	X	592	793	47,169
2) Equity instrument and stock indexes				
- notional amount	X	2,335,835	711,469	22
- positive fair value	X	282,235	3,161	577
- Negative fair value[1]	X	2,369,187	27,754	2,260
3) Currencies and gold				
- notional amount	X	7,047	241,713	541,084
- positive fair value	X	17	3,445	868
- negative fair value	X	—	464	22,992
4) Commodities				
- notional amount	X	169,947	—	—
- positive fair value	X	13,206	—	—
- negative fair value	X	—	—	—
5) Other		—	—	—
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	94,215,475	10,845,932	6,291,468	5,419,357
- positive fair value	242,613	299,982	197,153	65,825
- negative fair value	21,750	314,325	228,787	278,957
2) Equity instrument and stock indexes				
- notional amount	—	7,902,678	4,638,683	1,743,780
- positive fair value	—	72,842	247,906	118,100
- negative fair value	—	205,572	109,008	44,347
3) Currencies and gold				
- notional amount	—	13,723,586	2,619,479	3,805,454
- positive fair value	—	250,206	66,599	90,991
- negative fair value	—	211,954	60,755	84,859
4) Commodities				
- notional amount	—	1,150,000	600,000	—
- positive fair value	—	5,116	570	—
- negative fair value	—	1,932	—	—
5) Other				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

[1] Of which certificates with a nominal value of €2,302,585 and fair value of €-2,086,902.

A.4 Outstanding life of OTC financial derivatives: notional amounts

Underlying / Outstanding life	**Up to 1 year**	**From 1 year to 5 years**	**Over 5 years**	**Total**
A.1 Financial derivative contracts on debt securities and interest rates	45,753,883	51,077,286	21,199,364	118,030,533
A.2 Financial derivative contracts on equity securities and stock indexes	6,037,479	10,999,400	295,589	17,332,468
A.3 Financial derivatives on currency and gold	15,532,959	4,830,205	575,198	20,938,362
A.4 Financial derivatives on goods	1,590,043	329,904	—	1,919,947
A.5 Other financial derivatives	—	—	—	—
Total 30/6/2023	68,914,364	67,236,795	22,070,151	158,221,310
Total 30/6/2022	45,261,940	63,563,824	18,587,723	127,413,487

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. Hedge purchases		
a) Credit default products	4,245,934	23,081,608
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other[1]	218,385	—
Total 30/6/2023	4,464,319	23,081,608
Total 30/6/2022	4,525,642	26,446,452
2. Hedge sales		
a) Credit default products	2,834,997	23,071,967
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other[1]	—	—
Total 30/6/2023	2,834,997	23,071,967
Total 30/6/2022	2,199,753	26,791,001

[1] This exclusively regards 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.[15] The arbitrage structures have a notional value of €18bn (€17.6bn in the previous year). The embedded derivative of the issues consists in purchases of hedges of €1.4bn[16] (€1.6bn) on individual entities.

[15] Please refer to “Part B - Liabilities - Liabilities at amortized cost” herein.

[16] Embedded items with underlying commodities (€170m) and related derivatives (€1,750m) are shown in Table A.3.

B.2 Trading credit derivatives: gross positive and negative fair values by product

Types of derivatives	30/6/2023	30/6/2022
1. Positive fair value		
a) Credit default products	158,778	243,371
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other	—	—
Total	158,778	243,371
2. Negative fair value		
a) Credit default products	212,650	297,714
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other[1]	203,733	232,740
Total	416,383	530,454

1 This exclusively regards Certificates issued.

B.3 OTC trading credit derivatives: notional values and gross positive/negative fair value, by counterparty

	Central counterparts	Banks	Other financial companies	Other entities
Contracts not included in offsetting arrangements				
1) Hedge purchases				
– notional value[1]	X	2,196,177	70,829	—
– positive fair value	X	8,861	5,349	—
– Negative fair value[1]	X	203,910	—	—
2) Hedge sales				
– notional value	X	14,526	—	—
– positive fair value	X	25,504	—	—
– negative fair value	X	1,973	—	—
Contracts included in offsetting arrangements				
1) Hedge purchases				
– notional value	7,240,601	3,032,757	15,005,563	—
– positive fair value	—	1,629	31,933	—
– negative fair value	—	34,902	123,186	—
2) Hedge sales				
– notional value	7,233,083	3,831,156	14,828,199	—
– positive fair value		30,048	55,454	—
– negative fair value	14,847	12,748	24,817	—

[1] Which includes Certificates with a nominal value of €218,385 and a fair value of €-203,733.

B.4 Outstanding life of OTC trading credit derivatives: notional values

Underlying / Outstanding life	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
1 Hedges sales	9,312,916	15,942,610	651,438	25,906,964
2 Hedges purchases	10,723,278	16,327,427	495,222	27,545,927
Total 30/6/2023	20,036,194	32,270,037	1,146,660	53,452,891
Total 30/6/2022	12,662,552	46,263,232	1,037,063	59,962,847

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	*30/6/23*				*30/6/22*			
	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	59,316,375	28,878,165	10,000	—	62,909,859	4,301,921	20,000	—
a) Options	—	1,711,945	—	—	—	2,146,137	—	—
b) Swap	59,316,375	27,166,220	10,000	—	62,909,859	1,913,236	20,000	—
c) Forward	—	—	—	—	—	242,548	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
2. Equity securities and stock price indexes	—	—	—	—	—	—	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swap	—	—	—	—	—	—	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
3. Currencies and gold	—	360,506	—	—	—	306,600	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swap	—	360,506	—	—	—	306,600	—	—
c) Forward	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Others	—	—	—	—	—	—	—	—
4. Commodities	—	—	—	—	—	—	—	—
5. Other	—	—	—	—	—	—	—	—
Total	59,316,375	29,238,671	10,000	—	62,909,859	4,608,521	20,000	—

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	
	30/6/23				*30/6/22*				30 June 2023	30 June 2022
	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	—	27,932	—	—	—	36,604	—	—	—	—
b) Interest rate swap	1,207,709	84,865	—	—	817,030	17,164	—	—	299,123	454,468
c) Cross currency swap	—	1,377	—	—	—	894	—	—	—	—
d) Equity swap	—	—	—	—	—	—	—	—	—	—
e) Forward	—	—	—	—	—	739	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Others	—	—	—	—	—	—	—	—	—	—
Total	1,207,709	114,174	—	—	817,030	55,401	—	—	299,123	454,468
Negative fair value										
a) Options	—	6,461	—	—	—	6,788	—	—	—	—
b) Interest rate swap	1,870,620	191,934	61	—	1,245,183	108,810	1,035	—	905,674	1,828,809
c) Cross currency swap	—	466	—	—	—	—	—	—	—	—
d) Equity swap	—	—	—	—	—	—	—	—	—	—
e) Forward	—	—	—	—	—	48	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Others	—	—	—	—	—	—	—	—	—	—
Total	1,870,620	198,861	61	—	1,245,183	115,646	1,035	—	905,674	1,828,809

A.3 OTC financial hedging derivatives: notional values, gross positive and negative fair values by counterparty

Underlying assets	Central counterparts	Banks	Other financial companies	Other entities
Contracts not included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	X	10,000	—	—
- positive fair value	X	—	—	—
- negative fair value	X	61	—	—
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) Other				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	59,316,375	25,651,940	3,256,226	—
- positive fair value	1,207,709	86,923	25,874	—
- negative fair value	1,870,620	148,114	50,281	—
2) Equity instrument and stock indexes				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
3) Currencies and gold				
- notional amount	—	315,965	44,541	—
- positive fair value	—	1,377	—	—
- negative fair value	—	370	96	—
4) Commodities				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Other				
- 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	From 1 year to 5 years	Over 5 years	Total
A.1 Financial derivative contracts on debt securities and interest rates	11,267,564	40,669,775	36,267,201	88,204,540
A.2 Financial derivative contracts on equity securities and stock indexes	—	—	—	—
A.3 Financial derivative contracts on currencies and gold	—	315,965	44,541	360,506
A.4 Financial derivatives on goods	—	—	—	—
A.5 Other financial derivatives	—	—	—	—
Total 30/6/2023	11,267,564	40,985,740	36,311,742	88,565,046
Total 30/6/2022	15,776,070	31,716,336	20,045,974	67,538,380

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	Hedging of cash flows	Hedging of foreign investment	Fair value hedges	Hedging of cash flows	Hedging of foreign investment
Financial assets other than derivatives	—	—	—	—	—	—
of which: trading activities	—	—	—	—	—	—
of which: other assets mandatorily measured at fair value	—	—	—	—	—	—
of which: assets designated at fair value	—	—	—	—	—	—
Total 30/6/2023	—	—	—	—	—	—
Total 30/6/2022	—	—	—	—	—	—
Financial liabilities other than derivatives	—	—	—	—	—	320
Trading liabilities	—	—	—	—	—	—
Liabilities designated at fair value	—	—	—	—	—	—
Liabilities measured at amortized cost	X	X	—	—	—	320
Total 30/6/2023	—	—	—	—	—	320
Total 30/6/2022	—	—	150,319	—	—	(10,606)

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:	1,243,481	—	15,485	—	8,418	—
1.1 Debt securities and interest rate	1,243,481	—	15,485	—	8,418	X
1.2 Equity securities and stock price indexes	—	—	—	—	—	X
1.3 Currencies and gold	—	—	—	—	—	X
1.4 Receivables	—	—	—	—	—	X
1.5 Other	—	—	—	—	—	X
2. Financial assets measured at amortized cost - hedges of:	10,630,590	—	519,469	—	211,412	—
1.1 Debt securities and interest rate	3,328,076	—	70,039	—	27,828	X
1.2 Equity securities and stock price indexes	—	—	—	—	—	X
1.3 Currencies and gold	—	—	—	—	—	X
1.4 Credits	7,302,514	—	449,430	—	183,584	X
1.5 Other	—	—	—	—	—	X
Total 30/6/2023	11,874,071	—	534,954	—	219,830	—
Total 30/6/2022	12,842,462	—	390,700	—	808,804	—
B. Liabilities						
1. Financial liabilities measured at amortized cost - hedges of:	26,574,907	—	1,788,619	—	526,817	—
1.1 Debt securities and interest rate	26,574,907	—	1,788,619	—	526,817	X
1.2 Currencies and gold	—	—	—	—	—	X
1.3 Other	—	—	—	—	—	X
Total 30/6/2023	26,574,907	—	1,788,619	—	526,817	—
Total 30/6/2022	26,684,699	—	1,295,748	—	1,469,976	—

D.2 Hedging of cash flows and foreign investments

	Changes in value used to calculate the hedge ineffectiveness	Hedge reserves	Ending of hedge: residual value of hedging reserves
A. Cash flow hedging			
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	143.221	272,383	—
1.1 Debt securities and interest rate	143.221	272,383	—
1.2 Currencies and gold	—	—	—
1.3 Other	—	—	—
Total (A) 30/6/2023	143.221	272,383	—
Total (A) 30/6/2022	287.699	176,525	—
B. Hedging of foreign investments	X	(15,947)	—
Total (A+B) 30/6/2023	143.221	256,436	—
Total (A+B) 30/6/2022	287.699	160,259	—

E. Effects of hedging through net equity

E.1 Reconciliation of net equity components

	Cash flow hedging reserve					Foreign investment hedging reserve				
	Debt securities and interest rate	Equity securities and stock price indexes	Currencies and gold	Receivables	Other	Debt securities and interest rate	Equity securities and stock price indexes	Currencies and gold	Receivables	Other
Opening balance	176,525	—	—	—	—	—	—	(16,266)	—	—
Changes in fair value (effective portion)	95,858	—	—	—	—	—	—	319	—	—
Transfers to P&L	—	—	—	—	—	—	—	—	—	—
Of which: future transactions no longer expected	—	—	—	—	—	X	X	X	X	X
Other changes	—	—	—	—	—	—	—	—	—	—
Of which: transfers of hedged instruments at book value	—	—	—	—	—	X	X	X	X	X
Closing amount	272,383	—	—	—	—	—	—	(15,947)	—	—

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 counterpart

	Central counterparts	Banks	Other financial companies	Other entities
A. Financial derivatives				
1) Debt securities and interest rates				
- notional amount	153,531,850	36,635,784	9,747,694	6,349,743
- net positive fair value	1,450,322	446,835	214,876	66,169
- net negative fair value	1,892,370	463,092	271,710	326,126
2) Equity instrument and stock indexes				
- notional amount	—	10,238,513	5,350,152	1,743,802
- net positive fair value	—	355,077	251,067	118,677
- net negative fair value	—	2,574,759	136,762	46,607
3) Currencies and gold				
- notional amount	—	14,046,598	2,905,733	4,346,538
- net positive fair value	—	251,600	70,044	91,859
- net negative fair value	—	212,324	61,315	107,851
4) Commodities				
- notional amount	—	1,319,947	600,000	—
- net positive fair value	—	18,322	570	—
- net negative fair value	—	1,932	—	—
5) Other				
- notional amount	—	—	—	—
- net positive fair value	—	—	—	—
- net negative fair value	—	—	—	—
B. Credit derivatives				
1) Hedge purchases				
- notional amount	7,240,601	5,228,934	15,076,392	—
- net positive fair value	—	10,490	37,282	—
- net negative fair value	—	238,812	123,186	—
2) Hedge sales				
- notional amount	7,233,083	3,845,682	14,828,199	—
- net positive fair value	—	55,552	55,454	—
- net negative fair value	14,847	14,721	24,817	—

1.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques of liquidity risk

Banks are normally 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 amount in terms of highly liquid assets in order to hedge the anticipated cash flows to be maintained 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 the Group's liquidity and funding risk and 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 Group's budget and Risk Appetite Framework.

Implementing 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 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.

The Group, through its Group Treasury Unit, manages its own liquidity position actively, with the objective of being able to meet its own clearing obligations within the time frame 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 traded 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, a 1-month systemic stress and 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*:* this scenario represents a pandemic crisis inspired by the events observed during the spread of the SARS-CoV-2 virus, influenced by a deep economic recession over a twelve-month time horizon which leads to effects such as the deterioration of the loan portfolio and related contraction in volumes (mainly for the consumer loan component), increase in perceived risk with impacts on the values of liquidity reserves and increase in netting requests, reduction in the supply of capital on the financial markets for the Group but also for customers who have been granted credit lines, which they will consequently be forced to use.
– Idiosyncratic Scenario*:* this scenario starts with a specific cyber-attack event that affects the Group's internal systems with a resulting limitation in operations on the market. On the one hand, this leads to an operational loss, on the other, to reputation damage. The latter component causes retail and wholesale customers to withdraw their deposits. In this context, the rating agencies initiate a downgrade of the issuer Mediobanca compromising even more its ability to access financial markets thus causing an increase in the cost of funding and impacts on liquidity reserves with regard to self-retained assets, having an impact on initial margins and outflows from triggers linked to downgrade events.
– 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, three and five 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.

The Group complied with the minimum requirement in terms of Net Stable Funding Ratio (NSFR)[17] and short-term Liquidity Coverage Ratio (LCR).[18] In line with the Group Risk Appetite Framework, they remained above internal and regulatory limits at all times.

In detail, the LCR figure at 30 June stood at 179.5% (compared to 159% in June 2022), 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 161% during the year under review. The latter rose compared to the average annual figure recorded in the previous financial year. This annual average increase allowed the Group Treasury to keep the Group's funding and liquidity positions steady, making it possible to repay approximately €3bn TLTROs during the year under review. In a still uncertain context, threatened by geopolitical risk and by rising interest rates, Group Treasury managed highly liquid assets by trying to combine commercial strategies with the need to always have an adequate instrument, in terms of quantity and quality.

The NSFR indicator, calculated according to Regulation (EU) 2019/876, stood at 119.3%, an increase compared to 30 June last (115.5%). This indicator remained steady on the liabilities side because the TLTRO repayments and the reduction in Wealth Management funding were offset by an increase in securities funding; in terms of loans, the indicator benefited from an increase in free assets following the reduction in funding secured with the Central Bank.

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.

[17] Directive (EU) 2019/878 (referred to as CRD V) and Regulation (EU) 2019/876 (referred to as CRR2)

[18] Commission Delegated Regulation (EU) 2015/61, as supplemented and amended.

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;
- accurate 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.

The counterbalancing capacity at 30 June amounted to €16.6bn, an increase compared to the previous year (€14.7bn); TLTRO repayments freed up credit assets falling with the counterbalancing capacity. The amount for available securities eligible for spot refinancing with the ECB to immediately obtain liquidity stood at €12.5bn (€7bn). The balance of collateral allocated to the Central Bank amounted to €12bn (€13.6bn one year ago). Out of the collateral, the amount of €6.4bn approximately was allocated to the Central Bank free and immediately available (€5.3bn) and was, therefore, included in the Group's counterbalancing capacity.

QUANTITATIVE INFORMATION

1. Time distribution of 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 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified
Cash assets	7,918,694	1,706,674	1,127,529	1,694,218	4,161,336	5,937,292	9,468,240	33,215,464	16,811,659	267,237
A.1 Government securities	1,035	—	46,130	12,672	250,017	878,394	3,296,822	4,466,795	2,058,269	—
A.2 Other debt securities	1,228	10,531	1,394	49,703	99,872	569,314	255,025	2,907,618	1,784,276	—
A.3 UCIT units	31,740	—	—	—	—	—	—	—	—	—
A.4 Loans	7,884,691	1,696,143	1,080,005	1,631,843	3,811,447	4,489,584	5,916,393	25,841,051	12,969,114	267,237
- Banks	5,312,038	218,776	80,144	104,695	35,947	541,851	388,877	900,708	128,552	262,246
- Customers	2,572,653	1,477,367	999,861	1,527,148	3,775,500	3,947,733	5,527,516	24,940,343	12,840,562	4,991
Cash liabilities	18,000,758	3,260,539	955,851	2,803,821	7,980,423	6,591,094	11,410,163	21,240,324	5,514,370	—
B.1 Deposits and current accounts	17,213,984	1,989,757	279,664	582,639	1,351,199	1,872,243	3,431,213	338,360	5,000	—
- Banks	268,944	—	—	—	—	—	—	26,227	—	—
- Customers	16,945,040	1,989,757	279,664	582,639	1,351,199	1,872,243	3,431,213	312,133	5,000	—
B.2 Debt securities	1,059	8	27,319	512,633	645,766	1,364,037	1,535,492	13,166,562	4,498,212	—
B.3 Other liabilities	785,715	1,270,774	648,868	1,708,549	5,983,458	3,354,814	6,443,458	7,735,402	1,011,158	—
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	9,925	866,610	544,905	3,653,348	3,096,560	1,783,949	2,389,964	25,422,072	7,364,945	—
- short positions	9,925	263,295	111,384	2,966,229	2,537,722	1,344,878	1,655,099	3,723,794	356,842	—
C.2 Financial derivatives without exchange of principal										
- long positions	2,391,863	7,283	24,400	151,840	169,603	487,343	747,777	—	1,069	—
- short positions	2,627,201	21,903	12,708	207,110	233,787	553,169	1,098,835	—	1,069	—
C.3 Deposits and loans for collection										
- long positions	—	4,450,153	—	—	127,602	675,489	49,190	1,000	14,884	—
- short positions	—	—	—	9,974	109,881	365,372	1,991,060	2,405,124	436,906	—
C.4 Irrevocable loan commitments*										
- long positions	39,111	849	—	77,179	221,767	731,361	1,623,624	1,813,553	1,704,792	—
- short positions	276,331	3,376,191	195,509	238,300	260,274	765,787	54,919	16,421	1,028,505	—
C.5 Financial guarantees issued	66,503	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal										
- Long positions	—	—	—	—	4,000	282,300	1,081,880	1,158,771	563,945	—
- Short positions	—	—	—	—	4,000	291,900	1,132,180	1,294,699	368,117	—
C.8 Credit derivatives without exchange of principal										
- Long positions	789,200	—	—	—	—	—	—	—	—	—
- Short positions	847,424	—	—	—	—	—	—	—	—	—

* This item includes hedge sales perfectly matched by purchases 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

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 this calculation method, the capital requirement at 30 June 2023 was €374.7m (€341.5m as at 30 June 2022).

Risk Mitigation

The Group's Non-Financial Risks Committee, with the task of guiding, monitoring and mitigating non-financial risks (including IT & Cyber risk, fraud risk, third-party/outsourcing 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 Non-Financial Risk Management unit.

Based on the Group's operational risk management policy and in line with the principle of proportionality, the processes for identifying operational risks, including through the collection and analysis of data concerning operational risk loss, mitigation and estimation, and the processes for identifying and initiating the related mitigation actions, are defined and implemented within the Parent Company and main group legal entities. Based on the evidence obtained, actions to mitigate the most relevant operational risks are proposed, implemented and monitored.

The operating losses recorded during the year under review affected total revenues by approximately 1.2%.

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	**% of Total Loss**
External fraud	55%
Execution, delivery and process management	23%
Clients, products and business practices	19%
Employment practices and workplace safety	3%
Other	0%

Most of the operating losses of the year are due to "External Fraud" linked to non-recurring events, in particular the fraud suffered by a Wealth customer in the context of payments related to portfolio investments. In the face of this event, in addition to the strengthening of the garrisons and controls, the actions of recovery and insurance coverage have been activated, which have allowed to significantly reduce gross losses. The second category of losses by amount, "Execution, delivery and process management", includes provisions and expenses for litigation with other institutions and losses for process failures.

The category "Clients, products and business practices" includes provisions and costs for the management of claims or disputes with Consumer and Premier customers concerning financial conditions or interest rates applied to loan products (those deriving from the 'Lexitor' ruling are significant). Subsequently, provisions are recorded for the management of disputes with personnel.

In terms of Business Lines, operational risk losses were higher in Wealth Management, also due to the main types of events mentioned above ("External fraud" in particular). The Consumer Banking business line was the second-ranking line in terms of volume of losses recorded; very limited losses were recorded in the CIB and in the Holding Function.

In terms of potential risks, since the Wealth Management and CIB business lines are characterized by non-standard and large-scale transactions, they were exposed to low frequency and high severity events.

Moreover, while not generating significant losses, both at Industry and Group level, there was an increase in some cases (classes) of operational risk, such as IT & Cyber Risk and Outsourcing Risk.

In view of the foregoing, the Group launched a Non-Financial Risk Management project in order to strengthen and evolve specific frameworks for each risk class (such as IT & Cyber risk, third-party risk, fraud risk and reputation risk), while providing an overview of the risks themselves.

In particular, IT & Cyber risk, characterized by rapidly evolving components, are potentially relevant for the Group's financial position and business model in the medium term.

IT Risk and Cyber Risk

During the year under review, in compliance with the requirements of the 40th update to Circular No. 285, the Mediobanca Group prepared activities for the establishment of the new second-level unit "ICT & Security Risk" within the Non-Financial Risks Unit, which is part of the Group Risk Management Unit. The Unit will be responsible for monitoring and controlling IT and security risks, as well as verifying compliance of IT operations with the IT and security risk management system.

Security risk (including cyber risk) is understood as the risk of incurring financial, reputation and market share losses due to:

- any unauthorized access or attempted access to the Group's IT system or to the data and digital information contained therein;
- any (malicious or involuntary) event fostered or caused by the use of, or connected to, technology that has or could have an adverse impact on the integrity, availability, confidentiality and/or authenticity of company data and information, or on the continuity of corporate processes;
- improper use and/or dissemination of data and information, including if not directly produced and managed by the Group.

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.

IT or technological risk means the risk arising from inadequate information system management processes, or from the inability to transform technological assets. Risks arising from the adoption of new technologies.

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 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 ICT and security risk management strategy, providing for specific risk management oversight in line with regulatory indications. This has made it possible to enlarge and evolve the system principles and rules for the purpose of identifying and measuring the ICT & security risks to which company assets are exposed, assessing the safeguards in place and identifying the appropriate methods to handle such risks.

Continuous security checks and ICT & security risk analysis activities are carried out for the purpose of ensuring adequate control, organizational and technological safeguards, across the entire Group.

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Other Risks

As part of the process of assessing the current and future capital required to perform its internal capital adequacy assessment process (ICAAP), the Group has identified the following main types of risk as relevant, in addition to the risks described above (credit and counterparty, market, interest rate, liquidity and operational risk):

– concentration risk, understood as the risk deriving from the concentration of exposures with single counterparties or groups of connected counterparties (referred to as "single names") and with counterparties belonging to the same business sector or who carry out the same activity or belonging to the same geographical area (geo-sectoral 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;
- reputation 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 and Climate Change

The Group has accepted the challenges that climate change and other risk factors pose to society and intends to manage them by also seizing the opportunities associated with decarbonization. For this purpose, starting from financial year 2018-2019, the Group has launched a process for defining a Risk Assessment and Reporting framework for ESG and Climate Change risks, followed by an analysis of the reference environment aimed at identifying and managing any risks that may be relevant to the Group according to the approach proposed by the TCFD[19] and in the guidelines issued on the subject. ESG risks are therefore included in the Group's overall Risk Management framework as they potentially constitute adverse impacts that an organization or activity may have on the environment, on people and on communities, including risks associated with corporate governance, on profitability, on reputation and on credit quality with possible legal consequences. Among ESG risks, climate risk is of particular importance, i.e. the financial risk deriving from exposure to physical[20] and transition[21] risk associated with climate change. The risks and opportunities related to climate change are identified and analysed in a coordinated manner by the various corporate units without treating them as a separate risk but as a series of factors that interact with the traditional risk categories (credit, market, operational, and liquidity risk).

In light of a strong and rapidly evolving regulatory framework and of the European Commission's adoption of an ambitious package of measures aimed at encouraging capital flows towards sustainable activities throughout the Union, the Group has integrated risks involving ESG, disclosure and financial sustainability of products and adaptation to the European Taxonomy: the "ESG Program" is a path of a progressive adaptation to the new ESG-related regulations and is divided into three project areas:

– Ownership, which focuses on the process of compliance with the following regulations: ECB Guide on climate-related and environmental risk and EBA Guidelines on Loan Origination and Monitoring and on the integration of ESG criteria in credit and investment management processes, as well as, in a broad sense, in business strategy;

[19] For more information, see paragraph 3.3 Compliance, internal control and risk management, paragraph 8.1 Relevant policies and risks of the Non-Financial Statement, and chapters 2.6.1 ESG Program and 4 Risk Management in the TCFD Report.

[20] Physical risks consist in an adverse financial impact deriving from climate change, including more frequent extreme weather events and gradual climate change, in addition to environmental degradation, i.e. air, water and soil pollution, water stress, biodiversity loss and deforestation.

[21] Transition risks consist in adverse financial impacts that a company may, directly or indirectly, incur as a result of the process of adaptation to a low-carbon and more environmentally sustainable economy.

- Customers and Markets, mainly pertaining to the implementation of Regulation (EU) 2019/2088 Sustainable finance disclosure regulation (SFDR);
- Disclosure, which focuses on the adoption of the European taxonomy (Regulation (EU) 2020/852) as part of the reporting requirements pursuant to the Consolidated Non-Financial Disclosure (regulatory framework which is still being completed). The scope also includes the Disclosure on environmental, social and governance risks required by Article 18-*bis* of Implementing Regulation (EU) 2021/637, under which credit institutions must disclose qualitative information on environmental, social and governance risks, quantitative information on transition risk and physical risks associated with climate change, quantitative information on mitigating actions associated with economic activities considered environmentally sustainable under the EU Taxonomy and, finally, quantitative information on other mitigating actions and exposures to climate change-related risks that are not considered environmentally sustainable economic activities under the EU Taxonomy.[22] This disclosure is included in a special section in Pillar III – Disclosure to the public.

As part of the 2023-2026 "One Brand - One Culture" Strategic Plan, the Mediobanca Group has renewed its commitment to Climate and Environmental issues, setting itself the objective of supporting customers in their ESG transition strategies with ad-hoc advisory activities and allocating capital with an ESG focus. The new strategic plan contains specific targets relating to environmental issues. The intention to achieve carbon neutrality by 2050 has been confirmed (with approximately a 35% reduction in the carbon intensity of loans by 2030 (-18% by 2026).

These commitments are consistent with the Group's Sustainability and ESG Policies, which transpose detailed business sector guidelines by introducing restrictions on operators with a negative impact on the climate.[23] The achievement of the above strategic objectives will also be ensured by the implementation of new metrics in the Group's Risk Appetite Framework, aiming to promote responsible business activities, while maintaining a low profile in terms of exposure to climate risk. The path undertaken provides for greater

[22] With regard to the required quantitative disclosure, a phase-in period has been planned until June 2024. On the other hand, the BTAR is on a voluntary basis until December 2024.

[23] For further information, please refer to the Group's ESG Policy published on the corporate website https://www.mediobanca.com/static/upload_new/pol/politica-esg.pdf.

and continuous integration, which, to date, includes the implementation of new metrics in the Group's Risk Appetite Framework, the offering of ESG products and the adoption of ESG policies, including exclusion rules.

Greenhouse gas emission reduction targets were also formalized for counterparties operating in the four sectors identified by the NZBA, the initiative promoted by the United Nations with the aim of accelerating the sustainable transition of the international banking sector. This has confirmed the Group's willingness to be an active part in the "green" transition, a natural outlet after signing the Principles for Responsible Banking (PRB), promoted by the United Nations Environment Programme Finance Initiative (UNEP FI), a section of the UN Environment Programme dedicated to financial institutions.

In addition, Mediobanca has decided to integrate, in its capital planning process (including the Internal Capital Adequacy Assessment Process, ICAAP), the potential impacts deriving from exposure to climate risk factors arising from specific climate scenarios on its capital adequacy.

With reference to asset management, the implementation of PAI monitoring and RTS adjustment for financial products classified as ESG under Articles 8/9 continued, while, in relation to consultancy activities, the ESG integration in the MIFID adequacy/Product Governance model proceeded.

It should be noted that the Group does not have significant exposures to counterparties with high climate and environmental risk (as at 30 June the exposure to high-risk counterparties for the Wholesale Banking loan and investment portfolio was less than 1% of the portfolio, as shown in the ESG heatmap analysis).

For more information, please refer to the Pillar III Disclosure section on ESG Risk, to the Consolidated Non-Financial Disclosure, and to the Task Force on Climate-Related Financial Disclosure (TCFD) Report, all of which published at the same time as this Annual Report and available on the website www.mediobanca.com.

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: Third parties
1. Share capital	460,798	—	—	—	460,798	16,629
2. Share premium	2,197,454	—	—	—	2,197,454	1,848
3. Reserves	7,757,912	—	—	—	7,757,912	82,629
4. Equity instruments	—	—	—	—	—	—
5. (Treasury shares)	(78,876)	—	—	—	(78,876)	—
6. Valuation reserves:	62,130	—	—	—	62,130	3
- Equity instruments measured at fair value through other comprehensive income	120,118	—	—	—	120,118	—
- Hedging of equity instruments measured at fair value through other comprehensive income	—	—	—	—	—	—
- Financial assets (other than equity instruments) measured at fair value through other comprehensive income	(49,000)	—	—	—	(49,000)	—
- Tangible assets	—	—	—	—	—	—
- Intangible assets	—	—	—	—	—	—
- Hedging of foreign investments	(15,947)	—	—	—	(15,947)	—
- Hedging of cash flows	272,516	—	—	—	272,516	133
- Hedging instruments [not designated instruments]	—	—	—	—	—	—
- Currency exchange gains/losses	10,192	—	—	—	10,192	(2)
- Non-current assets and asset groups being sold	—	—	—	—	—	—
- Financial liabilities designated at fair value through profit or loss (change in own credit risk)	(5,806)	—	—	—	(5,806)	—
- Actuarial gains (losses) on defined benefits pension schemes	(1,796)	—	—	—	(1,796)	(128)
- Portion of valuation reserves of equity-accounted interests	(277,779)	—	—	—	(277,779)	—
- Extraordinary revaluation laws	9,632	—	—	—	9,632	—
7. Profit (loss) for the period (+/-) attributable to the Group and to minority interests	1,029,830	—	—	—	1,029,830	3,034
Total	11,429,248	—	—	—	11,429,248	104,143

* This includes the equity-accounted consolidation of Compass RE (insurance companies), Compass Rent, MBContact Solutions, and RAM UK (other companies).

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

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	4,417	(53,417)	—	—	—	—	—	—	4,417	(53,417)
2. Equity securities	124,058	(3,940)	—	—	—	—	—	—	124,058	(3,940)
3. Loans	—	—	—	—	—	—	—	—	—	—
Total 30/6/2023	128,475	(57,357)	—	—	—	—	—	—	128,475	(57,357)
Total 30/6/2022	181,452	(5,699)	—	—	—	—	—	—	181,452	(5,699)

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: changes during the period

	Debt securities	Equity securities	Loans	Total
1. Opening balance	(40,790)	163,770	—	122,980
2. Increases	34,862	32,657	—	67,519
2.1 Increases in fair value	22,258	32,657		54,915
2.2 Value adjustments for credit risk	1,418	—	—	1,418
2.3 Profit and loss reversal of negative reserves: from disposals	11,186	—	—	11,186
2.4 Transfers to other equity components (equity instruments)	—	—	—	—
2.5 Other changes	—	—	—	—
3. Decreases	43,072	76,309	—	119,381
3.1 Decreases in fair value	32,842	14,626		47,468
3.2 Writebacks for credit risk	1,897	—	—	1,897
3.3 Profit and loss reversal from positive reserves: from disposals	8,333	61,683	—	70,016
3.4 Transfers to other equity components (equity instruments)	—	—	—	—
3.5 Other changes	—	—	—	—
4. Closing balance	(49,000)	120,118	—	71,118

SECTION 2

Own funds and supervisory capital requirements for banks

The Mediobanca Group confirmed its strong capital soundness with ratios well above the regulatory thresholds, as evidenced by the Group's results in stress tests conducted by the Supervisor in recent years, by the large margin found in the Internal Capital Adequacy Assessment Process (ICAAP) and by the SREP assessment process performed by the Supervisor.

Effective 1 March 2023, the SREP 2022 Decision, laying down an additional Pillar 2 requirement of 1.68%, entered into force; the Mediobanca Group will therefore be required to hold a CET1 ratio of 7.95% on a consolidated basis, including 2.50% capital preservation buffer and 0.95% additional Pillar 2 requirement ("P2R"), i.e. 56.25% of the 1.68% required at the level of Overall Capital Requirement (OCR), which is equal to 12.18% (Tier1 at 9.76%).[24] The "SREP 2022 Decision" provides for an increase of 10 bps attributable exclusively to the adoption of the Calendar provisioning mechanism with reference to the stock of non-performing exposures in place at 31 December 2022 and that originated before 26 April 2019, a component that is bound to be reduced following the sale of the NPL portfolios purchased by Revalea.

2.1 Scope of application for regulations

During the year under review, the AIRB PD and LGD models were revised following the conclusion of the Internal Model Investigation on the Large Corporate portfolio, which introduced a Limitation on the LGD model through a 45% floor for the performing portfolio. This action resulted in an increase in the order of €1.5bn in RWA (approximately -45 bps of CET1 ratio), an impact expected to subside after the implementation of Basel 4, which, as of 1 January 2025, will entail the use of the new 40% Foundation parameter.

At the same time, according to the provisions of Regulation (EU) 2022/954 of 12 May 2022, starting from 30 September last a weighting factor of 100% was applied to purchased NPL exposures instead of the previous 150%, since the *provisioning* level is higher than 20% (under Article 127 of the CRR), with a benefit of approximately 5 bps on the CET1 ratio (€170m in RWA).

[24] Requirements do not include the counter-cyclical capital buffer, at 30 June 2023 equal to 0.09%.

Finally, the activation of a fourth ECAI (Modefinance, in addition to the ratings provided by Standard & Poor's, Moody's and Fitch) for the standard Corporate portfolio risk should be noted. This led to a benefit of approximately +5 bps on the CET1 ratio (RWA €130m less than a standard weighting of 100%, mainly on the Factoring and Leasing portfolios).

The Group continued to forgo the enforcement of 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*.[25]

2.2 Bank equity

QUALITATIVE INFORMATION

The Common Equity Tier1 (CET1) reflects the portion pertaining to the Group and to minority interests of paid-in capital, reserves, including the net income for the period (€1,026.8m), after dividends (€714.7m, corresponding to a payout of 70%) and includes the negative portion of reserves relating to securities of €-34.2m measured at fair value through other comprehensive income, €-105.3m of which resulting from the equity consolidation of Assicurazioni Generali (highly reduced liabilities after the transition to the new accounting standards IFRS 9 and IFRS 17, as transposed by Mediobanca in the last quarter).

The deductions regarded:

– treasury shares of €78.9m after cancellation of a part of the buybacks made under the latest buyback plan;

– intangible assets of €182m and goodwill of €574.6m, the latter decreasing following the write-down of the RAM investment;

– prudential changes relating to valuations of financial instruments (AVA and DVA) of €75.1m, which slightly increased compared to last year (€68.6m) due to valuations of financial instruments and the trend in gains and losses on liabilities due to the evolution of the institution's credit standing;

[25] 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").

– interests in Assicurazioni Generali for a total of €1,439.5m (taking into account that the transition to IFRS 17/IFRS 9 increased the book value of the investment).

No Additional Tier 1 (referred to as AT1) instruments were issued. AT1)

Tier 2 capital includes subordinated liabilities, up slightly from €911.8m to €966.6m after the nominal issue of €300m, which more than absorbed the amortization for the year (€234m). No subordinated Tier 2 issue benefits from grand-fathering, as permitted under Articles 483 and ff of the CRR.

Issue	**30/6/2023**		
	ISIN code	**Nominal Value**	**Computed value (*)**
MB SUBORDINATO TV with 3% minimum rate 2025	IT0005127508	496,805	214,646
MB SUBORDINATO 3.75% 2026	IT0005188351	299,750	172,256
MB SUBORDINATO 1.957% 2029	XS1579416741	50,000	48,495
MB SUBORDINATO 2.3% 2030	XS2262077675	248,854	240,387
MB FIX TO FLOAT 0233	XS2577528016	299,950	290,865
Total subordinated issues		**1,395,359**	**966,649**

* The computed value differs from the book value because of fair value and amortized cost components and buyback commitments.

Tier 2 also includes the buffer which results from book value write-downs being higher than the prudential expected losses calculated using the advanced models (“buffer”): the positive amount stood at €75.3m; the value calculated, i.e. €72.7m, slightly increased during the year (+€4.4m) due to the greater exposures, as the maximum amount that is allowed is the amount corresponding to the regulatory threshold of 0.6% of the weighted exposure amounts for risk calculated with advanced models (under Article 159 CRR).

QUANTITATIVE INFORMATION

	30/6/2023	30/6/2022
A. Common equity tier 1 (CET1) prior to application of prudential filters	10,653,459	10,061,450
of which: CET1 instruments subject to phase-in regime	—	—
B. CET1 prudential filters (+/-)	(290,846)	(200,929)
C. CET1 before items to be deducted and effects of phase-in regime (A +/- B)	10,362,612	9,860,521
D. Items to be deducted from CET1	(3,551,325)	(3,379,799)
E. Phase-in regime - impact on CET1 (+/-), including minority interests subject to phase-in regime*	1,366,352	1,413,612
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	8,177,639	7,894,334
G. Additional tier 1 (AT1) gross of items to be deducted and effects of phase-in regime	—	—
of which: AT1 instruments subject to phase-in regime	—	—
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) before items to be deducted and effects of phase-in regime	1,039,389	980,165
of which: T2 instruments subject to phase-in regime	—	—
N. Items to be deducted from T2	—	(69)
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 Capital (M-N+/-O)	1,039,389	980,096
Q. Total own funds (F+L+P)	9,217,028	8,874,429

* Adjustments include the adoption of phase-in provisions for the introduction of IFRS 9 and greater deductions for the adoption of Calendar Provisioning.

2.3 Capital adequacy

QUALITATIVE INFORMATION

The phase-in Common Equity Ratio – ratio of Common Equity Tier1 to total weighted assets with the adoption of the Danish Compromise[26] – stood at 15.9%, up by around 30 bps compared to last June (15.7%): self-financing for the year and lower RWAs (+65 bps) covered the effects of the Internal Model Investigation (IMI) on Mediobanca's Large Corporate model (-45 bps); the greater deductions of the investment in Assicurazioni Generali (-25 bps) were instead offset by the constant improvements in efficiency (overall +25 bps, including the introduction of the new ECAI, the 100% weighting of NPL exposures and other efficiency improvements on counterparty and market risks).

[26] Benefit of ~100 bps

Changes in RWAs

	Amount
RWA as at 30 June 2022	50,377,953
Regulatory impact	1,328,000
Optimization	(187,500)
Volume effect	(86,904)
Corporate Investment Banking - CIB	*(2,702,139)*
Wholesale Banking- WS	*(1,937,079)*
Specialty Finance - SF	*(765,060)*
Consumer credit	*535,730*
Wealth Management - WM	*273,679*
Holding Functions - HF - (Leasing)	*(165,650)*
Other PI	*1,971,476*
RWA as at 30 June 2023	51,431,549

The Total Capital Ratio phase-in with the adoption of the Danish Compromise[27] grew from 17.6% to 17.9%, due to the new subordinated issue of a nominal value of €300m partly offset by the prudential amortization of Tier2 instruments.

The other indicators performed as follows:

- the Leverage ratio, calculated without benefiting from the temporary possibility granted by the Regulator to exclude reserves to central banks from exposures, remained steady at 8.4%, since the higher Tier1 capital was offset by higher exposures;
- the MREL ratio, calculated according to the hybrid approach, remained high and steady, standing at 36.8% of RWAs[28] and 19.5% of LREs, both considerably higher than the minimum requirement set by the Single Resolution Board, i.e. respectively 22.13% and 5.91%. With reference to the MREL ratio, it should also be noted that, starting from 2025, Mediobanca will be subject to the subordination requirement with no impact since the current and expected MREL eligible subordinated liabilities are around 20%.

[27] Benefit of ~100 bps

[28] 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[1]		Weighted amounts/requirements	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022
A. RISK ASSETS				
A.1 Credit and counterpart risk	81,616,495	83,002,780	44,254,236	43,304,396
1. Standard methodology	50,437,658	52,395,447	32,028,909	31,810,452
2. Internal rating methodology	30,824,323	30,278,802	12,123,625	11,390,437
2.1 Basic	—	—	—	—
2.2 Advanced	30,824,323	30,278,802	12,123,625	11,390,437
3. Securitization	354,514	328,531	101,702	103,507
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			3,540,339	3,464,352
B.2 Credit valuation adjustment risk			32,028	29,872
B.3 Settlement risk			—	—
B.4 Market risk			167,426	194,477
1. Standard methodology			167,426	194,477
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Other prudential requirements			374,731	341,535
1. Basic method			374,731	341,535
2. Standard method			—	—
3. Advanced method			—	—
B.6 Other calculation items			—	—
B.7 Total prudential requirements			4,114,524	4,030,236
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			51,431,549	50,377,953
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			15.90%	15.67%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			15.90%	15.67%
C.4 Regulatory capital/risk-weighted assets (total capital ratio)			17.92%	17.62%

[1] 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 internal rating-based approach, 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.

For more details on the disclosure concerning own funds and capital adequacy, please refer to the Basel 3 Third Pillar file at 30 June 2023, 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

In the year under review, Compass Banca completed two corporate transactions: the purchase of a 19.45% stake in Heidi Pay AG and a 100% stake in Soisy S.p.A. With regard to the latter, the purchase price, settled by cash, amounted to €6m. During the year under review, the Purchase Price Allocation process was carried out leading to the identification of a customer list with a finite useful life worth €1.1m, to be amortized over 5 years, goodwill of €6.4m, and deferred taxes of €0.4m.

The Parent Company established the special purpose vehicle MB INVAG S.r.l., to which the assets and liabilities of INV AG S.r.l. (liquidated on 28 December 2022) attributable to the shareholder Mediobanca were contributed.

For more details, please refer to “Section 3 – Area and methods of consolidation” in Part A - Accounting Policies and “Section 10 - Intangible assets” in part B - Assets of the Notes to the consolidated balance sheet.

SECTION 2

Transactions completed since the reporting date

It should be noted that the Board of Directors of Mediobanca held on 27 July 2023 approved the merger by acquisition of MB INVAG S.r.l. into Mediobanca while the Board of Compass Banca held on 7 June last approved the acquisition of Soisy. Both mergers are expected in the first months of next year.

On 17 May, Mediobanca signed a strategic agreement with the shareholders of Arma Partners LLP and US Arma Partners LP. The closing of the transaction is expected by the end of 2023. The company will be fully consolidated.

On 19 June, Compass Banca signed an agreement to acquire 100% of HeidiPay Switzerland AG, specialized in the Buy Now Pay Later business, from HeidiPay AG (acquired during the year). The closing is expected by the end of 2023 and the company will enter the scope of consolidation as a wholly owned subsidiary.

Lastly, please note the partnership agreement with Founders Factory, aimed at launching a new joint venture in the fintech sector. The new joint venture will be consolidated using the equity method.

For more details, please refer to "Section 3 – Area and methods of consolidation" in Part A - Accounting Policies of the Notes to the consolidated accounts.

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 Transactions

1. Information on remuneration for 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 €2m).

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 for the purpose of ensuring 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 into 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, please refer to Part A of the Notes to the Accounts (Accounting Policies).

Transactions with related parties fell within the Group companies' ordinary course of business, were maintained on an arm's length basis, and were 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 period under review.

2.2 Quantitative information

During the year under review, the Heidi Pay AG Group became a related party following Compass's acquisition of the investment (19.45% of the share capital) in October 2022.

The overall exposure to related parties remained low, decreasing slightly.

Situation at 30 June 2023

(€m)

	Directors and key management personnel	Associates	Others related parties	Total
Assets	3.1	12.0	129.4	144,5
of which: other assets	*—*	*—*	*109.2*	*109,2*
loans and advances	*3.1*	*12.0*	*20.2*	*35,3*
Liabilities	20.6	—	31.1	51,7
Guarantees and commitments	—	—	390.0	390,–
Interest income	—	0.3	1.6	1,9
Interest expense	(0.1)	—	(0.6)	(0,7)
Net fee income	—	1.0	50.7	51,7
Other income (costs)	(51.4)[1]	(0.1)	(26.7)[2]	(78.2)

[1] Of which: short-term benefits amounting to (€42.4m) and performance shares worth (€8.8m). This figure includes resources considered key management personnel during the period under review.

[2] This item also includes the valuation of derivative contracts, including bond forwards with underlying Government securities.

Situation at 30 June 2022

(€m)

	Directors and key management personnel	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 and commission	—	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). This figure includes resources considered key management personnel during the period under review.

[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. 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 performance share plans:

Extraordinary general meeting	Maximum number of shares approved	Awards expire on	No. of options and performance shares awarded
Performance Share schemes			
28/10/2015	20,000,000	X	1,353,143 *
28/10/2020	20,000,000	X	934,074 *
28/10/2021	4,000,000	X	2,036,901 *
28/10/2022	3,000,000	X	237,203 **

* Relating to assignments made in the five-year period 2018 - 2022.

** Relating to assignments to be made for the variable remuneration for financial year 2022/2023.

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 share scheme, for the purpose of the award of short-term annual variable remuneration and of the LTI Plan 19-23. The performance share Plan was approved by the shareholders in its most recent version at the Annual General Meeting held on 28 October 2022.

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 the shareholders to create value over the medium/long term.

The maximum number of shares that can be assigned to the Group's personnel by the plan approved by the Shareholders' Meeting held on 28 October 2022 is 3,000,000 for their variable remuneration to be paid out for the financial year ending at 30 June 2023. Treasury shares will be used in connection with the scheme.

As part of the variable remuneration for financial year 2022, 2,001,456 performance shares drawn, through treasury shares, from the Plan approved by the shareholders in October 2021 were awarded on 27 September 2022. The shares, the award of which is conditional upon performance objectives being met over a five-year period or less, will be made available in tranches in 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). As at 31 January 2023, 237,203 shares drawn from the Plan approved on 28 October 2022 were awarded (for CMB compensation cycle and layoff incentives).

During the year under review, the rights over 22,054 were forfeit against attributions (including to subsidiaries) of 1,786,374 shares, 727,452 of which through treasury shares and the remainder through a capital increase.

Starting on 30 June 2023, in connection with the variable remuneration for financial year 2023, a total of 1,403,351 performance shares were awarded at a figurative cost of €12.1m, as part of the variable remuneration component only. These shares, the award of which is conditional upon performance objectives being achieved over a maximum time period of five years, will be made available in tranches as follows: November 2024 (up to 619,191), November 2025 (up to 211,397), November 2026 (up to 329,932), November 2027 (up to 122,465), and November 2028 (up to 120,366).

In addition, other Group companies have equipped themselves with incentive plans based on equity instruments:

– Messier et Associés approved a plan of free-of-charge shares for up to 10% of the share capital to be attributed to employees (at the time of promotions and/or for retention purposes) who, after the vesting period (not exceeding 2 years) and a further holding period of one year, are resold to the Parent Company settles the price with Mediobanca shares. As at 30 June last, 31,925 shares had been assigned as part of seven plans. Of these 7,050 were recovered, 6,000 were repossessed by the Parent Company through an exchange with Mediobanca shares, 4,250 shares are subject to a holding period, and the remaining 14,625 shares in the vesting period;

- Polus has an investment plan in place for employees (for retention purposes), which allows them to purchase special shares of the company (C shares) which, after a vesting period (maximum 3 years) and the achievement of certain results (hurdle), they can sell to the Parent Company which will liquidate them through Mediobanca shares. As at 30 June, 35,633 C shares had been subscribed, all still in the vesting period.

QUANTITATIVE INFORMATION

1. Changes in performance share schemes during the year

Items/Performance shares	30/6/2023		30/6/2022	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Opening balance	4,131,090	7.03	4,916,003	6.48
B. Increases	2,238,659	—	1,665,114	—
B.1 New issues	2,238,659	6.08	1,665,114	7.96
B.2 Other changes	—	—	—	—
C. Decreases	1,808,428	—	2,450,027	—
C.1 Performance shares cancelled	—	—	—	—
C.2 Performance shares made available	1,786,374	7.62	2,386,798	7.09
C.3 Performance shares expired	—	—	—	—
C.4 Other changes	22,054	7.76	63,229	7.28
D. Closing balance	4,561,321	6.32	4,131,090	7.03

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.

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/administration services offered to the various client segments, plus asset management. This division includes CheBanca!, which targets the Premier client bracket; the MBPB and CMB Monaco private banking networks and the Asset Management companies (Polus Capital Management, Mediobanca SGR, Mediobanca Management Company and RAM Active Investment), in addition to the fiduciary activities of Spafid;

Corporate and Investment Banking (CIB): This includes services for corporate customers in the Wholesale Banking areas (loans, Capital Market activities, Advisory, Client and proprietary trading carried out by Mediobanca, Mediobanca International, Mediobanca Securities and Messier et Associés) and Specialty Finance or Factoring carried out by MBFACTA, and Credit Management referring only to the management on behalf of third parties carried out by MBCredit Solutions and MBContact Solutions.

Consumer Finance (CF): This provides retail customers with a complete range of consumer credit products: personal loans, special purpose loans, salary-backed loans, credit cards, in addition to the new and innovative Buy Now Pay Later solution called “Pagolight”, which grew during the year also thanks to the investments in the two fintechs HeidiPay and Soisy. The division also includes Compass RE, which reinsures retail insurance policies, Compass Rent, which operates in second-hand vehicle and car hire, and Compass Link, which distributes Compass products and services via external collaborators.

Insurance - Principal Investing (PI): This division includes the Group’s portfolio of equity investments and shares, in particular the stake in Assicurazioni Generali. Investments in funds and vehicles promoted and managed by the Group’s asset management companies (referred to as seed capital) also contribute to the division, with a view to combining medium-term profitability for the Group and a synergistic approach between the divisions, as well as investment activities in private equity funds managed by third parties.

Holding Functions comprise SelmaBPM Leasing, MIS and other minor companies, Group Treasury and ALM[29] (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 Chief Financial Officer, 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. This also includes the NPL portfolio management activity previously performed by MBCS, following the spin-off of the business unit merged into Revalea S.p.A.[30]

[29] 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.

[30] Revalea was established in April last year and obtained the Supervisory Authorities’ authorization to operate at the end of 2022. The agreement for the sale of the company to Banca Ifis was recently signed, as this type of business is not among the activities considered to be core activities by the Group.

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[31] 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;
- The costs incurred by the service units, 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 853 staff are divided as follows: 94 in Selma BPM (98 in the previous year); 21 in Revalea (24), 28 in Group Treasury and ALM (33), 151 in MIS (138); 219 in Operations (209); 175 in support units (164); 159 in control units (149); plus 6 in senior management (senior management and assistants), out of which the cost of approx. 258 FTEs (238) was 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.

[31] 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 base their evaluations 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].

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**	**Adjustments[1]**	**Group**
Net interest income	361.5	984.9	288.0	(7.1)	145.1	28.6	1,801.0
Treasury income	9.4	—	135.0	16.0	42.8	2.5	205.7
Net fee and commission income	449.6	138.4	289.4	—	32.5	(66.0)	843.9
Share in profits earned by equity- accounted companies	—	(0.8)	—	454.7	—	—	453.9
Total revenues	**820.5**	**1,122.5**	**712.4**	**463.6**	**220.4**	**(34.9)**	**3,304.5**
Personnel costs	(294.2)	(113.8)	(183.0)	(4.0)	(133.4)	0.1	(728.3)
Administrative expenses	(260.9)	(233.6)	(144.3)	(1.0)	(68.6)	23.6	(684.8)
Overheads	**(555.1)**	**(347.4)**	**(327.3)**	**(5.0)**	**(202.0)**	**23.7**	**(1,413.1)**
Gains (losses) from equity investments sale	—	—	—	—	—	—	—
Net (adjustments) writebacks of loans to customers	(10.5)	(203.9)	(32.3)	—	(23.4)	—	(270.1)
Net (adjustments) writebacks of other financial assets	(1.2)	—	(10.1)	2.4	1.8	(0.2)	(7.3)
Other income (losses)	(20.9)	(14.0)	—	—	(83.5)	(67.4)	(185.8)
Profit before tax	**232.8**	**557.2**	**342.7**	**461.0**	**(86.7)**	**(78.8)**	**1,428.2**
Income tax for the period	(70.0)	(182.9)	(113.8)	(21.5)	(6.5)	—	(394.7)
Net income attributable to minority interest	(0.9)	—	(3.7)	—	(2.1)	—	(6.7)
Profit (loss) for the period	**161.9**	**374.3**	**225.2**	**439.5**	**(95.3)**	**(78.8)**	**1,026.8**
Cost/income ratio (%)	*67.7*	*30.9*	*45.9*	*n.s.*	*n.s.*	*n.s.*	*42.8*

[1] The column adjustments includes intercompany eliminations within the individual business lines (zero sum), adjustments/differences arising upon consolidation and, in the year under review, the net impact on P&L of the impairment of RAM goodwill (€49.5m) and the economic effect of the Revalea sale pursuant to IFRS 5 (€17.7m).

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**	**Adjustments[1]**	**Group**
Total assets	**18,249.0**	**15,346.3**	**31,919.8**	**4,239.4**	**21,309.9**	**574.6**	**91,639.0**
Banking book debt securities	*609.9*	*293.7*	*826.8*	—	*8,740.9*	—	*10,471.3*
Loans to customers	*16,827.3*	*14,465.0*	*19,625.9*	—	*1,631.0*	—	*52,549.2*
Funding	28,182.5	3,398.6	—	—	28,925.1	—	60,506.2

[1] Goodwill was not included in the total assets of business areas and was entirely attributed to the Group.

B. SECONDARY SEGMENT REPORTING

B.1 Profit-and-loss figures by business segment

(€m)

Profit-and-loss figures	**Italy**	**International[1]**	**Group**
Net interest income	1,679.1	121.9	1,801.0
Net trading income	198.7	7.0	205.7
Net fee and commission income	631.7	212.2	843.9
Equity-accounted companies	453.9	0.0	453.9
Total income	**2,963.4**	**341.1**	**3,304.5**
Personnel costs	(615.1)	(113.2)	(728.3)
Administrative expenses	(667.7)	(17.1)	(684.8)
Operating costs	**(1,282.8)**	**(130.3)**	**(1,413.1)**
Net loss provisions	(278.0)	0.6	(277.4)
Other gains (losses)	(130.6)	(55.2)	(185.8)
Profit before tax	**1,272.0**	**156.2**	**1,428.2**
Income tax for the period	(359.6)	(35.1)	(394.7)
Minority interest	(3.0)	(3.7)	(6.7)
Net profit	**909.4**	**117.4**	**1,026.8**
Cost/income ratio (%)	*43.3%*	*38.2%*	*42.8%*

[1] This item includes the P&L data of the companies Mediobanca International, CMB Monaco, Compass RE, MB USA, Polus Capital Management, 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 geographical area

(€m)

Balance-sheet data	**Italy**	**International[1]**	**Group**
Total assets	**76,384.0**	**15,255.0**	**91,639.0**
Banking book debt securities	*9,477.4*	*993.9*	*10,471.3*
Loans to customers	*45,618.4*	*6,930.8*	*52,549.2*
Funding	(47,743.3)	(12,762.9)	(60,506.2)

[1] This item includes the balance sheet closing amounts of the companies Mediobanca International, CMB Monaco, Compass RE, MB USA, Polus Capital Management, Mediobanca Management Company, RAM Active Investments and Messier et Associés, in addition to the foreign branches (Paris, Madrid and London).

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 2023

(€m)

Business Line	**Breakdown**	**Heading 120 Total revenues***			**Heading 290 Profit (loss) before taxes**			**Heading 300 Income taxes**			**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)	558	107	665	219	87	306	(99)	(4)	(103)	267	154	421
Specialty Finance	Comprises factoring and credit management activities (including the NPLs portfolio) headed up by MBFACTA and MBCredit Solutions	70	—	70	37	—	37	(12)	—	(12)	222	—	222
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)	1,005	5	1,010	523	34	557	(174)	(9)	(183)	1,415	1	1,416
Affluent & Premier	Comprises deposit-taking, mortgage lending and retail banking services addressed by CheBanca!	414	—	414	100	—	100	(34)	—	(34)	1,482	—	1,482
Private & High Net Worth Individuals	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, Compagnie Monegasque de Gestion and RAM Active Investment	163	233	396	44	88	132	(20)	(20)	(40)	269	360	629
Principal Investing	Manages the Group's portfolio of equity investments and holdings	9	—	9	461	—	461	(22)	—	(22)	9	—	9
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 SelmaBPM) and the services and minor companies.	156	—	156	(87)	—	(87)	(6)	—	(6)	829	23	852
Adjustments [2]		(40)	—	(40)	(81)	—	(81)	3	2	5	—	—	—
Group total		2,335	345	2,680	1,216	209	1,425	(364)	(31)	(395)	4,493	538	5,031

* This refers to P&L heading 120 pursuant to Bank of Italy Circular No. 262/2005. The figure here differs from the amount stated as "Total revenues" in the statements found on pages 373 and 374, which provide a more accurate reflection of the Group's operations. P&L heading 120 "Total revenues" pursuant to Bank of Italy circular 262/2005 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 at 30 June 2022

(€m)

Business Line	Breakdown	Heading 120 Total revenues*			Heading 290 Profit (loss) before taxes			Heading 300 Income taxes			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 Individuals	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, Compagnie Monegasque de Gestion and RAM Active Investment	150	183	333	53	45	98	(18)	(18)	(36)	249	349	598
Principal Investing	Manages 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 SelmaBPM) 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)	4,33	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 385 and 387, which provide a more accurate reflection of the Group's operations. P&L heading 120 "Total revenues" pursuant to Bank of Italy circular 262/2005 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 leasing

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.

When the standard was adopted, some simplifications were adopted, and are still applied. In particular contracts with a duration of 12 months or less (referred to as "short-term"), those with a value of less than €5,000 (referred to as "low value") and those relating to intangible fixed assets, are not included. It was also 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 the "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 2023 was €242.4m, broken down as follows:

– Value in use of properties: €231m;
– Value in use of vehicles: €11.6m;
– Value in use of other assets: €0.1m.

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 Profit-and-loss 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	30/6/2023	30/6/2022
	Lease payments to be received	Lease payments to be received
Up to 1 year	384,424	372,977
From 1 year to 2 years	304,337	299,989
From 2 year to 3 years	228,455	231,486
From 3 year to 4 years	182,838	221,170
From 4 year to 5 years	98,426	104,248
Over 5 years	203,522	228,772
Total lease payments to be received	**1,402,002**	**1,458,642**
Reconciliation with loans	**(26,158)**	**92,264**
Not accrued gains (-)	(221,046)	(126,070)
Not guaranteed residual value (-)	194,888	218,334
Lease loans	**1,375,844**	**1,550,906**

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.

Draft

ACCOUNTS OF THE BANK

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS
AT 30 JUNE 2023

Overview

Mediobanca S.p.A. delivered a net profit of €606.5m in the twelve months under review, much higher than last year (up 18.2%, to €513.1m), following an excellent performance in revenues (up 29.3%), which rose by more than operating costs (up 10.5%), reflected in a reduction in the cost/income ratio declining from 42% to 36%. The results were impacted by loan loss provisions of €36.3m (compared with net writebacks of €48.3m last year), impairment charges taken in respect of Group Legal Entity RAM (€54.3m), and other non-recurring items totalling €50.4m.

The growth in revenues, from €1,073.4m to €1,387.9m, was driven by net interest income (which was three times higher than last year) and by higher dividends from investee companies (up from €488m to €527.3m). The main income items performed as follows:

– Net interest income totalled €333.2m, a sharp increase on last year's result (€114.4m); this item benefited from the increase in market interest rates, with assets repricing much faster than the cost of funding, the rise in which was mitigated by careful management of the various sources;

– Net treasury income increased by 34.6% (from €154.2m to €207.5m) due primarily to the trading portfolio, which reflected a gain of €62.1m (compared to a €3.5m loss last year); while the banking book reported a slightly lower profit (down from €51.3m to €47.1m), largely because of the absence of gains realized on disposals which totalled just €1m (versus €23m last year); and client trading declined (from €79.2m to €69.3m), as did dividends and other income from funds (from €37.4m to €28.9m);

– Net fee and commission income improved slightly, up 1% (from €316.8m to €319.9m), with all businesses contributing: Private Banking (up 9%, from €101.5m to €110.6m), Advisory M&A (up 5%, from €95.3m to €100.1m), Lending (up 6.7%, from €50.8m to €54.7m), and Capital Markets (up 1.9%, from €42.7m to €43.5m), which offset the reduction posted by the Markets division (down from €26.5m to €11.5m), reflecting the higher share of the costs entailed by certificates placement activity which has grown strongly;

– Dividends from investments amounted to €527.3m, higher than the €488m reported last year, due to an increased contribution from Group Legal Entity Compass (up from €150m to €275m) which more than compensated for the reductions posted by Messier et Associés (from €24.2m to €6.6m) and Assicurazioni Generali (from €310.2m to €235.1m).

Operating costs rose 10.5% from €450.9m to €498.4m, and were split between labour costs (up 9.4% from €263.9m to €288.8m), and administrative expenses (up 12.1%, from €187m to €209.6m). Labour costs reflect an increase in headcount plus the retention policies, which impacted on both fixed and variable components; while the higher administrative expenses reflects the increase in project activities and IT investments.

The loan book reflects provisions of €36.3m, after €48.3m in writebacks last year, after one performing exposure was reclassified as UTP (coverage ratio 70%) and one UTP position was reclassified among bad loans (coverage ratio 100%), only in part offset by writebacks in respect of the performing loan book due to repayments, re-ratings and release of overlays.

Provisions for other financial assets totalled €7m, much lower than last year (€31.7m) due to lower downward adjustments to holdings in funds of €4.5m (€34.9m), with new provisions for positions in banking book securities totalling €2.5m.

As for other income (losses), a loss of €50.4m (€56m) was recorded, following contributions to the resolution funds totalling €36.2m (€42.8m). The heading also reflects €12m in costs incurred by way of damages refunded to one client who was the victim of fraud, for which the Bank offered to promote the recovery action, plus a €10m charge taken in connection with the launch of an early retirement and staff turnover scheme, much of which was offset by the writebacks from the risks provisions (€7.9m), mostly amounts released in respect of tax disputes in view of the regulatory changes introduced by the 2023 Italian budget law.

In the twelve months an impairment charge was taken in respect of Group Legal Entity RAM in an amount of €54.3m, the new carrying amount of which represents the company's net equity and brand value.

Income taxes amounted to €135m and reflect a tax rate of 18.2% (11.9%). The heading includes €19m in higher taxes due to the release and distribution of €320m in CMB Monaco unavailable reserves.[1] Ordinary taxation therefore totalled €116m, with a tax rate 15.6%.

On the balance-sheet side, the Bank's total assets increased from €79.7bn to €81.3bn, on higher customer loans (which rose by 3.7%) and higher banking book securities (up 10.4%), against a reduction in treasury assets (down 8.9%) offset by higher debt security issuance (up 22.6%).

Mediobanca's capital ratios remain at high levels, albeit approx. 50 bps lower post-application of the LGD Foundation for the Large Corporate model following the IMI (which accounted for 65 bps); the Common Equity Ratio phase-in[2] was 12.78% (13.26%), following the profit for the year (which added 190 bps) and the reduction in RWAs (adding 40 bps), fully absorbing the expected dividend distribution (which will cost 230 bps, or 70% of the consolidated net profit).

Conversely, the Total Capital Ratio was down 30 bps, from 15.84% to 15.57%, including the new €300m subordinated issue, which in part offsets the reduction due to the higher RWAs.

* * *

[1] Cf. Italian Budget Law 2023 (Article 1, paras 87-95); Italian Law 197/2022.

[2] CET1 fully loaded, pro forma including the Danish Compromise applied on a permanent basis (benefit approx. 170 bps).

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)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Change (%)
Earnings data			
Net interest income	333.2	114.4	n.m.
Net treasury income	207.5	154.2	34.6%
Net fee and commission income	319.9	316.8	1.0%
Dividends and other income	527.3	488.0	8.1%
Total income	**1,387.9**	**1,073.4**	**29.3%**
Labour costs	(288.8)	(263.9)	9.4%
Administrative expenses	(209.6)	(187.0)	12.1%
Operating costs	**(498.4)**	**(450.9)**	**10.5%**
Loan loss provisions	(36.3)	48.3	n.m.
Provisions for other financial assets	(7.0)	(31.7)	-77.9%
Impairment charges in respect of equity investments	(54.3)	(0.9)	n.m.
Other gains (losses)	(50.4)	(56.0)	-10.0%
Gross operating profit	**741.5**	**582.2**	**27.4%**
Income taxes	(135.0)	(69.1)	n.m.
Profit (loss) for the period	**606.5**	**513.1**	**18.2%**

KEY PERFORMANCE INDICATORS (KPIS)

	30/6/23	30/6/22	Change (%)
ROTE[1]	*12.4%*	*10.5%*	*18.1%*
C/I ratio[2]	*36%*	*42%*	*-14.3%*
CoR (bps)[3]	*9.0*	*12.5*	*-28.0%*
DPS[4]	*0.85*	*0.75*	*13.3%*

[1] Return On Tangible Equity.

[2] Cost/Income ratio.

[3] Cost of Risk.

[4] Dividend Per Share.

RESTATED BALANCE SHEET

(€m)

Balance-sheet data	30/6/23	30/6/22
Assets		
Financial assets held for trading	10,509.4	10,160.3
Treasury assets	12,790.5	14,038.6
Banking book debt securities	11,118.7	10,072.6
Customer loans	41,446.9	39,955.0
Investment securities	4,542.9	4,645.3
Tangible and intangible assets	169.3	169.4
Other assets	690.2	624.4
Total assets	**81,267.9**	**79,665.6**
Liabilities and net equity		
Funding	55,893.0	55,408.6
Treasury liabilities	6,585.1	6,994.1
Financial liabilities held for trading	10,592.2	10,026.5
Other liabilities	3,041.4	2,053.7
Provisions	102.8	119.9
Net equity	4,446.9	4,549.7
Profit for the period	606.5	513.1
Total liabilities and net equity	**81,267.9**	**79,665.6**

KEY PERFORMANCE INDICATORS (KPIS)

	30/6/23	30/6/22
Tier 1 capital	4,056.6	4,160.2
Regulatory capital	4,940.8	4,968.9
RWAs[1]	31,738.4	31,376.2
CET1 ratio phase-in[2]	12.78%	13.26%
RWA density[3]	39.1%	39.4%
Regulatory capital/RWAs	15.57%	15.84%
Leverage ratio[4]	6.0%	6.3%
Gross NPLs/gross loans ratio[5]	0.3%	0.2%
Net NPLs/net loans ratio[6]	0.05%	0.05%
No. of shares in issue (millions)	849.3	864.7

[1] Risk-Weighted Assets.

[2] Tier 1 capital/RWAs.

[3] RWAs/total assets.

[4] Tier 1 capital/total leverage exposures.

[5] Gross NPLs/total loans.

[6] Net NPLs/total loans.

Review of key items

Funding – Funding increased from €55.4bn to €55.9bn: the material reduction in the T-LTRO exposure (from €8.4bn to €5.6bn) as part of the funding substitution plan, was more than offset by the increase in the debt security component (€16.3bn to €20bn). Wealth Management deposits also decreased slightly, from €25.3bn to €23.8bn, reflecting client conversions (to AUA), in part offset by increased use of the interbank channel (up from €5.3bn to €6.5bn).

A new funding programme has been launched in the form of financial certificates (€220m), and a new €500m Sustainable Senior Preferred Bond has been issued with six-year duration and fixed rate at 4.625%. A €300m subordinated note has also been issued at Euribor 3M +480 bps, with expiry at 10Y and callable at 5Y.

	30/6/23		**30/6/22**		**Chg.**
	(€m)	**%**	**(€m)**	**%**	
Debt securities	20,025.7	36%	16,334.2	29%	22.6%
Interbank funding	6,458.0	11%	5,291.6	10%	22.0%
ECB (T-LTRO / LTRO)	5,586.2	10%	8,442.2	15%	-33.8%
Other funding	23,823.1	43%	25,340.6	46%	-6.0%
- of which: CheBanca! intercompany	*17,407.8*	*31%*	*16,744.5*	*30%*	*4.0%*
- of which: private banking	*5,247.0*	*9%*	*6,471.0*	*12%*	*-18.9%*
Total funding	**55,893.0**	**100%**	**55,408.6**	**100%**	**0.9%**

Loans and advances to customers – customer loans rose by €1.4bn, or 3.7% (from €40bn to €41.4bn), chiefly regarding loans to Group Legal Entities (which rose from €25bn to €26.3bn), whereas loans to Private Banking and Corporate clients remained virtually unchanged.

	30/6/23		**30/6/22**		**Chg.**
	(€m)	**%**	**(€m)**	**%**	
Corporate customers	13,591.5	33%	13,543.2	34%	0.4%
Private customers	1,507.9	3%	1,411.1	3%	6.9%
Group companies	26,347.5	64%	25,000.7	63%	5.4%
Total loans and advances to customers	**41,446.9**	**100%**	**39,955.0**	**100%**	**3.7%**
– of which: impaired assets	*18.9*		*19.6*		*-3.5%*

	30/6/23 (€m)	%	30/6/22 (€m)	%	Chg.
Italy	9,489.5	63%	9,751.3	65%	-2.7%
France	2,132.5	14%	2,056.5	14%	3.7%
Spain	1,351.3	9%	1,289.6	9%	4.8%
Germany	751.9	5%	813.3	5%	-7.5%
UK	500.0	3%	500.0	3%	—
Other non-resident	874.2	6%	543.6	4%	60.8%
Total loans and advances to customers	**15,099.4**	**100%**	**14,954.3**	**100%**	**1.0%**

	30/6/23 (€m)	%	30/6/22 (€m)	%	Chg.
Compass Banca	8,114.6	31%	7,297.5	29%	11.2%
CheBanca!	12,672.6	48%	11,062.8	44%	14.6%
CMB	1,631.6	6%	1,004.5	4%	62.4%
Mediobanca International	2,096.7	8%	3,882.8	16%	-46.0%
Others	1,832.1	7%	1,753.1	7%	4.5%
Total loans and advances to Group companies	**26,347.5**	**100%**	**25,000.7**	**100%**	**5.4%**

Non-performing loans grew from €68.9m to €118.3m, after one performing loan was reclassified as UTP, which caused the NPL ratio to rise (from 0.46% of total loans to 0.78%); meanwhile, net NPLs were virtually unchanged, at €18.9m, or 0.12% of total loans (0.13%) due to the higher coverage ratio (up from 71.5% to 84%). Gross bad loans totalled €62.4m (€8.3m of which attributable to Private Banking activity, in addition to the €54.3m Corporate exposure referred to above), and were written off entirely. There was also one non-performing exposure in respect of a position 100%-backed by an intercompany guarantee to Mediobanca International for an amount of €4.4m.

The net balance of positions classified as Stage 2 decreased from €214.3m to €173.4m (0.4% of total net customer loans), and were principally attributable to Large Corporate activity (down from €189.1m to €157.3m), reflecting the above reclassification to Stage 3; the reduced risk level is reflected in the performing loan coverage ratio (which decreased from 0.16% to 0.15%), in part due to the corresponding reduction in overlays compared to last year (which declined from €18.3m to €13.6m).

Equity investments – This item includes controlling interests and investments in associates, any other equity instruments issued by the Group Legal Entities, the shares held in the banking book (recognized FVOCI), and holdings in funds which, under IFRS 9, must be measured at fair value through profit or loss.

(€m)

	30/6/23		30/6/22	
	Book value	HTC&S Reserve	Book value	HTC&S Reserve
Associates and subsidiaries	3,528.5	n.m.	3,563.0	n.m.
Other listed shares	115.1	56.8	114.6	56.3
Other unlisted shares	125.1	90.1	144.6	117.1
Other equity assets	244.3	(19.7)	242.0	(18.0)
Seed capital	283.7	—	364.5	—
Private equity	138.2	—	96.9	—
Other funds	108.0	—	119.7	—
Total equities	**4,542.9**	**127.3**	**4,645.3**	**155.4**

Investments in associated companies were unchanged at €1,185.5m and consist of the following:

– Assicurazioni Generali (12.8% of the company's ordinary share capital), carried at a book value of €1,096.3m, which at the reporting date reflected an unrealized gain of €2,708.6m (€1,470.1m based on current stock market prices);

– Istituto Europeo di Oncologia (25.37% of the company's ordinary share capital) carried at a book value of €39m;

– Finanziaria Gruppo Bisazza S.r.l. (22.67%) carried at a book value of €6.9m; and

– CLI Holdings II Limited carried at a book value of €43.3m.

The book value of the investments in the Group Legal Entities decreased from €2,380m to €2,343m, reflecting the balance between:

– The impairment charges taken in respect of RAM (€54.3m) to align its book value to net equity plus the value of the brand, after the goodwill was written off at the consolidated level (which became necessary because of the reduced growth prospects for its sector of operation in view of the current interest rate scenario which has radically impacted the systematic funds market);

– The inclusion of MB INV AG S.r.l. with a book value of €15.4m: this 100%-owned SPV holds 1.6 million Assicurazioni Generali shares following the demerger of INV AG in which Mediobanca had a minority interest (13.5%).

Equities (listed and unlisted) and equity-like instruments decreased from €501.2m to €484.5m following the demerger of INV AG (€12.1m), the partial redemption of the Burgo equity-like instrument Burgo (€54m), the portfolio's valuation being adjusted to reflect fair value resulting in a €38m adjustment (€25.7m of which linked to the Tirreno Power and Burgo equity-like instruments), and new investments for approx. €11.4m.

Investments in funds dropped from €581.1m to €529.9m; approx. €283.7m (€364.5m) of these concerned assets managed by the Group (referred to as seed capital), which declined after two funds were wound up (€78.3m), and adjustments to reflect fair value at the year-end (minus €2.4m); the other holdings in funds (chiefly private equity funds) totalled €246.2m (€216.6m), on new investments of €37m and downward adjustments totalling €7.3m.

	Percentage shareholding	30/6/23	30/6/22
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	6.9
CLI Holdings	42.68	43.3	43.3
Total associates		**1,185.5**	**1,185.5**
Total subsidiaries		2,343.0	2,377.5
Total equity investments		**3,528.5**	**3,563.0**

Banking book debt securities – these include securities measured at amortized cost (referred to as Hold to Collect, HTC) and securities measured at fair value through net equity reserves (referred to as Hold to Collect and Sell, HTC&S), plus debt securities that have failed to pass the SPPI test required pursuant to IFRS 9, and so must be measured at fair value through profit or loss.

	30/6/23		30/6/22	
	(€m)	%	(€m)	%
Hold to Collect	5,316.7	47,8%	6,199.0	61.5%
Hold to Collect & Sell	5,801.1	52,2%	3,873.1	38.5%
Other (mandatorily measured at FV)	0.9	—	0.5	—
Total banking book securities	**11,118.7**	**100%**	**10,072.6**	**100%**

This segment ended the year at €11.1bn, split between Hold to Collect (€5.3bn) and Hold to Collect & Sell (€5.8bn). The portfolio's short duration facilitated turnover (approx. €2.1bn), benefiting swiftly from the increase in yields.

By contrast, the increase in interest rates is reflected in the stocks' valuations. The OCI reserve worsened, from minus €60.9m to minus €73.2m, and chiefly regards Italian government securities (for which the reserve deteriorated from plus €1m to minus €35m), only in part offset by the writebacks credited for the corporate and financial segment (which again was in negative territory, at minus €30.6m, but better than last year, when it was €56.8m). Gains on disposal in the twelve months totalled €4.3m, while unrealized losses on Hold to Collect securities (recognized at cost) amounted to €123.8m (€81m), a trend which in part was mitigated by the positive effect of hedging activity, which contributed €34.4m.

Approx. 77% of the portfolio is made up of government securities (€7.3bn), split between fixed assets (Hold to Collect: €2.8bn) and assets available for sale (Hold to Collect & Sell: €4.5bn) with a very short duration (approx. 2 years); the share of Italian government securities is worth €4.8bn (approx. 50% of the entire portfolio, with a duration of approx. 2.6 years).

	30/6/23			**30/6/22**		
	Book value		**OCI Reserve**	**Book value**		**OCI Reserve**
	HTC	**HTC&S**		**HTC**	**HTC&S**	
Italian government securities	1,767.3	3,020.0	(35.0)	2,022.8	1,698.4	1.5
Other government securities	1,012.3	1,528.3	(7.7)	931.9	1,198.5	(5.7)
Bonds issued by financial institutions	2,433.3	1,016.3	(18.8)	3,165.9	734.1	(30.7)
of which: Consumer Banking ABS securities	*1,282.1*	*186.6*	*(2.4)*	*1,951.8*	*275.6*	*(3.6)*
Corporate bonds	103.8	236.5	(11.8)	78.4	242.1	(26.1)
Total banking book securities	**5,316.7**	**5,801.1**	**(73.2)**	**6,199.0**	**3,873.1**	**(61.0)**

Treasury assets – these totalled €6.1bn, lower than last year's figure (€7.2bn), reflecting the T-LTRO repayment (€2.9bn, six months ahead of the contractual expiry dates) using a substantial amount of the ECB deposits (which declined from €6.3bn to €3.3bn). It should be noted that the market scenario required a more prudent approach both for the equity side and for the fixed-income side.

	30/6/23	**30/6/22**	**Chg.**
	(€m)	**(€m)**	**%**
Financial assets held for trading	10,509.4	10,160.3	3.4%
Treasury funds	12,790.5	14,038.6	-8.9%
Financial liabilities held for trading	(10,592.2)	(10,026.5)	5.6%
Treasury funding	(6,585.1)	(6,994.1)	-5.8%
Total Net treasury assets	**6,122.6**	**7,178.3**	**-14.7%**

	30/6/23 (€m)	30/6/22 (€m)	Chg. %
Loan trading	4.1	3.7	11%
Derivatives contract valuations	(271.1)	(463.8)	-42%
Certificates	(2,285.0)	(1.815.4)	26%
Equities	1,144.4	1.895.7	-40%
Bond securities	1,324.8	513.7	n.m.
Financial instruments held for trading	**(82.8)**	**133.9**	**n.m.**

	30/6/23 (€m)	30/6/22 (€m)	Chg. %
Cash and current accounts	488.2	612.6	-20%
Cash available at BCE	3,273.8	6,334.1	-48%
Deposits	2,443.4	97.7	n.m.
Net treasury	**6,205.4**	**7,044.4**	**-11.9%**

	30/6/23 (€m)		30/6/22 (€m)	
	Assets	Liabilities	Assets	Liabilities
Italian government securities	1,999.4	(1,925.2)	1,435.6	(1,544.1)
Other government securities	1,263.6	(2,120.8)	636.9	(1,945.3)
Bonds issued by financial institutions	1,844.0	(44.0)	1,402.5	(8.3)
Corporate bonds	110.0	—	338.3	—
Asset Backet Securities (ABS)	198.1	—	197.9	—
Shares	1,184.6	(40.1)	2,127.7	(232.0)
Total banking book securities	**6,599.7**	**(4,130.1)**	**6,139.0**	**(3,729.6)**

	30/6/23 (€m)		30/6/22 (€m)	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	1,631.2	(1,756.0)	1,089.3	(1,211.4)
Foreign exchange	374.6	(297.7)	699.0	(634.2)
Interest rate options/futures	7.8	(23.6)	11.9	(14.9)
Equity swaps e options	1,727.2	(1,873.9)	1,985.1	(2,323.7)
Credit derivaties	152.5	(213.2)	232.3	(297.2)
Pricing derivates	**3,893.3**	**(4,164.4)**	**4,017.6**	**(4,481.4)**

	30/6/23 (€m)		30/6/22 (€m)	
	Assets	Liabilities	Assets	Liabilities
Deposits for securities lending/PCT	3,016.9	(3,706.0)	2,400.9	(4,419.5)
Depositsper stock lending	432.4	(172.9)	227.1	(523.7)
Other Deposit	5,579.2	(2,706.2)	4,463.8	(2,050.9)
Deposits	**9,028.5**	**(6,585.1)**	**7,091.8**	**(6,994.1)**

Tangible and intangible assets – this item stood at €169.3m, basically unchanged compared to last year (€169.4m), after depreciation and amortization charges totalling €9.6m, against new investments, in particular due to higher rights of use, and various forms of plant and equipment.

	30/6/23		30/6/22		Chg.
	(€m)	%	(€m)	%	
Land and properties	128.5	75%	131.1	77%	-2%
- of which: core	*85.5*	*51%*	*85.6*	*51%*	—
buildings RoU ex IFRS16	*19.6*	*12%*	*21.7*	*13%*	*-10%*
Other tangible assets	11.1	7%	9.6	6%	16%
- of which: RoU ex IFRS16	4.1	2%	3.4	*2%*	21%
Other intangible assets	29.7	18%	28.7	17%	3%
- Of which: goodwill	*12.5*	*7%*	*12.5*	*7%*	—
- Of which: brand	*15.5*	*9%*	*15.5*	*9%*	—
Total tangible and intangible assets	**169.3**	**100%**	**169.4**	**100%**	—

A list of core properties owned by the Bank is provided below:

	Sqm.	Book value (€m)	30/6/23 Book value per sqm (€/000)
Milan:			
– Piazzetta Enrico Cuccia n. 1	9,318	14.2	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	9.0	3.1
Total core properties	**25,634**	**85.5**	

Provisions – this item stood at €102.8m, below last year's figure (€119.9m), due to the reduction in provisions for loan commitments and guarantees issued (which were down from €46.7m to €30.4m). The portion of the statutory end-of-service payment declined from €5.4m to €5.1m, as the discounting reserve was aligned with the rise in interest rates. Other provisions for risks and charges totalled €67.3m, slightly lower than last year (€67.8m), following reversals and withdrawals amounting to €12m, virtually all of which was offset by fresh transfers, most of which in order to establish an early retirement and redundancy provision to facilitate generational turnover.

	30/6/23		30/6/22		
	(€m)	**%**	**(€m)**	**%**	**Chg.**
Commitments and financial guarantees given	30.4	30%	46.7	39%	-34.9%
Provisions for risks and charges	67.3	65%	67.8	56%	-0.7%
Staff severance provision	5.1	5%	5.4	5%	-5.6%
of which: staff severance provision discount	*(0.3)*	—	—	—	*n.m*
Total provisions	**102.8**	**100%**	**119.9**	**100%**	**-14.3%**

Shareholders' equity – the reduction in net equity, from €5,062.8m to €5,053.4m, reflects the decrease in the valuation reserves (from €118m to €59.2m) attributable to the performance of financial assets recognized at FVOCI. The share capital stands at €444.2m, slightly higher than last year (€443.6m), reflecting as usual the issue of new shares for use in connection with the performance share scheme. The dividend to be distributed (€629.1m) is almost entirely offset by the profits generated during the twelve months (€606.5m). As at 30 June 2023 the number of treasury shares held by the Bank had fallen to 8,454,929 (equal to 1% of the shares in issue) after the uses made during the period and the major share cancellation implemented in September 2022 (when a total of 16,500,000 shares were cancelled).

			(€m)
	30/6/23	**30/6/22**	**Chg.**
Share capital	444.2	443.6	0.1%
Other reserves	3,943.5	3,987.7	-1.1%
Valuation reserves	59.2	118.4	-50.0%
- of which: OCI	*57.4*	*110.1*	*-47.9%*
- of which: cash flow hedge	—	*0.5*	*n.m.*
Profit for the period	606.5	513.1	18.2%
Total net equity	**5,053.4**	**5,062.8**	**-0.2%**

The OCI reserve is in positive territory at €57.4m, but lower than last year (€110.2m), while the fixed-income reserve was in negative territory, at minus €73.2m (minus €60.9m), reflecting the valuation of Italian government securities (which declined by €36.5m in the period), only in part offset by the recovery in the corporate and financial sectors (which rose by €25m in the twelve months); the lower equity reserve (which includes equity-like instruments) is due to reimbursements totalling €67m only partially absorbed by year-end revaluations (€40m).

			(€m)
	30/6/23	**30/6/22**	**Chg.**
Equity shares	127.3	155.4	-18.1%
Bonds	(73.2)	(60.9)	20.0%
of which: Italian government bonds	*(35.0)*	*1.5*	*n.m.*
Tax effect	3.4	15.7	-78.4%
Total OCI reserve	**57.4**	**110.2**	**-0.5**

Profit and loss account

Net interest income – net interest income was three times higher than last year, at €333.2m (€114.4m), due to the rise in interest rates which advocated liquid assets being redeployed to banking book securities (sovereign debt securities in particular). The favourable ALM position impacted more than positively, fully absorbing the anticipated increase in the cost of funding, which remained low for the Wealth Management component (where repricing was no more than structural) and the good diversification of the various debt security channels against a very low credit spread alignment.

			(€m)
	12 mths ended 30/6/23	**12 mths ended 30/6/22**	**Chg.**
Interest income	1,734.4	495.5	n.m.
Interest expense	(1,401.2)	(381.1)	n.m.
Interest margin	**333.2**	**114.4**	**n.m.**

Net treasury income totalled €207.5m, up 34.6% on last year (€154.2m), on a substantial increase in the proprietary trading contribution, which more than doubled to €109.2m, just under half of which was attributable to banking book activity, despite the lack of gains realized on disposal of securities (compared with €23.2m last year). The slowdown in client trading, which decreased by 12.5% (from €79.2m to €69.3m), reflects the return of equity trading to standard levels (€55.6m) following last year's outstanding performances (€68m), and a slight recovery in fixed-income trading (from €8m to €13m), the performance of which is more reflected in net interest income. Dividends and other income decreased from €37.4m to €28.9m.

	12 mths ended 30/6/23	12 mths ended 30/6/22	(€m) Chg.
Dividends	28.9	37.4	-22.7%
Fixed-income trading profit	98.2	67.2	46.1%
Equity trading profit	80.4	49.6	62.1%
Net trading income	**207.5**	**154.2**	**34.6%**

Net fee and commission income remained high at €319.9m, and indeed slightly higher than last year (€316.8m), with virtually all segments contributing positively: fees in Lending business rose by 6.7% a €54.2m, in Advisory M&A by 5% to €100.1m (with the Mid-Corporate segment contributing €25.6m), and in Capital Markets by 1.9% to €43.5m. Private Banking fees rose by 9% to €110.6m, on management fees of €65.5m (up 7% YoY) and upfront fees which more than offset the lack of performance fees. The reduction in fees earned by the Markets division (from €26.5m to €11.5m) regards exclusively the cost of selling certificates, an activity that is growing strongly.

	12 mths ended 30/6/23	12 mths ended 30/6/22	(€m) Chg.
Lending	54.2	50.8	6.7%
Advisory M&A	100.1	95.3	5.0%
Capital Market	43.5	42.7	1.9%
Private Banking	110.6	101.5	9.0%
of which perfomance fees	0.7	5.6	-87.5%
Other income	11.5	26.5	-56.6%
Net fee and commission income	**319.9**	**316.8**	**1.0%**

Dividends and other income totalled €527.3m, higher than last year (€488m) because of an increased contribution from Group Legal Entity Compass (from €150m to €275m), which more than offset the reductions reported by Messier et Associés (from €24.2m to €6.6m) and Assicurazioni Generali (from €310.2m to €235.1m) which last year was boosted by an extraordinary dividend (€93.2m). The heading also contains dividends collected from CLI Holdings in an amount of €8.4m (€2.8m) and from SelmaBipiemme of €1.9m.

Operating costs – operating costs rose by 10.5%, from €450.9m to €498.4m, in both segments, labour costs and administrative expenses. Labour costs were up 9.4% (from €263.9m to €288.8m), reflecting the increase in headcount (with 68 new staff added) and the adoption of initiatives to attract and retain figures, which impacted on both fixed remuneration (up 5.6%) and the variable component (up 3.8%); administrative expenses rose by 12.1% (from €187m to €209.6m), driven by the increased project activity and related consultancy expenses, including info-provider costs which are more sensitive to inflation and exchange rate changes, and by the resumption in client marketing activity.

			(€m)
	12 mths ended 30/6/23	**12 mths ended 30/6/22**	**Chg.**
Labour costs	288.8	263.9	9.4%
of which: directors	*4.7*	*4.0*	*16.6%*
stock options and performance shares schemes	*11.3*	*9.8*	*15.4%*
Sundry operating costs and expenses	209.6	187.0	12.1%
of which: depreciations and amortizations	*9.6*	*9.2*	*4.1%*
administrative expenses	*200.3*	*180.1*	*11.2%*
Operating costs	**498.4**	**450.9**	**10.5%**

The following table shows the details of other administrative expenses by type.

			(€m)
	12 mths ended 30/6/23	**12 mths ended 30/6/22**	**Chg.**
Legal, tax and professional services	11.5	11.0	4.5%
Other consultancy expenses	24.0	18.8	27.7%
Marketing and communication	5.6	4.1	36.6%
Rent and property maintenance	4.9	4.8	2.1%
EDP	87.0	80.2	8.5%
Financial information subscription	27.8	24.4	13.9%
Bank services, collection and payment commissions	1.4	1.4	—
Operating expenses	6.9	4.9	40.8%
Other labour costs	5.8	3.9	48.7%
Other costs	19.6	18.1	8.3%
Direct and indirect taxes	5.8	8.5	-31.8%
Total administrative expenses	**200.3**	**180.1**	**11.2%**

Loan loss adjustments – these totalled €36.3m for the twelve months, compared with writebacks of €48.3m last year. This year's results were impacted by one performing exposure being reclassified as UTP (coverage ratio 70%, impact on profit and loss €35m), and one UTP exposure being reclassified among bad loans (written of entirely, with impact of €16.6m). The performing loan book, meanwhile, recorded an improvement following repayments and re-ratings; in light of the improving trend and following careful review of the industrial sectors most impacted by inflation, overlays of €23m have been set aside (€12m less than last year).

Provisions for other financial assets – net provisions of €7m were taken for the twelve months (€31.7m), reflecting the balance between writedowns to financial assets recognized at fair value (investments in Group funds and other private equity and real estate funds) totalling €4.5m (€34.9m) and the increase in provisioning for banking book activity (€2.5m).

(€m)

	12 mths ended 30/6/23	12 mths ended 30/6/22	Chg.
Hold-to-Collect securities	(3.3)	5.5	n.m.
Hold-to-Collect & Sell securities	0.7	(2.3)	n.m.
Other	(4.4)	(34.9)	-87.4%
Provisions for other financial assets	**(7.0)**	**(31.7)**	**-77.9%**

– Impairment charges on equity investments amounted to €54.3m and regard RAM, the book value of which has been aligned with its net asset value plus the brand value after the goodwill was written off, a step that became necessary in order to reflect the new interest rate scenario which has impacted radically on the systematic funds market and seriously affected its growth prospects.

Other gains (losses) – this heading reflects a net loss of €50.4m (compared with a €56m net loss last year) and is made up as follows:

– €36.2m by way of payment to the resolution funds, including €35.5m (€39m) to the Single Resolution Fund which is now complete, and €0.7m by way of payment to the Deposit Guarantee Scheme (€0.6m);

– €10m in staff-related provisions for the launch of an early retirement and redundancy scheme in order to facilitate generational turnover and so start work on implementation of the 2023-26 Strategic Plan straight away which is focused on innovation and technology;

– €12m of net contingent liabilities arising from a repayment to a customer who has been the subject of fraudulent third party action in connection with payments related to portfolio investments against which the Bank has fully taken over the shares recovery and has activated insurance coverage from which it is not excluded to obtain further receipts in the coming months;

– €7.9m in reversals from the risks provisions, primarily due to revaluation of the tax risk, in view of the ruling on dividends collected from non-Italian companies introduced by the 2023 Italian budget law;

Income tax – this heading totalled €135m, and includes the provision for withholding tax due to release of the CMB Monaco profit reserves (€19m), the option for which will be exercised when the 2023 tax declaration is presented. Net of this non-recurring charge, the tax rate is equal to 15.6%, higher than last year (10%) partly as a result of the higher non-deductible charges (RAM impairment charges).

Mediobanca (as consolidating entity) has adopted tax consolidation, which includes Compass Banca, SelmaBipiemme Leasing, MBFACTA,[3] MIS, CheBanca!, MB SGR, Revalea, MBCredit Solutions, MB Contact, Spafid, Spafid Trust, Spafid Connect, Spafid Family Office SIM, Quarzo, Quarzo CQS, MB Covered Bond, 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.

* * *

Related party disclosure

Financial accounts outstanding as at 30 June 2023 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).

Operations towards related parties are carried out in light of the Group's ordinary activity, 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 28.8 million Mediobanca shares were bought and sold for a value of €279.8m.

[3] Adhered to the tax consolidation regime starting from 1 July 2022.

The information on corporate governance and ownership structures pursuant to Article 123-*bis* of 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 Research and Studies can be found on p. 75 of the consolidated report.

Moreover, Section 10 of Liabilities contains information regarding the most significant pending legal proceedings and tax disputes.

Outlook

The Bank, in line with the objectives of its 2023-26 Strategic Plan, confirms its capability to deliver balanced revenue growth for the coming financial year, well distributed between the ordinary component (net interest income, net treasury income, and net fee and commission income) and its activities as Parent Company (dividends). In particular, a strong increase in dividends from Group Legal Entities is expected, which will serve to protect the individual capital ratios, in view of the higher shareholder remuneration envisaged in line with the new targets contained in the 2023-26 Strategic Plan, and to increase the Bank's profits against a cost/income ratio that, despite substantial investments, will benefit from the higher dividend flow and a cost of risk that remains low.

Milan, 20 September 2023

THE BOARD OF DIRECTORS

Financial year ended 30 June 2023: proposal to approve financial statements and allocation of profit

Dear shareholders,

The net profit for the year was € 606,490,778.95 to be allocated as follows:

€ 105,892.20	To the *Legal reserve*, which accordingly would amount € 88,833,893.50, or 20% of the Bank's share capital;
€ 60,543,185.69	To the *Statutory reserve;*
€ 210,000,000.00	To the *unavailable Reserve*[1];
€ 335,841,701.06	Profit remaining

We therefore propose to distribute a € 0.85 dividend on each of the 840,802,545 shares in issue entitling their holders to such rights, taking account of the redistribution of treasury shares attributable, for a total amount of € 714,682,163.25, consisting of the remaining profit plus € 378,840,462.19 taken from the Statutory Reserve, as shown in the table below.

It is to be noted that the unit amount of the dividend will remain unchanged also in case the Bank owning, at the record date, a greater amount of treasury shares. In this case, the total amount of the distributed profit would be reduced accordingly, with the difference taken to the Statutory Reserve.

Accordingly, you are invited to approve the financial statements for the year ended 30 June 2023, including the balance sheet, profit and loss account and accompanying schedules, plus the following profit allocation:

Net profit for the year	€	606,490,778.95
To the *Legal Reserve*	€	105,892.20
To the *Statutory Reserve*	€	60,543,185.69
To the *unavailable Reserve*[1]	€	210,000,000.00
Remaining profit	€	335,841,701.06
From the *Statutory Reserve*	€	378,840,462.19
Dividend of € 0.85 per share on 840,802,545 shares	€	714,682,163.25

The dividend of € 0.85 per share will be paid on 22 November 2023, with the shares going ex-rights on 20 November 2023.

Milan, 29 September 2023

THE BOARD OF DIRECTORS

[1] The unavailable reserve will be called "ex art. 26 of the D.L. 10 August 2023 n. 104" provided that the conversion law provides for the power to constitute such a reserve and is promulgated by the 28 October 2023. Otherwise, this reserve may be made available by a subsequent resolution of the Shareholders' Meeting.

DECLARATION BY HEAD OF COMPANY FINANCIAL REPORTING

DECLARATION CONCERNING THE FINANCIAL STATEMENTS

pursuant to Article 81-ter of CONSOB Regulation No. 11971 of 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, and in view inter alia of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, declare that the administrative and accounting procedures used in the preparation of the financial statements:

   – were adequate in view of the company's characteristics and

   – were effectively adopted during the period 1 July 2022- 30 June 2023.

2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the financial statements at 30 June 2023 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 financial statements:

   – were drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to Regulation (EC) 1606/2002 issued by the European Parliament and Council on 19 July 2002;

   – correspond to the data recorded in the company's books and accounting ledgers;

   – are adequate for the purpose of providing a true and fair view of the capital, earnings and financial situation of the issuer.

   3.2 the review of operations includes a reliable analysis of the performance and operating result and position of Mediobanca, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 20 September 2023

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

AUDITORS' REPORT

Building a better
working world

Mediobanca S.p.A.

Financial statements as at 30 June 2023

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)

Building a better
working world

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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 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 2023, 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 2023, 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:

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Capitale Sociale Euro 2.600.000,00 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 20.116 million as at 30 June 2023, 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 losses 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 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 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 in the appropriate risk staging and measurement of the loans to customers (loans) measured at amortised cost are both 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 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, in respect of which the directors make estimates with a high degree of uncertainty and subjectivity 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 and inflation dynamics.

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

As at 30 June 2023 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 5.585 million and a total liability balance of Euro 9.265 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, consistent with the prevailing valuation practices, which make use of directly observable inputs or estimated internally based on qualitative and quantitative assumptions, when not observable in the market.

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 considered by the directors.

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 2023 the carrying amount of equity investments amount to Euro 3.528 million of which Euro 2.343 million and Euro 1.185 million. 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 costs to sell and the value in use.

The estimate of the recoverable amount of each equity investment was performed by the

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 and of the underlying reasons 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, 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, 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 2023.

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, the actions taken to eliminate the relevant risks or the related safeguards applied.

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 2023, 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 2023 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 2023 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.

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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 2023

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 June 2023	30 June 2022 *
10. Cash and cash equivalents	4,426,851,422	7,049,780,795
20. Financial assets measured at fair value through profit or loss	11,578,775,208	11,262,575,796
a) financial assets held for trading	*10,509,409,892*	*10,160,298,943*
b) financial assets designated at fair value	*538,590,262*	*516,482,970*
c) other financial assets measured mandatorily at fair value	*530,775,054*	*585,793,883*
30. Financial assets measured at fair value through other comprehensive income	6,285,647,040	4,374,269,928
40. Financial assets measured at amortized cost	54,588,649,643	52,622,161,338
a) due from banks	*30,114,592,653*	*27,803,742,623*
b) due from customers	*24,474,056,990*	*24,818,418,715*
50. Hedging derivatives	245,954,010	157,119,705
60. Value adjustment to generic hedging financial assets (+/-)	—	—
70. Equity investments	3,528,481,749	3,563,039,187
80. Tangible assets	139,642,079	140,734,419
90. Intangible assets	29,662,462	28,693,202
of which:		
Goodwill	*12,514,145*	*12,514,145*
100. Tax assets	277,484,768	259,317,000
a) current	*182,106,141*	*153,824,241*
b) prepaid	*95,378,627*	*105,492,759*
110. Non-current assets and asset groups as held for sale	—	—
120. Other assets	166,765,825	207,941,431
Total assets	**81,267,914,206**	**79,665,632,801**

* The Balance Sheet at 30 June 2022 includes the restatement of some security deposits on derivatives from heading 10 to heading 40.

Liabilities and net equity	30 June 2023	30 June 2022
10. Financial liabilities measured at amortized cost	60,979,649,706	61,793,306,327
a) due to banks	*34,324,113,115*	*35,171,128,505*
b) due to customers	*8,770,681,018*	*11,388,129,818*
c) securities in issue	*17,884,855,573*	*15,234,048,004*
20. Trading financial liabilities	10,592,249,162	10,026,502,228
30. Financial liabilities designated at fair value	1,524,041,446	637,589,428
40. Hedging derivatives	2,116,466,694	1,385,980,889
50. Value adjustment to generic hedging financial liabilities (+/-)	—	—
60. Tax liabilities	521,354,135	361,394,113
a) current	*298,185,828*	*134,042,994*
b) deferred	*223,168,307*	*227,351,119*
70. Liabilities associated with assets held for sale	—	—
80. Other liabilities	377,990,584	278,170,067
90. Provision for statutory end-of-service payments	5,049,967	5,400,129
100. Provisions for risks and charges	97,730,658	114,548,703
a) commitments and guarantees issued	*30,405,631*	*46,692,459*
b) post-employment and similar benefits	—	—
c) other provisions for risks and charges	*67,325,027*	*67,856,244*
110. Revaluation reserves	59,188,850	118,414,457
120. Redeemable shares	—	—
130. Equity instruments	—	—
140. Reserves	1,826,802,801	2,032,800,953
150. Share premium	2,195,605,653	2,195,605,653
160. Capital	444,169,468	443,640,007
170. Treasury shares (-)	(78,875,697)	(240,807,324)
180. Profit (loss) for the year (+/-)	606,490,779	513,087,171
Total liabilities and net equity	**81,267,914,206**	**79,665,632,801**

Mediobanca S.p.A. Income statement

Items		30 June 2023	30 June 2022
10.	Interest and similar income	1,740,230,742	651,092,014
	of which: interest income calculated according to the effective interest method	*1,372,632,946*	*460,413,273*
20.	Interest and similar charges	(1,407,695,291)	(543,206,066)
30.	**Net interest income**	**332,535,451**	**107,885,948**
40.	Commission income	355,647,161	361,798,728
50.	Commission expenses	(59,965,423)	(72,217,500)
60.	**Net fee and commission**	**295,681,738**	**289,581,228**
70.	Dividends and similar income	618,793,528	612,705,477
80.	Net trading income	95,331,702	(6,294,774)*
90.	Net hedging income (expense)	3,711,934	(714,152)
100.	Gain (loss) on disposal/repurchase of:	8,334,693	22,547,773
	a) financial assets measured at amortized cost	*8,271,179*	*3,808,942*
	b) financial assets measured at fair value through other comprehensive income	*(6,738,593)*	*19,760,545*
	c) financial liabilities	*6,802,107*	*(1,021,714)*
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	9,123,942	(21,863,002)
	a) financial assets and liabilities designated at fair value	*13,562,153*	*13,133,799*
	b) other financial assets mandatorily measured at fair value	*(4,438,211)*	*(34,996,801)*
120.	**Total revenues**	**1,363,512,988**	**1,003,848,498**
130.	Net write-offs (write-backs) for credit risk:	(53,311,167)	42,486,846
	a) financial assets measured at amortized cost	*(54,027,631)*	*44,792,012*
	b) financial assets measured at fair value through other comprehensive income	*716,464*	*(2,305,166)*
140.	Gains (losses) from contractual modifications without derecognition	—	—
150.	**Net income from financial operations**	**1,310,201,821**	**1,046,335,344**
160.	Administrative expenses:	(543,300,136)	(502,192,028)
	a) personnel costs	*(288,799,716)*	*(263,944,924)*
	b) other administrative expenses	*(254,500,420)*	*(238,247,104)*
170.	Net transfers to provisions for risks and charges	12,760,571	8,675,190
	a) commitments and guarantees issued	*14,683,885*	*9,081,759*
	b) other sums set aside (net)	*(1,923,314)*	*(406,569)*
180.	Net value adjustments to /write-backs of tangible assets	(8,908,072)	(8,748,483)
190.	Net value adjustments to /write-backs of intangible assets	(665,530)	(484,777)
200.	Other operating income (expense)	25,665,634	38,356,514
210.	**Operating costs**	**(514,447,533)**	**(464,393,584)**
220.	Gain (loss) on equity investments	(54,262,649)	(854,619)
230.	Net income from fair value valuation of tangible and intangible assets	—	—
240.	Goodwill write-offs	—	—
250.	Gain (loss) on disposal of investments	(860)	30
260.	**Profit (loss) on ordinary operations before tax**	**741,490,779**	**581,087,171**
270.	Income tax for the year on ordinary operations	(135,000,000)	(68,000,000)
280.	**Profit (loss) on ordinary operations after tax**	**606,490,779**	**513,087,171**
290.	Gains (losses) of ceded operating assets, after tax	—	—
300.	**Net profit (loss) for the year**	**606,490,779**	**513,087,171**

* The effect of the exchange rate valuations of banking book securities was reclassified from heading 100 to heading 80.

Mediobanca S.p.A. Comprehensive Income statement

Items		30 June 2023	30 June 2022
10.	Net profit (loss) for the year	606,490,779	513,087,171
	Other income items after tax without transfers through profit or loss	**12,005,200**	**21,777,154**
20.	Equity securities designated at fair value through other comprehensive income	18,101,102	16,995,756
30.	Financial liabilities designated at fair value through profit or loss (change in own credit risk)	(6,273,934)	4,345,695
40.	Hedging of equity securities designated at fair value through other comprehensive income	—	—
50.	Tangible assets	—	—
60.	Intangible assets	—	—
70.	Defined benefit plans	178,032	435,703
80.	Non-current assets and asset groups as held for sale	—	—
90.	Portion of valuation reserves of equity-accounted investments:	—	—
	Other income items after tax with transfers through profit or loss	**(8,672,544)**	**(89,181,825)**
100.	Foreign investment hedges	—	—
110.	Currency exchange gains/losses	—	—
120.	Cash flow hedges	(462,516)	462,516
130.	Hedging instruments (non-designated items)	—	—
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(8,210,028)	(89,644,341)
150.	Non-current assets and asset groups as held for sale	—	—
160.	Portion of valuation reserves of equity-accounted investments	—	—
170.	**Total other income items after tax**	**3,332,656**	**(67,404,671)**
180.	**Comprehensive income (Item 10+170)**	**609,823,435**	**445,682,500**

Statement of Changes in Mediobanca Net Equity

	Total net equity at 30/6/22	Allocation of profit (loss) for the previous year		Changes for the year								Total net equity at 30/6/23
					Net equity transactions							
		Reserves	Dividends and other allocations	Changes in reserves	Newly issued shares	Treasury shares purchased	Extraordinary dividend payouts	Changes to equity instruments	Treasury share derivatives	Stock options[1]	Comprehensive income for the year 2022/2023	
Capital:	443,640,007	—	—	—	529,461	—	—	—	—	—	—	444,169,468
a) ordinary shares	443,640,007	—	—	—	529,461	—	—	—	—	—	—	444,169,468
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium	2,195,605,653	—	—	—	—	—	—	—	—	—	—	2,195,605,653
Reserves:	2,032,800,953	513,087,171	(629,164,205)	57,738,810	(529,461)	(160,713,601)	—	—	—	13,583,134	—	1,826,802,801
a) retained earnings	2,102,513,639	513,087,171	(629,164,205)	(4,819,453)	(529,461)	—	—	—	—	—	—	1,981,087,691
b) other	(69,712,686)	—	—	62,558,263	—	(160,713,601)	—	—	—	13,583,134	—	(154,284,890)
Revaluation reserves	118,414,457	—	—	(62,558,263)	—	—	—	—	—	—	3,332,656	59,188,850
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(240,807,324)	—	—	—	—	161,931,627[2]	—	—	—	—	—	(78,875,697)
Profit (loss) for the year	513,087,171	(513,087,171)	—	—	—	—	—	—	—	—	606,490,779	606,490,779
Total net equity	5,062,740,917	—	(629,164,205)	(4,819,453)	—	1,218,026	—	—	—	13,583,134	609,823,435	5,053,381,854

[1] Represents the effects of the performance shares related to the ESOP schemes.

[2] Concerns the cancellation (on 2 September 2022, by resolution dated 28 October 2021) of 16,500,000 treasury shares without reduction of the share capital.

Statement of Changes to Mediobanca Net Equity

	Net equity at 30/6/21	Allocation of profit (loss) for the previous year		Changes for the year								Total net equity at 30/6/22
		Reserves	Dividends and other allocations	Changes to reserves	Net equity transactions						Comprehensive income for the year 2021/2022	
					Newly issued shares	Treasury shares purchased	Extraordinary dividend payouts	Changes to equity instruments	Treasury share derivatives	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)
Revaluation 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 year	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.

Mediobanca Cash Flow Statement Direct Method

	Value	
	30 June 2023	30 June 2022*
A. CASH FLOWS FROM OPERATING ACTIVITIES		
1. Operating activities	**(377,489,913)**	**(144,693,462)**
- interest received (+)	1,025,321,483	147,025,110
- interest paid (-)	(1,117,930,723)	(219,837,968)
- dividends and similar income (+)	90,610,894	125,282,674
- net fees and commission income (+/-)	270,657,494	60,319,542
- personnel costs (-)	(207,478,385)	(190,846,219)
- other costs (-)	(506,235,968)	(61,084,935)
- other revenues (+)	15,231,346	68,275,135
- taxes and duties (-)	52,333,946	(73,826,801)
- expenses/income from asset groups held for sale after tax effect (+/-)	—	—
2. Cash inflow/outflow from financial assets	**(783,986,131)**	**(533,008,239)**
- financial assets held for trading	468,285,607	1,209,061,958
- financial assets designated at fair value	20,460,000	63,529,373
- financial assets mandatorily measured at fair value	50,334,366	(1,996,427)
- financial assets measured at fair value through other comprehensive income	(1,884,434,791)	306,218,461
- financial assets measured at amortized cost	332,245,876	(3,851,960,343)
- other assets	229,122,811	1,742,138,739
3. Cash inflow/outflow from financial liabilities	**(1,338,514,866)**	**4,903,982,044**
- financial liabilities measured at amortized cost	(887,099,119)	5,682,207,950
- financial liabilities held for trading	250,415,531	222,345,417
- financial liabilities designated at fair value	866,112,267	(56,418,609)
- other liabilities	(1,567,943,545)	(944,152,714)
Net cash inflow/outflow from operating activities	**(2,499,990,910)**	**4,226,280,343**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
1. Cash generated from:	**527,750,408**	**491,070,884**
- disposal of shareholdings	—	2,899,906
- dividends received in respect of equity investments	527,323,408	487,991,978
- disposals of tangible assets	427,000	179,000
- disposals of intangible assets	—	—
- disposals of business units	—	—
2. Cash absorbed by:	**(21,600,061)**	**(59,223,399)**
- purchases of shareholdings	(16,251,061)	(56,009,399)
- purchases of tangible assets	(3,714,000)	(2,835,000)
- purchases of intangible assets	(1,635,000)	(379,000)
- purchases of business units	—	—
Net cash inflow/outflow from investing activities	**506,150,347**	**431,847,485**
C. CASH FLOWS FROM FUNDING ACTIVITIES	**(629,088,812)**	**(810,526,903)**
- issue/purchase of treasury shares	—	(241,431,265)
- issue/purchase of equity instruments	—	—
- distribution of dividends and other purposes	(629,088,812)	(569,095,638)
Net cash inflow/outflow from funding activities	**(629,088,812)**	**(810,526,903)**
NET CASH INFLOW/OUTFLOW DURING THE PERIOD	**(2,622,929,375)**	**3,847,600,925**

Reconciliation

Accounting items	Value	
	30 June 2023	**30 June 2022***
Cash and cash equivalents: balance at start of period	7,049,780,795	3,202,179,870
Total cash inflow/outflow during the period	(2,622,929,373)	3,847,600,925
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	4,426,851,422	7,049,780,795

* The Cash Flow Statement at 30 June 2022 includes the restatement of some security deposits on derivatives from heading 10 to heading 40.

NOTES TO THE ACCOUNTS

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NOTES TO THE ACCOUNTS

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Part A - Accounting Policies

A.1 - General Part

SECTION 1

Statement of Compliance with IAS/IFRS

The financial statements as at 30 June 2023, as required by Italian Legislative Decree No. 38 of 28 February 2005, 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. 1606/2002 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. 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).

SECTION 2

General Basis of Preparation

These individual financial statements comprise:

– individual balance sheet;

[1] The eighth update of the Circular was published on 17 November 2022. This update is mainly aimed at transposing the new international accounting standard IFRS 17 "Insurance Contracts", and the resulting amendments introduced in other international accounting standards, including IAS 1 "Presentation of Financial Statements" and IFRS 7 "Financial Instruments: Disclosures", for financial years starting on or after 1 January 2023. For the Mediobanca Group, this update will enter into force as of 1 July 2023.

- individual income statement;
- individual statement of other comprehensive income;
- statement of changes in individual net equity;
- individual 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 year under review, the European Commission approved two regulations, which include certain amendments to accounting standards already in force (IFRS 17 and IAS 12).

Under Regulation (EU) 2021/2036 of 19 November 2021, IFRS 17 "Insurance Contracts" entered into force and was applicable as of 1 January 2023. Under Regulation 2022/1491 of 8 September 2022, published in the Official Journal L 234 of 9 September 2022, some amendments to IFRS 17 were introduced. In particular, the amendment to the transitional provisions of IFRS 17 allows companies to overcome the one-off classification differences in comparative information regarding the previous year upon first-time adoption of IFRS 17 and IFRS 9 "Financial Instruments". Companies may apply the amendment only upon first-time adoption of IFRS 17 and IFRS 9.[2]

On the same topic, it should also be noted that the Bank of Italy - IVASS - Consob issued a joint press release entitled "IAS/IFRS Financial Statements at 31 December 2022 - Information on the transition to IFRS 17 and IFRS 9" on 27 October 2022 calling upon all companies that draft (separate and consolidated) financial statements in compliance with international accounting standards to provide adequate disclosure on the entry into force of the new accounting standard from 1 January 2023, in compliance with paragraph 30 of IAS 8. The above joint press release also refers to the Recommendations of the European Securities and

[2] For more details, please refer to the paragraph on the new standard.

Markets Authority (ESMA), which, in its Public Statement ESMA32-339-208 "Transparency on implementation of IFRS 17 Insurance Contracts" of last May 13, aims to identify some information that listed companies are encouraged to provide in their 2022 Interim and Annual Financial Reports regarding impacts deriving from the first-time adoption of IFRS 17.

The entry into force of the new standard will have no effects on the financial statements of Mediobanca S.p.A., as the investments in Assicurazioni Generali and Compass RE are valued at cost.

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Regulation 2022/1392 of 11 August 2022, published in Official Journal L 211 of 12 August 2022, adopts amendments to IAS 12 "Income Taxes". These amendments clarify how companies should account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce differences in the recognition of deferred tax assets and liabilities on leases and decommissioning obligations. Companies will apply these provisions starting from 1 January 2023 or later. The Mediobanca Group as of 1 July 2023.

The measures and statements published by regulatory and supervisory authorities in the past 12 months regarding the most suitable way to apply accounting standards that supplement the measures contained in the latest financial statements at 30 June 2022 are shown below. Please refer to the above financial statements for more details.

On 28 October last, ESMA published the annual statement "European common enforcement priorities for 2022 annual financial reports" outlining the priorities on which listed companies must focus when preparing the annual reports for December 2022. ESMA in particular recommended that disclosure should be provided in the 2022 IFRS financial statements regarding: the possible impacts of the conflict between Russia and Ukraine[3] both in terms of financial results and of alternative performance measures (APM), the impacts of the current difficult macroeconomic context (exit from the pandemic period, inflation, rise in interest rates and deteriorated business outlook),[4] communications on the alignment of economic activities pursuant to Article 8 of the Taxonomy Regulation (EU 2020/852),[5] the

[3] Please refer to Part E – SECTION 1 – Consolidated prudential risks of the Consolidated Financial Statements.

[4] ESMA expects the potential effects of the difficult economic situation to be taken into account by entities within the scope of IFRS standards, in particular within the scope of IAS 36 and IFRS 9.

[5] Please refer to the contents of the consolidated Non-Financial Report published on www.mediobanca.com.

effects of climate risks (climate change) with impacts, estimates and strategies implemented for their mitigation[6] giving particular importance to the consistency between assessments and estimates applied in the notes to the accounts and disclosure in the review of operations[7] and in the Non-Financial Statement. Lastly, in the same document, ESMA recalls that, starting from financial year 2022,[8] the iXBRL marking requirement will come into force for financial statements templates and for the notes to the accounts in compliance with the ESEF Regulation.[9]

On 12 September 2022, the three European Supervisory Authorities (EBA, EIOPA and ESMA - referred to as ESA) published a joint report on the autumn 2022 risks (Joint Committee - Autumn 2022 Report on Risks and Vulnerabilities). The report emphasizes how Russia's war against Ukraine, compounded by pre-existing inflationary pressures, caused a sharp increase in energy and commodity prices thereby weakening the purchasing power of households and increasing the risk of stagflation. Consequently, the ESA Joint Committee has advised the national competent authorities, financial institutions and market operators to take adequate measures to mitigate adverse effects. Lastly, financial institutions and supervisors should also continue to carefully manage environmental risks[10] and cyber risks[11] to address threats to IT security and business continuity.

Lastly, on 16 December 2022, at the time of the publication of the "Closure Report of Covid-19 Measures", the EBA announced the repeal of its reporting and disclosure guidelines regarding the Covid-19 pandemic starting from 1 January 2023.

[6] Please refer to Part E – ESG and Climate Change Risk of the consolidated financial statements.

[7] 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.

[8] For the Mediobanca group, the Regulation will be applied as of the financial statements at 30 June 2023.

[9] Please refer to Part A - New ESEF Regulation.

[10] For a discussion of this topic, please refer to Part E - ESG and Climate Change Risk within the consolidated financial statements at 30 June 2023.

[11] For a discussion of this topic, please refer to Part E - IT Risk and Cyber Risk within the consolidated financial statements at 30 June 2023.

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 individual financial statements at 30 June 2023 were prepared on a going-concern basis: the Directors believe that no risks and uncertainties have arisen such as to raise doubts on the going-concern assumption. The Directors consider that the Bank 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 Rate Transition

Activities relating to the transition of the USD Libor rate, scheduled for the end of June 2023, were concluded during the year under review without significant impacts to profit and loss. In line with the ECB recommendations of May 2021, activities providing for the revision and strengthening of the fall-back clauses relating to contracts and products indexed to the Euribor rate, as well as for the identification of the necessary actions in the operating and technological chains, are underway for a possible future transition, although the disposal thereof has not been planned for the time being.

Targeted Longer-Term Refinancing Operations – T-LTRO

The T-LTRO III refinancing operation consists in a disbursement plan, up to 10 disbursements and each with a three-year maturity, starting from September 2019 with a quarterly frequency which included final interest at maturity to be calculated on the average quarterly refinancing rate detected on bank deposits, plus a premium (50 bps), for transactions in place between 24 June 2020 and 23 June 2022. Payment of the premium is required upon maturity of each transaction subject to compliance with a certain level of loans to households and enterprises (referred to as “eligibility criteria”).

Following the changed macroeconomic scenario, on 27 October 2022 the ECB decided to recalibrate the interest calculation method for the period from 23 November 2022 until the maturity date or early repayment date of each outstanding tranche, indexing it to the ECB average reference interest rates applicable over that period, rather than over the entire duration of the program.

The instrument is accounted for at amortized cost in accordance with the provisions of IFRS 9. The change made by the ECB in the computation of the interest rate will not cause derecognitions or modifications, and has led to the recalculation of the effective rate at maturity, which, as for the year ending 30 June 2022, incorporates the expected evolution of rates and payment of the premium at the maturity date of the instrument.

The effect on the profit and loss account within the 12-month period, including the rate recalibration, generated interest expense of approximately €105m with an impact of €140m on net interest income, compared to the previous financial year.

Group's Hedge Accounting Manual

The Group's hedge accounting manual details the methodological and procedural choices for hedge accounting and the testing methods to verify its economic relationship.

The use of a behavioural model for accounts and fixed rate mortgage loans led to a reduction of 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.

SECTION 3

Events subsequent to the reporting date

At the end of June, Mediobanca gave its assent to the rescue process of Eurovita in the dual role of distributing and system bank by subscribing to two credit lines granted to the Newco, which comprises five insurance companies which will purchase the assets of the company that entered a liquidity crisis. It is worth noting that termsheets signed during the month of June had no binding nature and thus no legal liability had arisen for the Group, that could lead to changes to the present financial statement. During the week from 18th to 22th September 2023 the final commitment letters are forecast to be signed, for a total amount not higher than €77m, which will be drawn on the basis of repayments requested first of all by Private customers and will largely be guaranteed by the Newco's liquid assets (Cronos Via SpA). At the same time, Mediobanca undertook to pay an annual service fee linked to the policies in force from time to time. In light of the limited exposure of Wealth customers and taking into account that the conditions of both loans were at fair market value, the Eurovita transaction will not produce material effects on Mediobanca's numbers.

Article 26 of Law-Decree No. 104/2023 (published in Official Journal no. 186 of 10 August 2023), limited to the year 2023, introduced an extraordinary levy of 40% on the extra profits of banks, calculated as the higher value of: a) the amount of interest income relating to the financial year prior to the one in progress as at 1 January 2023 which exceeds such income by at least 5 per cent in the year prior to the one in progress as at 1 January 2022 and b) the amount of interest income relating to the year prior to the one in progress as at 1 January 2024 which exceeds such income by at least 10 per cent in the financial year prior to the one in progress as at 1 January 2022. However, the amount of this extraordinary tax cannot exceed 0.1 per cent of total balance sheet assets relating to the financial year prior to the one in progress as at 1 January 2023. Recognition through profit or loss will only be required after the law-decree has been enacted; in light of the current bill, the extra profits of Mediobanca will be those accrued as at 30 June 2023 and 30 June 2022 and therefore, the tax should be paid by 31 January 2024. It should be noted that on the date of approval of the Directors' report, the approval process of the decree is underway and therefore the rule may be subject to changes.

No other events requiring an adjustment to be made to the data shown in the individual Financial Statements at 30 June 2023 occurred after such date.

SECTION 4

Other aspects

In compliance with Directive 2004/109/EC (Transparency Directive) and Delegated Regulation 2019/815 of 17 December 2018 (ESEF Regulation, European Single Electronic Format), these Individual Financial Statements are being published, together with the Consolidated Financial Statements, in XHTML format (eXtensible HyperText Markup Language). It should be noted that the "Inline Extensible Business Reporting Language (iXBRL)" required by the ESEF Regulation has been applied to information contained in the consolidated financial statements only (balance sheet, income statement, statement of comprehensive income, statement of changes in equity, and cash flow statement) and in the notes to the consolidated accounts. For further information, please refer to the paragraph "New ESEF Regulation" in "Part A Accounting Policies - A.1 General Part" of the notes to the consolidated accounts.

Nevertheless, issuers may continue to publish their (consolidated and individual) financial statements in other formats (e.g. PDF).

The Bank's individual financial statements are accompanied by the Declaration of the Head of Company Financial Reporting pursuant to Article 154-*bis* of the Italian Law on Finance and are subject to 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

1 - 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, and assets to which the Fair Value Option is applied.

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.[12]

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.

[12] The IFRS Interpretation Committee's clarification rules out any possibility of such instruments being treated as equities.

The heading also includes financial assets designated 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.

2 - 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 loans and advances to customers) 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.

3 - Financial assets measured at amortized 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 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 “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.[13]

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 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.

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.

[13] 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 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 which, while not classified as impaired as such, have nonetheless experienced significant impairment to their credit quality 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 non-performing (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'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 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).

4 - 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 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).

5 - Leases (IFRS 16)

An agreement is classified as a lease[14] (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.

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.

[14] 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 income statement.

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.

6 - 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)[15] and not governed by the same.

The following types of hedges are used by the Group:

- fair value hedges, which aim to offset the exposure to changes in the fair value of a financial item or homogeneous 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.

[15] 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)".

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 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 the income statement, 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 through profit or loss.

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.

7 - 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.

8 - 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.

9 - Intangible assets

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

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.[16] 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.

[16] 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.

At annual and interim reporting dates, if there is evidence of impairment the realizable value of the asset is estimated.[17] 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.

10 - 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 an actual charge for one of the consolidated companies.

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.

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

[17] 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").

11 - Non-current assets and asset groups as held for sale (IFRS 5)

Under assets heading "Non-current assets and asset groups as held for sale" and under liability heading "Liabilities associated with assets held for sale" 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 ceded operating 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.

12 - 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.

It should be noted that, as required by IAS 37, par. 92, no precise indication has been given of any contingent liabilities where this could compromise the company in any way.

13 - Provisions for statutory end-of-service payments and post-retirement schemes

Provisions for statutory end-of-service payment 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 of 5 December 2005), 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.

Provision for statutory end-of-service payment 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.

14 - Financial liabilities measured 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 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.

15 - 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.

16 - Financial liabilities designated at fair value

These include the value of financial liabilities designated at fair value with a balancing entry in the Profit and Loss Account, on the basis of the option granted to companies (referred to as "fair value option") by IFRS 9 and in compliance with the cases set forth by legislation.

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.

17 - 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.

18 - 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 reference 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.

19 - Other Information

Stock Options, Performance Shares and Long-Term Incentives

Stock option, performance share and long-term incentive (LTI) schemes operated on behalf of 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 income statement 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 Group 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 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 or indirectly, exercise significant influence over the Bank;

b) shareholders with stakes of 3% or more in the Bank's share capital;[18]

c) 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, dependants, spouses' dependants and their partners' dependants), as well as any entities controlled, jointly controlled or otherwise associated with such individuals.

[18] Excluding Italian and international market-makers and asset managers, who, during the conduct of their collective fund management activities, 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 2023.

A.3.2 Reclassification of financial assets: changes to the business model, Fair Value and effects on other comprehensive income

There are no data to report at 30 June 2023.

A.3.3 Reclassification of financial assets: changes to the business model and effective interest rate

There are no data to report at 30 June 2023.

A.4 – Information on fair value

QUALITATIVE INFORMATION

Fair Value

In line with the international accounting standards, the fair value of financial instruments stated in the financial statements is the so-called exit price, i.e. the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (exit price), regardless of whether such price is directly observable or estimated using another valuation technique (IFRS 13, §24).

Fair value, therefore, is "the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators at the measurement date".

The Fair Value hierarchy of an instrument is a direct consequence of the Fair Value estimation approach: in principle, a financial instrument is considered to be listed on an active market if its price represents its current exchange value in normal, effective and regular market operations.

If the market is not active, the fair value of the instrument being estimated is measured by using market prices for similar instruments on active markets (comparable approach) or, in the absence of similar instruments, using a valuation technique that uses market and non-observable information (observable/unobservable inputs).

The Bank has laid down precise guidelines regarding three key aspects: independent calculation of Fair Value, conducted by the control units; the adoption of any Fair Value adjustments to consider aspects of uncertainty/liquidity; and classification of financial instruments according to a Fair Value hierarchy based on the level of uncertainty of the valuation. In addition to the book fair value, which affects both the balance sheet and the profit and loss account, the Bank is required to make prudent valuation adjustments in order to calculate prudential requirements.

These guidelines, set out in Policies approved by the Board of Directors and related implementation Directives approved by the competent committees, were defined in compliance with the main international regulations (IFRS 13[19] and CRR, Article 105[20]) and corroborated by a benchmarking test. The main activities for calculating the exit price of the financial instruments in the portfolio are shown below. It should be emphasized that the accuracy and consistency of these guidelines are subject to rigorous supervision by the Group Audit unit, which verifies their effectiveness and adequacy. Furthermore, a specific internal validation unit has been set up, Quantitative Risk Methodologies (QRM), which focuses on the validation of the quantitative methods employed.

[19] IFRS 13 establishes guidelines for identifying the exit price by using available prices, valuation models and any corrections (FVA) to consider elements of illiquidity/risk which, if not applied, would lead to overestimating the financial instrument, and for assessing the need to classify financial instruments according to the level of objectivity in the fair value computation (FVH).

[20] The guiding principles of the IPV and PVA processes are defined in the CRR Directive, Article 105.

Independent Price Verification (IPV)

Independent Price Verification (IPV) is the process through which prices and market data, used to calculate Fair Value and to measure prudent value, are subject to a verification process according to specific accuracy standards defined internally by the Bank. The Independent Price Verification Policy and Directive meet the requirements laid down in Article 105, para. 8 of Regulation (EU) 575/2013, which requires institutions to perform independent price verification in addition to daily marking-to-market or marking-to-model and establish and maintain sufficient procedures for providing valuation estimates.

Independent Price Verification has the following objectives: formalization of control methodologies, definition of a market parameter validation approach, definition of the methodologies for quantifying control thresholds, methods and types of escalation and reporting to Senior Management.

Verification of the correctness of the valuation will be based on verification of market parameters used for the valuation of instruments that present a risk profile for the Bank and individual Desks by analysing the correct import of data from info providers and the fairness of the financial value through comparison with other info providers, indicative quotations provided by brokers and implicit parameters deduced from such quotations. With regard to illiquid financial instruments, verification should also be performed as regards the valuation methodology input data.

IPV performs data analysis in order to ensure consistency with a comparison source to ensure a correct evaluation of the Bank's and of individual Desks' risk positions of the main profit and loss drivers. Any changes to the data will have an impact not only on the balance sheet but also on the Profit and Loss reporting process of the portfolio concerned. Furthermore, the decision to change the source of valuation of any market data during the Independent Price Verification process, as well as the verification method itself, may generate a different classification of the instrument being analysed with respect to the Fair Value Hierarchy.

For the calculation of Independent Price Verification adjustments, Mediobanca uses available and reliable sources. Where possible, these are also used for the prudent valuation adjustment (PVA) process in line with the provisions of Article 3 of Delegated Regulation (EU) 2016/101. These data sources are validated in accordance with the provisions of internal documentation and/or regulations.

The validation process focuses on the asset classes that have a direct impact on the Bank's Profit and Loss Account, both for proprietary instruments and for guaranteed instruments. In this regard, before proceeding with the analysis of the market parameters, the scope of analysis where to perform the certification is divided into asset classes. However, materiality thresholds (at risk factor level) are established for each exposure above which to apply the calculation described below.

IPV requires daily checks to be performed on all Bank positions (trading book and banking book), which include the year-by-year price of financial instruments, market curves and volatility surfaces. Furthermore, monthly checks, at the latest, are carried out for some asset classes, based on consensus services, given the nature and frequency with which valuation data is available in the systems.

Fair Value Adjustment (FVA)

Fair Value Adjustment (FVA) plays a fundamental role in the valuation of financial instruments, as it ensures that the fair value reflects the price actually realizable in a practical market transaction. The guidelines defined in the Fair Value policy fully reflect the requirements defined by accounting standard IFRS 13, according to which the valuation of financial instruments should use the exit price method and allow for corrections to be made to the valuations in specific circumstances.

This fair value approach ensures that the valuations made by the Bank are based on prices that are realistic and representative of current market conditions, guaranteeing adequate consideration to exit conditions and to the actual possibilities of selling or purchasing the financial instruments being valued. This ensures accurate and reliable financial information to be provided internally and to external stakeholders. In particular:

- Inputs based on Bid and Ask Prices - §70: when measuring an asset or liability at fair value and having at one's disposal both a bid and an ask price (as in the case of inputs from a market of operators), the price within the bid-ask spread that best represents fair value in the specific circumstances should be chosen. However, Mediobanca uses bid or ask prices in order to align with the closing price, even though the accounting standards allow the use of average market prices.
- Inputs derived from Bid and Ask Prices - §71: the standard does not prohibit the use of average market prices or other pricing conventions commonly used by market participants to measure fair value within the bid-ask spread. However, in the Bank's approach preference is given to the adoption of bid and ask prices in order to obtain a more precise fair value measurement, particularly in line with a reliable closing price. This practice allows the Bank to ensure a more accurate measurement of its assets and liabilities at fair value.

Fair value adjustments, as required by IFRS 13 and with an impact on profit or loss, are key to align the measurement of financial instruments to the actual exit price, taking into account market liquidity, the uncertainties of parameters, the financing costs, and the complexity of the valuation models used in the absence of shared market practices.

The scope of fair value adjustments includes the following categories:

- Market price uncertainty (MPU): this consists in uncertainties in valuations based on market quotations;
- Closed-out cost (COC): this indicates uncertainties regarding the liquidity cost that the Group may incur in the event of a partial or total sale of an asset measured at fair value;
- Model risk (MR): adjustments aimed at mitigating the risk of discrepancy with respect to market practice in the valuation of a product in relation to the choice and implementation of the valuation model;
- Concentrated positions: this reflects uncertainties in the valuation of the exit price for positions classified as concentrated (i.e. positions whose disposal would significantly affect the market price);

- Additional investment and financing costs: investment and financing costs may be incurred for own bond issues with an early redemption clause or in the event of early closure of positions in derivative instruments. These costs may vary depending on fluctuations in financing costs.

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. CVA represents a negative amount that takes into account cases where the counterparty could go bankrupt before the Bank, with a positive market value against the counterparty. DVA represents an amount that takes into account the cases in which the Group could go bankrupt before the counterparty, with an impact for the counterparty. These adjustments are calculated taking into account any risk mitigating arrangements, such as collateral and netting arrangements for each counterparty.

The method used to calculate CVA/DVA is based on the following inputs:

- Expected Positive (EPE) and Expected Negative (ENE) Exposure, derived from simulations, which reflect the positive and negative valuation exposures of derivatives;
- Probability of Default (PD), which may be derived from historical default probabilities or implied in the market prices of Credit Default Swaps or bonds;
- 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.

Furthermore, the fair value of non-collateralized derivatives may be affected by the Group's funding costs (Funding Value Adjustment). Therefore, adjustments are made for the different funding costs using a discount curve that represents the average funding level of banks operating in the European corporate derivatives market.

Fair Value Hierarchy (FVH) – Observability and materiality of inputs

The Observability Levelling and Day-one Profit Directive, as specified in Bank of Italy Circulars No. 285 and No. 262 and in IFRS 13, requires a hierarchy of levels reflecting the significance of inputs used in the valuations. These inputs, called “valuation inputs,” are the market data used to estimate the fair value of financial instruments. The term “valuation input” refers to the market data used to estimate the fair value of instruments. To estimate the fair value of instruments, the Bank uses valuation techniques that are adequate to the circumstances and for which sufficient data are available. Valuation techniques can be based on various approaches:

– market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

– cost approach (or current replacement method), which reflects the amount that would currently be required to replace an asset’s service capacity;

– income approach, which converts future amounts (e.g. cash flows or revenues and expenses) into a single discounted amount through, for example: present value methods and option pricing models.

These valuation methods may use different types of inputs, which may be observable or unobservable. Prices quoted in active markets are classified as “observable inputs”. In other cases, the information is considered observable when the valuation is based on market information obtained from sources independent of the Bank or from actual transactions. Under IFRS 13, paragraph B34, some examples of markets from which observable inputs can be derived include the following:

– exchange markets. In an exchange market, closing prices are both readily available and generally representative of fair value. An example of such a market is the London Stock Exchange;

– dealer markets: In a dealer market, dealers stand ready to trade (either buy or sell for their own account), thereby providing liquidity by using their capital to hold an inventory of the items for which they make a market. Typically bid and ask prices (representing the price at which the dealer is willing to buy and the price at which the dealer is willing to sell, respectively) are more readily available than closing prices. Over-the-counter markets (for which prices are publicly reported) are dealer markets. Dealer markets also exist for some other assets and liabilities, including some financial instruments, commodities and physical assets;

– brokered markets: In a brokered market, brokers attempt to match buyers with sellers but do not stand ready to trade for their own account. In other words, brokers do not use their own capital to hold an inventory of the items for which they make a market. Brokers know the prices bid and asked by the respective parties, but usually each party is unaware of the price demands of the other party. Prices of completed transactions are sometimes available. Brokered markets include electronic communication networks, in which buy and sell orders are matched, and commercial and residential real estate markets;
– principal-to-principal markets: In a principal-to-principal market, transactions, both originations and resales, are negotiated independently with no intermediary. Little information about those transactions may be made available publicly.

All cases in which it is not possible to demonstrate the observability of inputs are classified as "unobservable inputs" and, in particular, when the information on which the valuation techniques are based reflects the Bank's judgement formulated using the best information available in such circumstances.

Under IFRS 13.67, valuation techniques used to measure fair value should maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

In more detail, based on their observability and considering additional criteria, inputs can be classified into three different levels.

Level 1 inputs:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and it is the price to be used preferentially to measure financial assets and liabilities held by the Bank. If a quoted price recorded on an active market is available, alternative valuation techniques based on quotes for comparable instruments or quantitative models cannot be used and the instrument is classified as a "Level 1 instrument" in its entirety. The objective is to reach a price at which a financial instrument would be traded at the reporting date (without altering the instrument) on an active market considered to be the main one or the most advantageous one for the Bank and to which it has immediate access.

Level 2 inputs:

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

– quoted prices for similar assets or liabilities in active markets.
– quoted prices for identical or similar assets or liabilities in markets that are not active.

Inputs other than quoted prices that are observable for the asset or liability, for example:

(i) Interest rates and yield curves observable at commonly quoted intervals.

(ii) Implicit volatility.

(iii) Credit spread.

Market-corroborated inputs.

Level 2 inputs may require adjustments for example relating to:

– the condition or location of the asset;
– the extent to which inputs relate to items that are comparable to the asset or liability;
– the volume or level of activity in the markets within which the inputs are observed.

If there is no public quotation on an active market for the price of the financial instrument as a whole, but active markets exist for its components, Fair Value will be calculated by reference to the relevant market prices for those components. In this case, valuation will not be based on active market quotations for the financial instrument in question, but on observable market inputs or through the use of inputs that are not observable but are supported and confirmed by market data. The use of this approach does not exclude the use of a calculation method, or rather, of a pricing model, through which it is possible to establish the correct price of the transaction at the reference date, in an ideal and independent trading environment justified by normal market considerations.

Level 3 inputs:

Level 3 inputs are not directly observable inputs that are used to measure the Fair Value in the event that relevant observable inputs are not available, making it possible to estimate a closing price even in situations of low market activity for the asset or liability as at the measurement date. The Bank estimates unobservable inputs using the best information available in the circumstances, which could include its own data, considering all information on the assumptions of market participants that is reasonably available. Unlike Level 2 inputs, in this case the inputs must be internally estimated according to quantitative methods, such as the use of historical series and comparable underlying instruments. Both Level 2 and Level 3 inputs may be used for a certain instrument. In this case, the final classification of the instrument is defined by applying the materiality assessment.

There are two stages in the process of determining the levels and observability of inputs. In the first stage, a level is assigned to all inputs applied in the instrument valuation model. In the second stage, the materiality of the various inputs used to determine the relevance of unobservable inputs on the overall valuation of the instrument is verified.

Materiality is a crucial step in establishing whether unobservable inputs (Level 2 or 3) are meaningful to the entire measurement of the instrument. This materiality analysis also extends to inputs used to calculate any adjustments, such as the Fair Value Adjustment (FVA) or the Credit Value Adjustment (CVA).

In summary, the observability and materiality process ensures that the Fair Value of financial instruments is classified correctly based on the significance of the inputs used, ensuring an adequate valuation of the Bank's financial assets and liabilities.

Prudent Valuation Adjustment (PVA)

The Prudent Valuation Policy and Directive meet the regulatory requirements of Article 34 and Article 105, para. 2, of Regulation (EU) 575/2013, which, solely for prudential purposes and therefore without accounting impacts, requires a prudential valuation[21] to be performed by applying adjusted inputs in order to capture stressed events. The difference between Prudent Value and Fair Value (exit price used for recording the instruments in the Bank's financial statements) is called Additional Valuation Adjustment (AVA). The aggregation of AVAs, called Prudent Value Adjustment (PVA), is deducted directly from Common Equity Tier 1 - CET1.

The final adjustment is defined by the Regulator as an aggregation of nine AVAs:

- Market Price Uncertainty (MPU) is the valuation uncertainty based on market prices, calculated at the level of the exposure being measured;
- Close-out Costs (CoC) consist in the uncertainty of the exit price, calculated at the level of the exposure being measured;
- Model Risk (MR): this refers to the valuation uncertainty arising from the uncertainty of the model used and/or of the calibration thereof used by various market participants;
- Unearned Credit Spreads (UCS): this consists in uncertainty in the measurement necessary to include the present value of expected losses in the event of counterparty default on derivative positions;
- Investing and Funding Costs (IFC): this is the uncertainty of the valuation of funding costs used in the valuation of the exit price in accordance with the applicable accounting framework;
- Concentrated Positions (CP) refer to the uncertainty of the exit price for positions defined as concentrated;
- Future and Administrative Costs (FAC): this considers administrative costs and future hedging costs over the life of the exposures being measured to which a direct exit price has not been applied for CoC AVAs;

[21] Prudential valuation is understood as an exit price with a level of certainty equal to 90%.

- Early Termination (ET) considers contingent losses arising from non-contractual early closures of the clients' trading positions;
- Operational Risk (OR): this considers contingent losses that may be incurred as a result of the operational risks associated with the measurement processes.

Positions measured at Fair Value include various categories of financial assets and liabilities, as defined by International Financial Reporting Standards (IFRS); however, some positions are excluded from the AVA calculation if a change in the valuation of their amount does not affect capital resources. These exclusions include positions available for sale (FVOCI) to the extent that valuation changes are subject to prudential filtering, perfectly matching opposite positions (back-to-back) and positions subject to hedging transactions (hedge accounting).

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

(€'000)

Financial assets/liabilities measured at fair value	30 June 2023			30 June 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	6,846,149	3,916,806	815,820	6,074,639	3,954,989	1,232,948
a) financial assets held for trading	6,714,688	3,378,216	416,506	5,836,934	3,438,506	884,859
b) financial assets designated at fair value	—	538,590	—	—	516,483	—
c) other financial assets mandatorily measured at fair value	131,461	—	399,314	237,705	—	348,089
2. Financial assets measured at fair value through other comprehensive income	5,679,367	51,050	555,230	3,695,081	17,793	661,396
3. Hedging derivatives	—	245,954	—	—	157,120	—
4. Tangible assets	—	—	—	—	—	—
5. Intangible assets	—	—	—	—	—	—
Total	12,525,516	4,213,810	1,371,050	9,769,720	4,129,902	1,894,344
1. Financial liabilities held for trading	4,968,008	5,319,418	304,823	4,604,875	4,717,651	703,976
2. Financial liabilities designated at fair value	—	1,497,845	26,196	—	634,073	3,516
3. Hedging derivatives	—	2,116,467	—	—	1,385,981	—
Total	4,968,008	8,933,730	331,019	4,604,875	6,737,705	707,492

The Bank's trading book is mainly concentrated on liquid transactions with a low level of uncertainty. A residual, more complex part remains which, however, even in this context of greater volatility and uncertainty, has not undergone significant changes.

A portion of Level 3 instruments consists in sold options, i.e. derivatives traded with the same underlying risk parameter and which therefore do not involve volatility for the profit and loss account; during the year under review, the value of these transactions fell sharply from €409.7m to €0.8m after more than half of the options expired (€220.8m) and another €176.6m in contracts reached the parameter liquidity level to be transferred to level 2.

Level 3 assets held for trading, after the above transactions, decreased from €475.1m to €415.7m, including an exposure to unlisted convertible preference shares whose value went from €274.5m to €152.3m as a result of its partial conversion into listed security. This change was balanced by the valuation of the perfect hedging forward sale concluded on the same underlying and classified at level 2 since it was entirely prepaid in cash. During the year under review, net purchases of €84.3m and net transfers of €7m to other levels were recorded altogether.

Level 3 liabilities, after sold options, mainly relate to autocallable certificates on baskets of shares that increased from €294.2m to €304m, after redemptions of €74.5m on certificates and new issues of €129.7m; transfers to other levels amounting to €18.3m and positive fair value adjustments amounting to €27.1m were recorded during the year under review.

Financial assets mandatorily measured at fair value, consisting in investments in funds, increased from €348.1m to €399.3m after net purchases of €34m. Transfers from other levels stood at €29.9m and were partially offset by negative changes of €12.7m in fair value.

Financial assets measured at fair value through other comprehensive income decreased from €661.4m to €555.2m with sales of €89.5m (nearly all of which due to the partial divestment of the Burgo equity-like instrument) and redemptions of €77.3m (mainly linked to a securitization transaction of a leading Italian bank). Purchases amounted to €7.4m and changes in Fair Value were positive by €53.2m.

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

(€'000)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through 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 measured at fair value				
1. Opening amount	823,169	475,080	—	348,089	661,396	—	—	—
2. Increases	261,823	176,670	—	85,153	65,638	—	—	—
2.1 Purchases	193,103	149,544	—	43,559	7,416	—	—	—
2.2 Profits recognized in:	36,924	25,213	—	11,711	54,407	—	—	—
2.2.1 Profit and loss	36,924	25,213	—	11,711	14,171	—	—	—
- of which: capital gains	*22,985*	*22,985*	—	—	—	—	—	—
2.2.2 Net equity	—	X	X	X	40,236	—	—	—
2.3 Transfers from other levels	31,796	1,913	—	29,883	—	—	—	—
2.4 Other increases	—	—	—	—	3,815	—	—	—
3. Decreases	269,970	236,042	—	33,928	171,804	—	—	—
3.1 Disposals	74,753	65,222	—	9,531	89,514	—	—	—
3.2 Redemptions	119,511	119,511	—	—	77,248	—	—	—
3.3 Losses recognized in:	24,845	5,238	—	19,607	5,042	—	—	—
3.3.1 Profit and loss	24,845	5,238	—	19,607	—	—	—	—
- of which: capital losses	*4,927*	*4,927*	—	—	—	—	—	—
3.3.2 Net equity	—	X	X	X	5,042	—	—	—
3.4 Transfers to other levels	8,850	8,850	—	—	—	—	—	—
3.5 Other decreases	42,011	37,221	—	4,790	—	—	—	—
4. Closing amount	815,022	415,708	—	399,314	555,230	—	—	—

[1] After the market value of sold options (€0.8m at 30 June 2023 and €409.7m at 30 June 2022) the values of which are stated in the assets and liabilities for the same amount.

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

(€'000)

	Financial assets held for trading[1]	Financial assets designated at fair value	Hedging derivatives
1. Opening amount	294,196	3,516	—
2. Increases	137,544	22,680	—
2.1 Issues	129,706	22,359	—
2.2 Losses recognized in:	7,838	321	—
2.2.1 Profit and loss	7,838	321	—
- of which: capital losses	*7,838*	—	—
2.2.2 Net equity	X	—	—
2.3 Transfers from other levels	—	—	—
2.4 Other increases	—	—	—
3. Decreases	127,715	—	—
3.1 Redemptions	74,501	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	34,935	—	—
3.3.1 Profit and loss	34,935	—	—
- of which: capital gains	*29,990*	—	—
3.3.2 Net equity	X	—	—
3.4 Transfers to other levels	18,279	—	—
3.5 Other decreases	—	—	—
4. Closing amount	304,025	26,196	—

[1] After the market value of sold options (€0.8m at 30 June 2023 and €409.7m at 30 June 2022) the values of which are stated in the 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 June 2023				30 June 2022			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortized cost	54,588,650	3,073,365	41,655,476	9,623,462	52,622,162	3,387,131	38,650,176	10,318,582
2. Tangible assets held for investment purposes	23,408	—	—	88,500	23,819	—	—	102,213
3. Non-current assets and asset groups as held for sale	—	—	—	—	—	—	—	—
Total	54,612,058	3,073,365	41,655,476	9,711,962	52,645,981	3,387,131	38,650,176	10,420,795
1. Financial liabilities measured at amortized cost	60,979,650	—	60,507,403	261,493	61,793,306	—	61,666,438	59,252
2. Liabilities associated with assets held for sale	—	—	—	—	—	—	—	—
Total	60,979,650	—	60,507,403	261,493	61,793,306	—	61,666,438	59,252

A.5 - "Day-One Profit/Loss" Disclosure

Pursuant to IFRS 7, paragraph 28, the "Day-one Profit/Loss" is understood as the difference between the fair value of a financial instrument at the initial recognition date (transaction price) and the amount estimated at that date using a valuation technique. This difference may be positive or negative.

In the event that the difference is positive (day-one profit) and based on market quotations and models that do not include uncertain market inputs, this amount can be included in the positive components of the profit and loss account. However, if the positive difference is based on uncertain market inputs, the fair value of the instrument must be adjusted for such difference and charged through profit or loss when the inputs become certain.

In the event that the difference is negative (day-one loss), it is recorded directly in the profit and loss account on a prudential basis.

The group applies the day-one profit rule only to financial instruments classified as Level 3 of the Fair Value hierarchy, i.e. instruments for which the impact of one or more uncertain inputs on the fair value is considered significant, as defined in paragraph 73 of IFRS 13. The day-one profit, calculated after fair value adjustments, is amortized over the expected period for which the input data will remain unobservable. The day-one profit is not applied if the risks generated by the transaction are hedged with a market counterparty (back-to-back) and therefore there are no impacts on profit or loss due to the uncertain input.

During the year under review, the day-one profit method was used for two types of transaction:

– contingent derivatives: deals subject to a positive outcome of a corporate action whose impacts on the profit and loss account are entirely suspended pending the corporate event. As at 30 June 2023, there were no such transactions in the Bank's portfolio;

– certificates: as at 30 June 2023 profits of approximately €4.3m were suspended (of which, €4.2m for autocallables with underlying basket of shares) relating to certificates worth €238.6m (of which, €224.3m for autocallables), which at the date of issue were classified as Level 3.

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Part B - Notes to the Individual Balance Sheet*

Assets

SECTION 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents: breakdown

	Total 30 June 2023	Total 30 June 2022
a) Cash	566	547
b) Current accounts and demand deposits with Central Banks	3,273,797	6,334,133
c) Current accounts and demand deposits with banks[1]	1,152,488	715,101
Total	4,426,851	7,049,781

[1] This item contained the guarantee deposits on derivatives now reported under Heading 40 - Assets at amortized cost. The amounts for the previous year were restated for improved comparison.

* Figures in €'000.

SECTION 2

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

*2.1 Financial assets held for trading: product breakdown**

	Total 30 June 2023			Total 30 June 2022		
Items/Values	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
A. Cash assets						
1. Debt securities	4,993,088	189,264	232,440	3,334,975	500,643	175,678
1.1 Structured securities	1,310	10,625	-	9,570	8,134	-
1.2 Other debt securities	4,991,778	178,639	232,440	3,325,405	492,509	175,678
2. Equity securities[1]	1,020,812	—	163,498	1,851,609	—	274,971
3. UCIT units	25	—	230	802	—	298
4. Loans	4,085	—	—	3,698	—	—
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Other	4,085	—	—	3,698	—	—
Total (A)	6,018,010	189,264	396,168	5,191,084	500,643	450,947
B. Derivative instruments						
1. Financial derivatives	696,678	3,036,813	19,964	645,850	2,705,493	433,912
1.1 trading	696,678	3,036,813	19,964[2]	645,850	2,705,405	433,826
1.2 related to the fair value option	—	—	—	—	—	—
1.3 other	—	—	—	—	88	86
2. Credit derivatives	—	152,139	374	—	232,370	—
2.1 trading	—	152,139	374	—	232,370	—
2.2 related to the fair value option	—	—	—	—	—	—
2.3 other	—	—	—	—	—	—
Total (B)	696,678	3,188,952	20,338	645,850	2,937,863	433,912
Total (A+B)	6,714,688	3,378,216	416,506	5,836,934	3,438,506	884,859

* 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] Equity securities include shares committed in securities lending transactions totalling €399,599 (€918,557 in the financial previous year).

[2] Respectively, €798 and €409,692 relating to traded options, whose contra-item was recorded among financial liabilities held for trading.

2.2 Financial assets held for trading: breakdown by borrower/issuer/counterparty

Items/Values	30 June 2023	30 June 2022
A. CASH ASSETS		
1. Debt securities	5,414,792	4,011,296
a) Central Banks	—	—
b) Public administrations	3,253,899	2,072,555
c) Banks	1,517,530	1,230,455
d) Other financial companies	533,140	369,540
of which: insurance companies	—	*69*
e) Non-financial companies	110,223	338,746
2. Equity securities	1,184,310	2,126,580
a) Banks	217,180	154,928
b) Other financial companies	271,147	384,051
of which: insurance companies	*9,977*	*27,584*
c) Non-financial companies	695,983	1,587,601
d) Other issuers	—	—
3. UCIT units	255	1,100
4. Loans	4,085	3,698
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non-financial companies	4,085	3,698
f) Households	—	—
Total (A)	6,603,442	6,142,674
B. DERIVATIVE INSTRUMENTS		
a) Central Counterparties	1,487,126	1,029,987
b) Other	2,418,842	2,987,638
Total (B)	3,905,968	4,017,625
Total (A+B)	10,509,410	10,160,299

*2.3 Financial liabilities designated at fair value: product breakdown**

Items/Values	Total 30 June 2023			Total 30 June 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	—	—	—	—	—	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	—	—	—	—	—	—
2. Loans	—	538,590	—	—	516,483	—
2.1 Structured	—	—	—	—	—	—
2.2 Other[1]	—	538,590	—	—	516,483	—
Total	—	538,590	—	—	516,483	—

* 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: breakdown by borrower/issuer

Items/Values	30 June 2023	30 June 2022
1. Debt securities	—	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	—
of which: insurance companies	—	—
e) Non-financial companies	—	—
2. Loans	538,590	516,483
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	538,590	516,483
of which: insurance companies	*538,590*	*516,483*
e) Non-financial companies	—	—
f) Households	—	—
Total	538,590	516,483

2.5 Other financial assets mandatorily measured at fair value: product breakdown

Items/Values	30 June 2023			30 June 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	412	—	451	74	—	459
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	412	—	451	74	—	459
2. Equity securities	—	—	3,187	—	—	2,662
3. UCIT units	131,049	—	395,676	237,631	—	340,776
4. Loans	—	—	—	—	—	4,192
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Other	—	—	—	—	—	4,192
Total	131,461	—	399,314	237,705	—	348,089

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

Items/Values	30 June 2023	30 June 2022
1. Equity securities	3,187	2,662
of which: banks	—	—
of which: other financial companies	*3,187*	*2,662*
of which: non-financial companies	—	—
2. Debt securities	863	533
a) Central Banks	—	—
b) Public administrations	412	74
c) Banks	—	—
d) Other financial companies	451	459
of which: insurance companies	—	—
e) Non-financial companies	—	—
3. UCIT units	526,725	578,407
4. Loans	—	4,192
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	—	—
d) Other financial companies	—	4,192
of which: insurance companies	—	—
e) Non-financial companies	—	—
f) Households	—	—
Total	530,775	585,794

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: product breakdown**

Items/Values	30 June 2023			30 June 2022		
	Level 1	Level 2	Level 3[1]	Level 1	Level 2	Level 3
1. Debt securities	5,563,499	51,050	186,571	3,579,684	17,793	275,590
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	5,563,499	51,050	186,571	3,579,684	17,793	275,590
2. Equity securities	115,868	—	368,659	115,397	—	385,806
3. Loans	—	—	—	—	—	—
Total	5,679,367	51,050	555,230	3,695,081	17,793	661,396

* 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! (€150.4m), MB International (€90m) and Polus Capital Management Group (€4m), as well as the equity like instruments in Burgo Group (€66.2m) and in Tirreno Power (€15.4m).

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by borrower/ issuer

Items/Values	30 June 2023	30 June 2022
1. Debt securities	5,801,120	3,873,067
a) Central Banks	—	—
b) Public administrations	4,548,278	2,896,867
c) Banks	627,515	383,030
d) Other financial companies	433,068	394,816
of which: insurance companies	*38,163*	*38,273*
e) Non-financial companies	192,259	198,354
2. Equity securities	484,527	501,203
a) Banks[1]	240,520	242,125
b) Other issuers:	244,007	259,078
- other financial companies	33,658	32,599
of which: insurance companies	—	—
- non-financial companies	210,349	226,479
- other	—	—
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	6,285,647	4,374,270

3.3 Financial assets measured at fair value through other comprehensive income: gross value and overall value adjustments

	Gross value					Overall value adjustments				Overall partial write-offs
	Stage 1	*of which: Low credit risk instruments **	Stage 2	Stage 3	Purchased or originated credit impaired assets	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets	
Debt securities	5,771,319	*31,064*	37,723	—	—	6,537	1,385	—	—	—
Loans	—	—	—	—	—	—	—	—	—	—
Total 30 June 2023	5,771,319	*31,064*	37,723	—	—	6,537	1,385	—	—	—
Total 30 June 2022	3,805,027	—	78,174	—	—	6,787	3,347	—	—	—

* As required by Bank of Italy circular no. 262, fifth amendment, the column headed "of which" 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: product breakdown of amounts due from banks (30/6/23)**

Operation Type/Values	Total 30 June 2023					
	Book value			Fair value (*)		
	Stages 1 and 2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
A. Due from Central Banks	255,059	—	—	—	255,059	—
1. Term deposits	—	—	—	X	X	X
2. Compulsory reserves	255,059	—	—	X	X	X
3. Repos	—	—	—	X	X	X
4. Other	—	—	—	X	X	X
B. Due from banks	29,859,534	—	—	58,649	29,520,376	35,792
1. Loans	28,900,888	—	—	—	28,631,075	35,792
1.1 Current accounts and demand deposits	—	—	—	X	X	X
1.2 Term deposits	333,879	—	—	X	X	X
1.3 Other loans:	28,567,009	—	—	X	X	X
1.4 Reverse repos	1,796,987	—	—	X	X	X
1.5 Finance lease	—	—	—	X	X	X
1.6 Other[1]	26,770,022	—	—	X	X	X
2. Debt securities	958,646	—	—	58,649	889,301	—
2.1 Structured securities	—	—	—	—	—	—
2.2 Other debt securities	958,646	—	—	58,649	889,301	—
Total	30,114,593	—	—	58,649	29,775,435	35,792

* 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] The item contains amounts for the guarantee deposits on derivatives previously reported under Heading 10 - Cash and cash equivalents. The amounts for the previous year were restated for improved comparison.

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*4.1 Financial assets measured at amortized cost: product breakdown of amounts due from banks (30/6/22)**

Operation Type/Values	Total 30 June 2022					
	Book value			Fair value*		
	Stages 1 and 2	Stage 3	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. Repos	—	—	—	X	X	X
4. Other	—	—	—	X	X	X
B. Due from banks	27,543,373	—	—	113,529	26,983,735	181,503
1. Loans	26,531,041	—	—	—	26,083,460	181,503
1.1 Current accounts	—	—	—	X	X	X
1.2 Term deposits	299,087	—	—	X	X	X
1.3 Other loans:	26,231,954	—	—	X	X	X
- Reverse repos	1,411,168	—	—	X	X	X
- Finance leases	—	—	—	X	X	X
- Other[1]	24,820,786	—	—	X	X	X
2. Debt securities	1,012,332	—	—	113,529	900,275	—
2.1 Structured securities	—	—	—	—	—	—
2.2 Other debt securities	1,012,332	—	—	113,529	900,275	—
Total	27,803,743	—	—	113,529	27,244,105	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.

[1] The item contains amounts for the guarantee deposits on derivatives previously reported under Heading 10 - Cash and cash equivalents. The amounts for the previous year were restated for improved comparison.

*4.2 Financial assets measured at amortized cost: product breakdown of amounts due from customers (30/6/23)**

Operation Type/Values	Total 30 June 2023					
	Book value			Fair value*		
	Stages 1 and 2	Stage 3	Purchased or originated credit impaired assets	Level 1	Level 2	Level 3
1. Loans	20,097,040	18,928	—	—	11,861,011	8,334,466
1.1 Current accounts	1,353,073	—	—	X	X	X
1.2 Reverse Repos	1,652,332	—	—	X	X	X
1.3 Mortgages	14,141,038	18,562	—	X	X	X
1.4 Credit cards, personal loans and salary-backed finance	—	—	—	X	X	X
1.5 Finance lease	2,580	—	—	X	X	X
1.6 Factoring	—	—	—	X	X	X
1.7 Other loans	2,948,017	366	—	X	X	X
2. Debt securities	4,358,089	—	—	3,014,716	19,030	1,253,204
2.1 Structured securities	—	—	—	—	—	—
2.2 Other debt securities[1]	4,358,089	—	—	3,014,716	19,030	1,253,204
Total	24,455,129	18,928	—	3,014,716	11,880,041	9,587,670

* 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, 652,314 relating to the Group's securitizations (Compass Banca).

4.2 Financial assets measured at amortized cost: product breakdown of amounts due from customers (30/6/22)*

Operation Type/Values	Total 30 June 2022					
	Book value			Fair value*		
	Stages 1 and 2	Stage 3	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 securities	—	—	—	—	—	—
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).

4.3 Financial assets measured at amortized cost: breakdown by borrower/issuer of amounts due from customers

Operation Type/Values	Total 30 June 2023			Total 30 June 2022		
	Stages 1 and 2	Stage 3	Purchased or originated credit impaired assets	Stages 1 and 2	Stage 3	Purchased or originated credit impaired assets
1. Debt securities	4,358,089	—	—	5,186,677	—	—
a) Public administrations	2,779,579	—	—	2,954,747	—	—
b) Other financial companies	1,440,016	—	—	2,162,002	—	—
of which: insurance companies	*177,265*	—	—	*186,079*	—	—
c) Non-financial companies	138,494	—	—	69,928	—	—
2. Loans to:	20,097,040	18,928	—	19,612,096	19,646	—
a) Public administrations	104,776	—	—	354,168	—	—
b) Other financial companies	9,192,574	2,142	—	8,306,672	2,160	—
of which: insurance companies	*185,673*	—	—	*390,769*	—	—
c) Non-financial companies	9,938,174	15,692	—	10,135,087	16,645	—
d) Households	861,516	1,094	—	816,169	841	—
Total	24,455,129	18,928	—	24,798,773	19,646	—

4.4 Financial assets measured at amortized cost: gross value and overall value adjustments

	Gross value					Overall value adjustments				Overall partial write-offs
	Stage 1	*of which: Low credit risk instruments*	Stage 2	Stage 3	Purchased or originated credit impaired assets	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets	
Debt securities	5,315,207	*168,509*	11,035	—	—	4,686	4,821	—	—	—
Loans	49,135,363	*47,824*	179,490	111,714	—	55,759	6,107	92,786	—	—
Total 30 June 2023	54,450,570	*216,333*	190,525	111,714	—	60,445	10,928	92,786	—	—
Total 30 June 2022	52,436,406	*114,957*	235,758	62,233	—	59,021	10,627	42,587	—	—

4.4a Loans measured at amortized cost subject to Covid-19 support measures: gross value and overall value adjustments

	Gross value					Overall value adjustments				Overall partial write-offs*
	Stage 1	*of which: Low credit risk instruments*	Stage 2	Stage 3	Purchased or originated credit impaired assets	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets	
1. Loans subject to forbearance compliant with the GLs (*)	—	—	—	—	—	—	—	—	—	—
2. Loans in place subject to moratoria no longer compliant with the GLs and not eligible for forbearance purposes	—	—	—	—	—	—	—	—	—	—
3. Loans subject to other forbearance measures	—	—	—	—	—	—	—	—	—	—
4. New loans	53,559	—	—	—	—	217	—	—	—	—
Total 30 June 2023	53,559	—	—	—	—	217	—	—	—	—
Total 30 June 2022	86,255	—	19,307	—	—	169	592	—	—	—

* The row headed "Loans subject to forbearance compliant with the GLs" 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 30 June 2023			Notional value 30 June 2023	Fair Value 30 June 2022			Notional value 30 June 2022
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives								
1. Fair value	—	245,954	—	16,569,403	—	156,381	—	6,746,708
2. Cash flows	—	—	—	—	—	739	—	146,274
3. Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives								
1. Fair value	—	—	—	—	—	—	—	—
2. Cash flows	—	—	—	—	—	—	—	—
Total	—	245,954	—	16,569,403	—	157,120	—	6,892,982

5.2 Hedging derivatives: breakdown by portfolio hedged and hedge type

Transaction / Type of hedging	Fair Value							Cash flows		Foreign investments
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	Equity securities and stock indexes	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	78,459	—	—	—	X	X	X	—	X	X
2. Financial assets measured at amortized cost	85,271	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other transactions	—	—	—	—	—	—	X	—	X	—
Total assets	163,730	—	—	—	—	—	—	—	—	—
1. Financial liabilities	82,224	X	—	—	—	—	X	—	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	82,224	—	—	—	—	—	—	—	—	
1. Expected transactions	X	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	—	X	—	—

SECTION 7

Heading 70: Equity investments

At 30 June 2023, the book value of the item "Equity investments" amounted to €3,528.5m.

7.1 Equity investments: disclosure on relationships

Company Name	Head Office	Operating office	Shareholding in %	Votes available in %
A. Wholly controlled companies				
Polus Capital Management Group Limited Capital GBP 527 in shares worth GBP 0.005 each	London	London	64.40*	64.40
CheBanca! S.p.A. Capital €506.3m in shares worth €0.50 each	Milan	Milan	100.00	100.00
CMB MONACO S.A.M. Capital €111.1m in shares worth €200 each	Monte Carlo	Monte Carlo	100.00	100.00
Compass Banca S.p.A. Capital €587.5m in shares worth €5 each	Milan	Milan	100.00	100.00
Mediobanca Innovation Services - MIS S.c.p.A. Capital €35m in shares worth €5 each	Milan	Milan	100.00	100.00
Mediobanca Management Company Capital €500,000 in shares worth €10 each	Luxembourg	Luxembourg	100.00	100.00
Mediobanca SGR Capital €10.3m in shares worth €51.65 each	Milan	Milan	100.00	100.00
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	100.00	100.00
MB Funding Lux S.A. Capital €831,000 in shares worth €1 each	Luxembourg	Luxembourg	100.00	100.00
MB International (Luxembourg) S.A. Capital €10m in shares worth €10 each	Luxembourg	Luxembourg	100.00	100.00
MB Securities USA LLC Capital $2.25m	New York	New York	100.00	100.00
RAM Active Investments S.A. Capital CHF1m in shares worth CHF10 each	Geneva	Geneva	95.80***	95.80
SelmaBipiemme Leasing S.p.A. Capital €41.3m in shares worth €0.50 each	Milan	Milan	60.00	60.00
CMB Real Estate Development Capital €75.2m in shares worth €75,200 each	Monte Carlo	Monte Carlo	40.00	40.00
Spafid S.p.A. Capital €6.1m in shares worth €10 each	Milan	Milan	100.00	100.00
MB INVAG S.r.l. Capital €10,000	Milan	Milan	100.00	100.00
B. Entities under significant influence				
Assicurazioni Generali S.p.A. Capital €1,586.8m in shares worth €1 each	Trieste	Trieste	12.78	13.25
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	35.67	35.67

* 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% 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

Company name	Book value	Fair Value	Dividends received
A. Wholly controlled companies			
Polus Capital Management Group Limited	89,893	n.a.	—
CheBanca! S.p.A.	665,822	n.a.	—
CMB MONACO S.A.M.	374,092	n.a.	—
Compass Banca S.p.A.	768,440	n.a.	75,000
Mediobanca Innovation Services - MIS S.c.p.A.	35,040	n.a.	—
Mediobanca Management Company	3,993	n.a.	—
Mediobanca SGR	38,139	n.a.	—
Messier et Associés Sas	92,556	n.a.	6,576
MBFACTA S.p.A.	120,391	n.a.	—
MB Funding Lux	831	n.a.	—
MB International (Luxembourg) S.A.	6,095	n.a.	—
MB Securities USA LLC	211	n.a.	—
RAM Active Investments S.A.	60,215	n.a.	—
SelmaBipiemme Leasing S.p.A.	32,947	n.a.	1,901
CMB Real Estate Development	30,060	n.a.	—
Spafid S.p.A.	8,888	n.a.	—
MB INVAG S.r.l.	15,428	n.a.	
B. Entities under significant influence			
Assicurazioni Generali S.p.A.	1,096,272	3,774,525	235,147
Istituto Europeo di Oncologia S.r.l.	38,995	n.a.	—
Finanziaria Gruppo Bisazza	6,879	n.a.	272
CLI Holdings II	43,295	n.a.	8,427
Total	3,528,482		527,323

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 equivalents	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 operations before tax	Profit (loss) on ordinary operations 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														
Polus Capital Management Group Limited	26,903	4,068	108,172	251	29,604	50,103	314	-1,161	11,807	9,101	—	9,101	—	9,101
CheBanca! S.p.A.	1,495,457	29,798,912	489,329	30,554,390	301,024	414,107	245,619	-29,904	73,893	48,672	—	48,672	239	48,911
CMB MONACO S.A.M.	2,008,860	6,853,387	100,265	7,883,984	57,405	155,890	94,239	-10,796	72,408	58,547	—	58,547	—	58,547
Compass Banca S.p.A.	726,638	15,107,164	947,434	13,196,890	474,618	1,018,467	979,173	-14,532	540,584	367,887	—	367,887	120,584	488,471
Mediobanca Innovation Services - MIS S.c.p.A.	89	—	81,132	24,323	21,401	1,980	-853	-18,266	28	242	—	242	16	258
Mediobanca Management Company	2,367	6,065	5,022	30	4,173	2,068	102	-115	205	151	—	151	—	151
Mediobanca SGR	8,613	48,601	17,879	1,393	11,081	31,488	621	-510	12,807	9,007	—	9,007	32	9,039
Messier et Associés Sas	5,677	801	67,080	26,227	26,556	43,534	-324	-1,096	14,838	11,074	—	11,074	—	11,074
MBFACTA S.p.A.	48,475	2,862,086	215,764	2,860,229	39,191	46,076	39,793	-202	32,579	22,099	—	22,099	35	22,134
MB Funding Lux	879	—	290	—	183	0	—	—	38	23	—	23	—	23
MB International (Luxembourg) S.A.	372,426	5,190,018	13,945	5,100,326	20,438	31,528	28,522	-205	24,825	18,591	—	18,591	—	18,591
MB Securities USA LLC	6,357	—	1,382	—	1,969	3,693	—	-20	-2	-1	—	—	—	—
RAM Active Investments S.A.	7,519	3,838	6,934	246	2,262	7,182	6	-200	-7,030	-7,162	—	-7,163	—	-7,163
SelmaBipiemme Leasing S.p.A.	37,170	1,391,968	103,770	1,268,049	35,549	32,849	31,168	-2,190	8,203	5,349	—	5,349	1,496	6,845
CMB Real Estate Development	4,415	—	45,548	—	440	0	—	-1,331	-417	-417	—	-417	—	-417
Spafid S.p.A.	27,737	2,202	18,432	1,311	5,968	8,514	480	-609	-2,588	-2,092	—	-2,092	42	-2,050
MB INVAG S.r.l.	—	30,485	86	12,234	8	1,889	-	—	1,828	1,828	—	1,828	—	1,828
B. Entities under significant influence														
Assicurazioni Generali S.p.A.	X	451,317,000	60,490,000	48,653,000	452,260,000	81,530,000	X	X	4,738,000	3,189,000	—	3,189,000	-14,627	3,174,373
Istituto Europeo di Oncologia S.r.l.	X	83,209	155,978	125,952	69,202	381,659	X	X	5,626	3,592	—	3,592	—	3,592
Finanziaria Gruppo Bisazza	X	6,205	—	707	—	X	X	X	3,950	3,915	—	3,915	—	3,915
CLI Holdings II	X	103,367	2,753	106,202	47	X	97	X	1	1	—	1	—	1

* All data are in Euros, including for foreign subsidiaries.

** This is understood as interim earnings: Total revenues stated in the accounting statements.

7.5 Equity investments: changes during the period

	30 June 2023	30 June 2022
A. Balance at start of period	3,563,039	3,457,430
B. Additions	20,025	108,509
B.1 Purchases	20,025	97,938
B.2 Write-backs	—	—
B.3 Revaluations	—	—
B.4 Other changes	—	10,571
C. Decreases	54,582	2,900
C.1 Sales	—	2,900
C.2 Write-offs	54,263	—
C.3 Other changes	319	—
D. Balance at end of period	3,528,482	3,563,039
E. Total revaluations	—	—
F. Total adjustments	946,192	891,929

SECTION 8

Heading 80: Property, plant and equipment

8.1 Core tangible assets: breakdown of assets stated at cost

Assets/Values	Total 30 June 2023	Total 30 June 2022
1. Property assets	92,498	91,836
a) lands	67,896	67,896
b) buildings	17,611	17,731
c) furniture	1,551	1,444
d) electronic system	2,448	2,174
e) others	2,992	2,591
2. Leased assets	23,736	25,079
a) lands	—	—
b) buildings	19,617	21,672
c) furniture	—	—
d) electronic system	—	—
e) other	4,119	3,407
Total	116,234	116,915
of which: obtained by the enforcement of collateral	—	—

8.2 Properties held for investment purposes: breakdown of assets stated at cost

Assets/Values	Total 30 June 2023				Total 30 June 2022			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property assets	23,408	—	—	88,500	23,819	—	—	102,213
a) land	20,350	—	—	52,148	20,350	—	—	81,164
b) buildings	3,058	—	—	36,352	3,469	—	—	21,049
2. Rights-of-use assets	—	—	—	—	—	—	—	—
a) land	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
Total	23,408	—	—	88,500	23,819	—	—	102,213
of which: obtained by enforcement of collateral	—	—	—	—	—	—	—	—

8.6 Core assets: changes during the year

	Land	Buildings	Furniture	Electronic system	Other	Total
A. Gross opening balance 30 June 2022	67,896	74,235	9,475	11,200	34,205	197,011
A.1 Decreases in total net value	—	(34,832)	(8,031)	(9,026)	(28,207)	(80,096)
A.2 Net opening balance 30 June 2022	67,896	39,403	1,444	2,174	5,998	116,915
B. Increases	—	2,468	484	882	4,490	8,324
B.1 Purchases	—	—	484	882	1,405	2,771
- of which, business combinations	—	—	—	—	—	—
B.2 Capitalized improvement costs	—	929	—	—	—	929
B.3 Write-backs	—	—	—	—	—	—
B.4 Positive changes in fair value allocated to	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit & loss	—	—	—	—	—	—
B.5 Currency exchange gains	—	—	—	—	—	—
B.6 Transfers from investment properties	—	—	X	X	X	—
B.7 Other changes	—	1,539	—	—	3,085	4,624
C. Decreases	—	4,643	377	608	3,377	9,005
C.1 Sales	—	—	126	—	301	427
- of which, business combinations	—	—	—	—	—	—
C.2 Depreciation	—	4,643	168	596	3,076	8,483
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 Currency exchange losses	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	X	X	X	—
b) non-current assets and assets groups held for sale	—	—	—	—	—	—
C.7 Other changes	—	—	83	12	—	95
D. Net closing balance	67,896	37,228	1,551	2,448	7,111	116,234
D.1 Decreases in total net value	—	(39,531)	(8,200)	(9,622)	(28,643)	(85,996)
D.2 Gross closing balance	67,896	76,759	9,751	12,070	35,754	202,230
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 €4.2m (shown in row B.7 "Other changes"), while depreciation and amortization for rights in use amount to €5.6m (stated in row C.2 "Depreciation/amortization").

8.7 Assets held for investment purposes: changes during the year

	Total	
	Land	Buildings
A. Gross opening balance	20,350	3,469
B. Increases	—	14
B.1 Purchases	—	—
- *of which, business combinations*	—	—
B.2 Capitalized improvement costs	—	14
B.3 Positive changes in fair value	—	—
B.4 Write-backs	—	—
B.5 Currency exchange gains	—	—
B.6 Transfers from core tangible assets	—	—
B.7 Other changes	—	—
C. Decreases	—	425
C.1 Sales	—	—
- *of which, business combinations*	—	—
C.2 Depreciation	—	425
C.3 Negative changes in fair value	—	—
C.4 Write-downs	—	—
C.5 Currency exchange losses	—	—
C.6 Transfers to:	—	—
a) core tangible assets	—	—
b) non-current assets and asset groups held for sale	—	—
C.7 Other changes	—	—
D. Balance at end of period	20,350	3,058
D.1 Decreases in total net value	—	—
D.2 Gross closing balance	20,350	3,058
E. Measured at fair value	52,148	36,352

SECTION 9

Heading 90: Intangible assets

9.1 Intangible assets: breakdown by type of asset

Assets/Values	Total 30 June 2023		Total 30 June 2022	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	12,514	X	12,514
A.2 Other intangible assets	1,659	15,489	690	15,489
of which: software	1,659	—	690	—
A.2.1 Assets measured at cost:	1,659	15,489	690	15,489
a) Intangible assets generated internally	—	—	—	—
b) Other assets	1,659	15,489	690	15,489
A.2.2 Assets measured at fair value:	—	—	—	—
a) Intangible assets generated internally	—	—	—	—
b) Other assets	—	—	—	—
Total	1,659	28,003	690	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	Other intangible assets generated internally		Other intangible assets: other		Total
		Defined	Undefined	Defined	Undefined	
A. Balance at start of period	12,514	—	—	97,112	15,489	125,115
A.1 Decreases in total net value	—	—	—	(96,422)	—	(96,422)
A.2 Net opening balance	12,514	—	—	690	15,489	28,693
B. Increases	—	—	—	1,635	—	1,635
B.1 Purchases	—	—	—	1,635	—	1,635
B.2 Increases of internal intangible assets	X	—	—	—	—	—
B.3 Write-backs	X	—	—	—	—	—
B.4 Positive changes in fair value	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- to P&L	X	—	—	—	—	—
B.5 Currency exchange gains	—	—	—	—	—	—
B.6 Other changes	—	—	—	—	—	—
C. Decreases	—	—	—	666	—	666
C.1 Sales	—	—	—	—	—	—
C.2 Write-offs:	—	—	—	666	—	666
- Amortizations	X	—	—	666	—	666
- Write-downs	—	—	—	—	—	—
+ net equity	X	—	—	—	—	—
+ to P&L	—	—	—	—	—	—
C.3 Negative changes in fair value	—	—	—	—	—	—
- net equity	X	—	—	—	—	—
- to P&L	X	—	—	—	—	—
C.4 Transfer to non-current assets held for sale	—	—	—	—	—	—
C.5 Currency exchange losses	—	—	—	—	—	—
C.6 Other changes	—	—	—	—	—	—
D. Net closing balance	12,514	—	—	1,659	15,489	29,662
D.1 Adjustment of net total values	—	—	—	(97,079)	—	(97,079)
E. Gross closing balance	12,514	—	—	98,738	15,489	126,741
F. Measurement at cost	—	—	—	—	—	—

SECTION 10

Assets heading 100 and liabilities heading 60: Tax assets and liabilities

10.1 Advance tax assets: breakdown

	Total 30 June 2023	Total 30 June 2022
- Against Profit and Loss	62,050	70,964
- Against Net Equity	33,329	34,529
Total	95,379	105,493

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: breakdown

	Total 30 June 2023	Total 30 June 2022
- Against Profit and Loss	191,400	206,070
- Against Net Equity	31,768	21,281
Total	223,168	227,351

10.3 Changes in advance tax during the period (against profit and loss)

	Total 30 June 2023	Total 30 June 2022
1. Opening balance	70,964	88,449
2. Increases	4,190	1,270
2.1 Deferred tax liabilities of the year	4,190	1,270
a) relating to previous years	—	—
b) due to changes in accountable parameters	—	—
c) write-backs	—	—
d) other	4,190	1,270
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
3. Decreases	13,104	18,755
3.1 Deferred tax liabilities derecognized during the year	13,104	18,755
a) reversals	13,104	18,755
b) write-downs due to non-recoverable items	—	—
c) changes in accounting policies	—	—
d) other	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases:	—	—
a) conversion into tax receivables pursuant to Italian Law No. 214/2011	—	—
b) other	—	—
4. Closing balance	62,050	70,964

*10.3bis Changes in advance tax pursuant to Italian Law No. 214/2011**

	Total 30 June 2023	Total 30 June 2022
1. Opening balance	36,814	43,839
2. Increases	—	—
3. Decreases	4,867	7,025
3.1 Reversals	4,867	7,025
3.2 Conversion into tax receivables deriving from:	—	—
a) losses for the year	—	—
b) tax losses	—	—
3.3 Other decreases	—	—
4. Closing balance	31,947	36,814

* Italian Law-Decree No. 59 of 29 April 2016 on deferred tax assets pursuant to Italian Law No. 214/2011, as amended by Italian Law-Decree No. 237 of 23 December 2016, 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 taxes (against profit and loss)

	Total 30 June 2023	Total 30 June 2022
1. Opening balance	206,070	206,189
2. Increases	102	101
2.1 Deferred taxes for the year	102	101
a) relating to previous years	—	—
b) due to changes in accountable policies	—	—
c) other	102	101
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
3. Decreases	14,772	220
3.1 Deferred taxes derecognized in the year	14,772	220
a) reversals	14,772	220
b) due to changes in accountable policies	—	—
c) other	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases	—	—
4. Closing balance	191,400	206,070

10.5 Changes in advance tax (against net equity)

	Total 30 June 2023	Total 30 June 2022
1. Opening balance	34,529	4,240
2. Increases	161,445	53,090
2.1 Prepaid taxes for the year	161,445	53,090
a) relating to previous years	—	—
b) due to changes in accountable policies	—	—
c) other	161,445	53,090
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
- of which, business combinations	—	—
3. Decreases	162,645	22,801
3.1 Prepaid taxes derecognized during the year	162,645	22,801
a) reversals	162,645	22,801
b) write-downs due to non-recoverable items	—	—
c) due to changes in accounting policies	—	—
d) other	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases	—	—
4. Closing balance	33,329	34,529

10.6 Changes in deferred taxes (against net equity)

	Total 30 June 2023	Total 30 June 2022
1. Opening balance	21,281	36,109
2. Increases	81,819	113,113
2.1 Deferred taxes for the year	81,819	113,113
a) relating to previous years	—	—
b) due to changes in accountable policies	—	—
c) other	81,819	113,113
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	—	—
3. Decreases	71,332	127,941
3.1 Deferred taxes derecognized in the year	71,332	127,941
a) reversals	71,332	127,941
b) due to changes in accountable policies	—	—
c) other	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases	—	—
4. Closing balance	31,768	21,281

SECTION 12

Heading 120: Other assets

12.1 Other assets: breakdown

	30 June 2023	30 June 2022
1. Accrued income other than capitalized income on the related assets	3,707	3,335
2. Trade receivables or invoices to be issued	71,364	79,666
3. Amounts due from tax revenue authorities (not recorded under Heading 100)	31,478	34,993
4. Other items:	60,217	89,947
- transactions in futures and other security transactions	1,352	3,032
- other items in transit	42,928	48,397
- amounts due from staff	142	167
- improvements on third parties' assets	262	601
- tax consolidation	—	22,662
- group VAT	7,060	7,641
- sundry other items[1]	8,473	7,447
Total other assets	166,766	207,941

[1] These include deferred liabilities of €8,039 (€7,013 at 30 June 2022).

Liabilities

SECTION 1

Heading 10: Financial liabilities measured at amortized cost

1.1 Financial liabilities measured at amortized cost: product breakdown of amounts due to banks

Operation Type/Values	Total 30 June 2023				Total 30 June 2022			
	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	5,634,137	X	X	X	8,442,206	X	X	X
2. Due to banks	28,689,976	X	X	X	26,728,923	X	X	X
2.1 Current accounts and demand deposits	19,208,919	X	X	X	19,519,901	X	X	X
2.2 Term deposits	3,870,089	X	X	X	1,818,795	X	X	X
2.3 Loans	5,433,196	X	X	X	5,281,156	X	X	X
2.3.1 Repos	3,467,320	X	X	X	3,160,595	X	X	X
2.3.2 Other	1,965,876	X	X	X	2,120,561	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]	—	X	X	X	904	X	X	X
2.6 Other liabilities	177,772	X	X	X	108,167	X	X	X
Total	34,324,113	—	34,324,113	—	35,171,129	—	35,171,129	—

[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 – Sixth Update.

1.2 Financial liabilities measured at amortized cost: product breakdown of amounts due to customers

Operation Type/Values	Total 30 June 2023				Total 30 June 2022			
	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	4,221,625	X	X	X	7,013,050	X	X	X
2. Term deposits	3,840,437	X	X	X	2,452,784	X	X	X
3. Loans	681,703	X	X	X	1,892,740	X	X	X
3.1 Reverse Repos	613,522	X	X	X	1,782,524	X	X	X
3.2 Other	68,181	X	X	X	110,216	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Lease liabilities[1]	25,245	X	X	X	28,122	X	X	X
6. Other liabilities	1,671	X	X	X	1,434	X	X	X
Total	8,770,681	—	8,770,681	—	11,388,130	—	11,388,130	—

[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 – Sixth Update.

1.3 Financial liabilities measured at amortized cost: product breakdown of debt securities in issue

Type of security/ Amounts	30 June 2023				30 June 2022			
	Book value	Fair value*			Book value	Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1 Bonds	17,623,363	—	17,412,609	—	15,174,795	—	15,107,179	—
1.1 structured	2,982,862	—	3,004,731	—	2,453,598	—	2,490,286	—
1.2 other	14,640,501	—	14,407,878	—	12,721,197	—	12,616,893	—
2. other securities	261,493	—	—	261,493	59,252	—	—	59,252
2.1 structured	—	—	—	—	—	—	—	—
2.2 Other[1]	261,493	—	—	261,493	59,252	—	—	59,252
Total	17,884,856	—	17,412,609	261,493	15,234,047	—	15,107,179	59,252

* Fair value amounts are shown after deducting issuer risk, which at 30 June 2023 suggested a capital gain of €136.5m (up €212.5m).

[1] This item includes transactions in financial bills, which began in the financial year ended 30 June 2023 for a value of €219,763.

Debt securities in issue increased from €15.2bn to €17.6bn, on new issuance of €4.4bn, which offset redemptions and buybacks of €2.8bn (generating gains of €6.8m) and other increases (exchange rates, amortized cost and hedging effects) amounting to €805.8m.

The bonds in issue include €94m (€144m in the previous year) related to arbitrage leveraging strategies on derivative basis indexes (skew) mainly linked to credit derivatives, and a minority to interest rate arbitrage, inflation and equity risk (underlying transactions). All these issues involve payment of interest (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 standard 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

The heading "Securities in issue" includes the following five subordinated Lower Tier 2 issues, for a total amount of €1,351,236. It should be noted that during the year an issue matured in April 2023 and a 3-month Euribor +480 bps subordinated loan was issued for €300m with a 10-year maturity and callable after 5 years.

Issue	**30 June 2023**		
	ISIN code	**Nominal Value**	**Book value**
MB SUBORDINATO TV con min 3% 2025	IT0005127508	496,805	501,128
MB SUBORDINATO 3.75% 2026	IT0005188351	299,750	272,969
MB SUBORDINATO 1.957% 2029	XS1579416741	50,000	50,735
MB SUBORDINATO 2.3% 2030	XS2262077675	248,854	226,414
MB SUBORDINATO TF 10Y Callable	XS2577528016	299,950	299,990
Total subordinated issues		1,395,359	1,351,236

SECTION 2

Heading 20: Trading financial liabilities

2.1 Trading financial liabilities: product breakdown

Operation Type/Values	30 June 2023					30 June 2022				
	Nominal or notional value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair value*	Nominal or notional value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair value*
A. Cash liabilities										
1. Due to banks	42,854	34,173	10,552	—	44,725	9,642	8,981	—	—	8,981
2. Due to customers	4,160,964	4,085,164	205	—	4,085,369	3,732,348	3,720,645	—	—	3,720,645
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)	4,203,818	4,119,337	10,757	—	4,130,094	3,741,990	3,729,626	—	—	3,729,626
B. Derivative instruments										
1. Financial derivatives	—	848,671	4,891,728	304,823	—	—	875,249	4,187,661	703,976	—
1.1 Trading	X	848,671	4,891,670	304,823[1]	X	X	875,249	4,187,561	703,491	X
1.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	58	—	X	X	—	100	485	X
2. Credit derivatives	—	—	416,933	—	—	—	—	529,990	—	—
2.1 Trading	X	—	416,933	—	X	X	—	529,990	—	X
2.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total (B)	X	848,671	5,308,661	304,823	X	X	875,249	4,717,651	703,976	X
Total (A+B)	X	4,968,008	5,319,418	304,823	X	X	4,604,875	4,717,651	703,976	X

* Fair value calculated excluding changes in value due the issuer's different credit quality.

[1] Respectively, €798 and €409,692 relating to traded options, whose contra-item was recorded among financial assets held for trading.

SECTION 3

Heading 30: Financial liabilities designated at fair value

3.1 Financial liabilities designated at fair value: product breakdown

Operation Type/Values	Total 30 June 2023					Total 30 June 2022				
	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	7,857	—	—	7,857	7,857	3,516	—	—	3,516	3,516
1.1 Structured	7,857	—	—	7,857	X	3,516	—	—	3,516	X
1.2 Other	—	—	—	—	X	—	—	—	—	X
of which:					—					
- loan commitments	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
- financial guarantees issued	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
2. Due to customers	—	—	—	—	—	—	—	—	—	—
2.1 Structured	—	—	—	—	X	—	—	—	—	X
2.2 Other	—	—	—	—	X	—	—	—	—	X
of which:					—					
- loan commitments	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
- financial guarantees issued	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
3. Debt securities	1,615,014	—	1,497,845	18,339	1,516,184	743,837	—	634,073	—	634,073
3.1 Structured	1,615,014	—	1,497,845	18,339	X	743,837	—	634,073	—	X
3.2 Other	—	—	—	—	X	—	—	—	—	X
Total	1,622,871	—	1,497,845	26,196	1,524,041	747,353	—	634,073	3,516	637,589

* Fair value calculated excluding changes in value due the issuer's different credit quality.

This item contains certificates of €1,456m, two of which structured (€588.4m) and covered by specific financial assets under Heading 20 Financial assets designated at fair value.

Heading 40: Hedging derivatives

4.1 Hedging derivatives: breakdown by hedge type and hierarchy level

	Fair value	30 June 2023		Nominal Value 30 June 2023	Fair value	30 June 2022		Nominal Value 30 June 2022
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	2,116,467	—	45,417,637	—	1,385,981	—	39,309,656
1) Fair value	—	2,116,467	—	45,417,637	—	1,385,933	—	39,213,382
2) Cash flow	—	—	—	—	—	48	—	96,274
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow	—	—	—	—	—	—	—	—
Total	—	2,116,467	—	45,417,637	—	1,385,981	—	39,309,656

4.2 Hedging derivatives: breakdown by portfolio hedged and hedge type

Transaction / Type of hedge	Fair Value							Cash flows		Foreign investments
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equity securities and stock indexes	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	—	—	—	—	X	X	X	—	X	X
2. Financial assets measured at amortized cost	76,165	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other transactions	—	—	—	—	—	—	X	—	X	—
Total assets	76,165	—	—	—	—	—	—	—	—	—
1. Financial liabilities	2,040,302	X	—	—	—	—	X	—	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	2,040,302	—	—	—	—	—	—	—	—	—
1. Expected transactions	X	X	X	X	X	X	X	—	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: breakdown

	30 June 2023	30 June 2022
1. Payment agreements classified as liabilities under IFRS 2	—	—
2. Core liabilities or invoices to be issued	44,851	46,271
3. Accrued income other than capitalized income on the related financial assets	3,026	3,127
4. Amounts due to revenue authorities	35,216	16,186
5. Amounts due to staff	182,508	147,060
6. Other items	112,390	65,527
- coupons and dividends pending collection	3,557	2,638
- available sums payable to third parties	36,070	13,073
- tax consolidation	27,301	8,522
- miscellaneous items	45,462	41,294
Total	377,991	278,171

SECTION 9

Heading 90: Provision for statutory end-of-service payments

9.1 Provision for statutory end-of-service payments: changes during the period

	Total 30 June 2023	Total 30 June 2022
A. Balance at start of period	5,400	7,386
B. Increases	853	797
B.1 Provision of the year	209	181
B.2 Other changes	644	616
C. Decreases	1,203	2,783
C.1 End-of-service payments	489	1,667
C.2 Other changes[1]	714	1,116
D. Balance at end of period	5,050	5,400
Total	5,050	5,400

[1] This consists in the transfer to Provision for statutory end-of-service payments held at the INPS treasury.

9.2 Other information

The Provision for statutory end-of-service payments calculated according to the rules laid down in the Italian Civil Code amounted to €5,332,000 (€5,408,000). No new accruals were recorded during the year under review (service cost).

The Provision for statutory end-of-service payments 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 2023 has been used for similar companies to those being valued (equal to 3.67%, 2.74% as at 30 June 2022), while the long-term inflation rate went from 2.4% to 2.5%.

SECTION 10

Heading 100: Provisions for risks and charges

10.1 Provisions for risks and charges: breakdown

Items/Values	30 June 2023	30 June 2022
1. Provisions for credit risk related to commitments and financial guarantees issued	30,406	46,692
2. Provision to other commitments and other guarantees issued	—	—
3. Company retirement plans	—	—
4. Other provisions for risks and charges	67,325	67,857
4.1 legal and tax disputes	—	—
4.2 Personnel expenses	10,981	904
4.3 Other	56,344	66,953
Total	97,731	114,549

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.

As at 30 June, the item "Provisions for risks and charges" decreased from €114.5m to €97.7m mainly following the reduction in the component of commitments and guarantees issued (from €46.7m to €30.4m); the portion of "other provisions for risks and charges" to cover legal/tax disputes and other liabilities including personnel expenses also decreased slightly (from €67.9m to €67.3m), after the extraordinary provision made by the Bank for the launch of an early retirement and turnover plan aiming to encourage generational turnover (€10m), partially offset by net releases of €7.9m, largely linked to the revaluation of the tax risk and withdrawals of €2.5m.

With reference to the main legal proceedings, the following should be noted:

– regarding the claim for damages made by Lucchini S.p.A. in Amministrazione Straordinaria ("Lucchini") against 12 banks (including Mediobanca) on the assumption that they had allegedly contributed to the company's economic and financial instability, by ruling dated 28 December 2022, the Court of Appeal of Milan dismissed the claims brought by Lucchini splitting legal expenses among the parties. As at 30 June 2023, the deadline for the appeal had expired without Lucchini having notified the appeal to the Court of Cassation; as a result, the sentence of the Court of Appeal of 28 December 2022 became final and the dispute may be considered as settled on a final basis.

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 CMG Monaco 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 judgement. In detail, Mediobanca won the case in the first and second instances of the dispute relating to financial year 2013/2014 (2013 profits, tax of €21.3m, plus interest and penalties), but an appeal before the Court of Cassation is pending. The Bank won the case in the first instance in the joint proceedings relating to financial years 2014/2015 and 2015/2016 (respectively 2014 and 2015 profits) for a total tax of €32.5m, plus interest and penalties, but an appeal in the second instance brought by the Italian Revenue Agency is still pending;

– with reference to Mediobanca's alleged failure to apply withholding taxes on interest expense paid as part of a secured financing transaction in 2014, 2015 and 2016 (tax of €6.4m, plus interest and penalties), after the Milan Provincial Tax Commission dismissed the first two disputed years, the Bank proceeded to bring a second-level appeal while the first-level judgement for the year 2016 is pending;

– regarding the dispute concerning the Bank's alleged failure to pay the substitute tax upon disbursement of a loan taken out abroad, with an assessed higher tax of €375,000. The Bank won the case in the second instance but the appeal before the Court of Cassation brought by the Italian Revenue Agency is now pending;

– the dispute before the Court of Cassation concerning a transfer of money abroad relating to operations of Banca Esperia fully expensed in prior years was concluded.

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 other commitments and other guarantees issued	Retirement plans	Other provisions for risks and charges	Total
A. Opening balance	—	—	67,857	67,857
B. Increases	—	—	11,937	11,937
B.1 Provision of the year	—	—	11,500	11,500
B.2 Changes due to the passage of time	—	—	—	—
B.3 Changes due to discount rate differences	—	—	—	—
B.4 Other changes	—	—	437	437
- of which, business combinations	—	—	—	—
C. Decreases	—	—	12,469	12,469
C.1 Use in the exercise	—	—	12,469	12,469
C.2 Changes due to discount rate differences	—	—	—	—
C.3 Other changes	—	—	—	—
- of which, business combinations	—	—	—	—
D. Balance at end of period	—	—	67,325	67,325

10.3 Provisions for credit risk related to commitments and financial guarantees issued

	Provisions for credit risk related to commitments and financial guarantees issued				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired**	**Total**
1. Loan commitments	9,099	1,227	—	—	10,326
2. Financial guarantees issued	15,100	4,980	—	—	20,080
Total	24,199	6,207	—	—	30,406

SECTION 12

Headings 110, 130, 140, 150, 160, 170 and 180: Net equity

11.1 "Capital" and "treasury shares": breakdown

For the breakdown of the Bank'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	864,698,552
- fully paid up	864,698,552
- partially paid up	—
A.1 Treasury shares (-)	(25,812,945)
A.2 Shares in issue: opening balance	838,885,607
B. Increases	1,916,938
B.1 Newly issued shares:	1,058,922
- for consideration	—
- business mergers	—
- bond conversions	—
- exercise of warrants	—
- other	—
- free of charge:	1,058,922
- to employees	1,058,922
- to directors	—
- other	—
B.2 Disposals of treasury shares	858,016
B.3 Other changes	—
C. Decreases	—
C.1 Cancellation	
C.2 Purchases of treasury shares	
C.3 Disposals of businesses	
C.4 Other changes	
D. Shares in issue: closing amount	840,802,545
D.1 Treasury shares (+)	(8,454,929)
D.2 Shares held at the end of the period	849,257,474
- fully paid up	849,257,474
- partially paid up	—

On 2 September last, an additional 16,500,000 treasury shares were cancelled, keeping in the portfolio the number needed to cover its performance share plans and other commitments. As part of the performance share plans, 1,916,938 shares were allocated during the year, 858,016 of which through treasury shares and 1,058,922 through a capital increase.

The changes in the Reserve for treasury shares during the year were as follows:

Items/Values	Number of shares	Value (€'000)
Reserve for treasury shares: opening amount at 30 June 2022	25,812,945	240,807
Increases	—	—
- Newly issued shares	—	—
- Purchases of treasury shares	—	—
- Other changes	—	—
Decreases	17,358,016	161,931
- Cancellations	16,500,000	153,927
- Disposals of treasury shares	858,016	8,004
- Other changes	—	—
Reserve for treasury shares: closing amount at 30 June 2023	8,454,929	78,876

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	444,169	—	—	—	—
Share premium	2,195,606	A – B – C	2,195,606	—	—
Reserves					
- Legal reserve	88,728	B	88,728	—	—
- Reserve under the articles of association	720,073	A – B – C	720,073	—	216,021
- Treasury shares reserve	78,876	-	-	—	—
Other reserves	939,126	A – B – C	939,126	—	—
Revaluation reserves					
- FVOCI revaluation reserve					
- Financial liabilities measured at FV through profit or loss	57,435	—	—	—	—
- Extraordinary revaluation laws	(5,524)	—	—	—	—
- Provision for statutory end-of-service payments	9,632	A – B – C	9,632	—	—
- Hedging of cash flows	(2,354)	—	—	—	—
- Treasury shares	(78,876)	—	—	—	—
Total	4,446,891	—	3,953,165	—	216,021
Non-distributable portion	—	—	88,728	—	—
Residual distributable portion	—	—	3,864,437	—	—

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 June 2023	Total 30 June 2022
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
1. Loan commitments	12,615,113	49,423	—	—	12,664,536	12,132,336
a) Central Banks	2,901	—	—	—	2,901	—
b) Public administrations	3,158,938	—	—	—	3,158,938	2,724,891
c) Banks	537,139	—	—	—	537,139	217,875
d) Other financial companies	1,392,761	—	—	—	1,392,761	1,947,017
e) Non-financial companies	7,006,628	49,175	—	—	7,055,803	6,865,871
f) Households	516,746	248	—	—	516,994	376,682
2. Financial guarantees issued	6,279,664	92,617	4,356	—	6,376,637	7,474,426
a) Central Banks	—	—	—	—	—	—
b) Public administrations	120,000	—	—	—	120,000	28,882
c) Banks	2,209,846	—	—	—	2,209,846	2,416,036
d) Other financial companies	1,404,880	—	—	—	1,404,880	1,125,964
e) Non-financial companies	2,530,024	92,617	4,356	—	2,626,997	3,883,180
f) Households	14,914	—	—	—	14,914	20,364

2. Other commitments and guarantees issued

	Nominal Value	
	Total 30 June 2023	Total 30 June 2022
1. Other guarantees issued	140,692	163,773
of which: non-performing	—	*300*
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	2,690	2,105
d) Other financial companies	47,708	61,228
e) Non-financial companies	24,803	34,659
f) Households	65,491	65,781
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	—	—

3. Assets established as collateral to secure own liabilities and commitments

Portfolios	Amount 30 June 2023	Amount 30 June 2022
1. Financial assets measured at fair value through profit or loss	2,957,778	4,194,222
2. Financial assets measured at fair value through other comprehensive income	2,278,435	2,794,870
3. Financial assets measured at amortized cost	9,978,489	9,761,293
4. Tangible assets	—	—
of which: tangible assets that constitute inventories	—	—
5. Equity investments	22,765	210,435

4. Assets managed on behalf of third parties

Type of service	Amount 30 June 2023	Amount 30 June 2022
1. Orders execution on behalf of customers		
a) purchases	50,053,053	39,869,719
1. settled	49,699,700	38,948,514
2. unsettled	353,353	921,205
b) sales	41,972,612	30,693,114
1. settled	41,619,259	29,771,909
2. unsettled	353,353	921,205
2. Individual asset management[1]	10,259,551	9,327,809
3. Custody and administration of securities		
a) third-party securities deposited: relating to depositary banks activities (excluding portfolio management)	9,097,812	8,894,618
1. securities issued by the bank that prepares the financial statements	2,524,304	613
2. other securities	6,573,508	8,894,005
b) third-party securities deposited (excluding portfolio management): other	11,098,885	7,383,607
1. securities issued by the bank that prepares the financial statements	—	—
2. other securities	11,098,885	7,383,607
c) third-party securities deposited with third parties	1,189,715	5,875,833
d) own securities deposited with third parties	15,476,042	13,976,515
4. Other transactions	—	—

[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 (b)[1]	Net amount of financial assets stated (c=a-b)	Related amounts not offset		Net amount (f=c-d-e) 30 June 2023	Net amount 30 June 2022
				Financial instruments (d)	Cash deposits received as guarantee (e)		
1. Derivatives	3,439,638	1,870,581	1,569,057	1,389,798	76,675	102,584	319,685
2. Repos	3,449,319	—	3,449,319	3,449,319	—	—	—
3. Securities lending	—	—	—	—	—	—	—
4. Other	—	—	—	—	—	—	—
Total 30 June 2023	6,888,957	1,870,581	5,018,376	4,839,117	76,675	102,584	X
Total 30 June 2022	5,984,073	1,245,133	4,738,940	4,299,590	119,665	X	319,685

[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 June 2023	Net amount (f=c-d-e) 30 June 2022
				Financial instruments (d)	Cash deposits established as guarantee (e)		
1. Derivatives	3,549,859	—	3,549,859	1,389,798	1,591,898	568,163	1,163,140
2. Repos	4,080,842	—	4,080,842	4,080,842	—	—	—
3. Securities lending	—	—	—	—	—	—	—
4. Other	—	—	—	—	—	—	—
Total 30 June 2023	7,630,701	—	7,630,701	5,470,640	1,591,898	568,163	X
Total 30 June 2022	8,182,770	—	8,182,770	6,614,943	404,687	X	1,163,140

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:	60,071	27,496	424,331
a) Banks	—	26,889	410,218
b) Financial institutions	60,071	607	14,113
c) Customers	—	—	—
2. Cash-collateralized securities lending provided to:	—	(200,895)	(363,625)
a) Banks	—	(200,789)	(363,143)
b) Financial institutions	—	(106)	(482)
c) Customers	—	—	—
Total securities lending (book value)	60,071	(173,399)	60,706

Type of securities lending transaction	Type of security		
	Government securities	Bank securities	Other securities
1. Security-collateralized or non-collateralized securities lending received from:	1,848,627	588,000	1,823,868
a) Banks	—	588,000	1,823,751
b) Financial institutions	1,848,627	—	—
c) Customers	—	—	117
2. Security-collateralized or non-collateralized securities lending provided to:	(2,034,062)	(35,856)	(767,244)
a) Banks	(562,555)	—	(399,041)
b) Financial institutions	(1,471,507)	(35,856)	(368,203)
c) Customers	—	—	—
Total securities lending (fair value)	(185,435)	552,144	1,056,624

[1] The tables below illustrate the Bank's operations in securities lending (and borrowing), broken down by type of instrument (government securities, bank securities 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 Income Statement

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: breakdown

Items/Instrument type	Debt securities	Loans	Other transactions	12 mths ended 30/6/23	12 mths ended 30/6/22
1. Financial assets measured at fair value through profit or loss	70,104	20,725	—	90,829	58,728
1.1 Financial assets held for trading	70,030	158	—	70,188	37,414
1.2 Financial assets designated at fair value	—	20,460	—	20,460	21,108
1.3 Other financial assets mandatorily measured at fair value	74	107	—	181	206
2. Financial assets measured at fair value through other comprehensive income	129,128	—	X	129,128	58,295
3. Financial assets measured at amortized cost:	124,252	1,394,870	—	1,519,122	376,387
3.1 Due from banks	27,530	868,564	X	896,094	191,957
3.2 Due from customers	96,722	526,306	X	623,028	184,430
4. Hedging derivatives[1]	X	X	—	—	116,784
5. Other assets	X	X	396	396	356
6. Financial liabilities[2]	X	X	X	756	40,542
Total	323,484	1,415,595	396	1,740,231	651,092
of which: interest income on impaired assets	*—*	*2,443*	*—*	*2,443*	*2,686*
of which: interest income from finance lease	*X*	*1*	*X*	*1*	*26*

[1] Mostly hedges of funding.

[2] Heading 6 “Financial liabilities” includes interest expenses as the result of negative interest rates.

1.2 Interest and similar income: other information

As at 30 June 2023, the balance of the account included €122.8m in connection with financial assets in foreign currencies.

1.3 Interest expenses and similar charges: breakdown

Items/Instrument type	Debts	Securities	Other transactions	12 mths ended 30/6/23	12 mths ended 30/6/22
1. Financial liabilities measured at amortized cost	(696,603)	(396,306)	—	(1,092,909)	(499,624)
1.1 Due to central banks	(105,542)	X	X	(105,542)	(112)
1.2 Due to banks	(494,729)	X	X	(494,729)	(222,774)
1.3 Due to customers	(96,332)	X	X	(96,332)	(8,810)
1.4 Securities in issue	X	(396,306)	X	(396,306)	(267,928)
2. Trading financial liabilities	—	—	—	—	—
3. Financial liabilities designated at fair value	—	(21,418)	—	(21,418)	(20,411)
4. Other liabilities and funds	X	X	—	—	—
5. Hedging derivatives	X	X	(290,974)	(290,974)	—
6. Financial assets[1]	X	X	X	(2,394)	(23,171)
Total	(696,603)	(417,724)	(290,974)	(1,407,695)	(543,206)
of which: interest expense relating to lease liabilities	*(253)*	*X*	*X*	*(253)*	*(247)*

[1] Heading “6. Financial assets” includes interest expense accrued as the result of negative interest rates.

1.4 Interest expense and similar charges: other information

As at 30 June 2023, the balance of the account included €121m in connection with financial liabilities in foreign currencies.

1.5 Margins on hedging transactions

Items	12 mths ended 30/6/23	12 mths ended 30/6/22
A. Positive margins on hedging transactions	744,426	365,333
B. Negative margins on hedging transactions	(1,035,400)	(248,549)
C. Net balance (A-B)	(290,974)	116,784

SECTION 2

Heading 40 and 50: Net fee and commission income

2.1 Fee and commission income: breakdown

Type of income/Values	12 mths ended 30/6/23	12 mths ended 30/6/22
a) Financial instruments	134,289	139,338
1. Placement of securities	78,675	79,327
1.1 Underwriting commitment and/or based on an irrevocable commitment	—	—
1.2 Without an irrevocable commitment	78,675	79,327
2. Receipt and sending of orders and execution of orders on behalf of clients	73	68
2.1 Receipt and sending of orders for one or more financial instruments	73	68
2.2 Execution of orders on behalf of customers	—	—
3. Other commissions associated with activities linked to financial instruments	55,541	59,943
of which: trading on own account	*20,167*	*19,163*
of which: management of individual portfolio	*35,374*	*40,780*
b) Corporate Finance	103,760	100,490
1. Advice on mergers and acquisitions	103,760	100,490
2. Treasury services	—	—
3. Other fees associated with corporate finance services	—	—
c) Advice on investments	4,343	4,621
d) Netting and settlement	—	—
e) Custody and administration	16,497	14,212
1. Depository bank	7,458	7,458
2. Other fees associated with custody and administration	9,039	6,754
f) Central administrative services for collective portfolio management	—	—
g) Fiduciary activities	—	—
h) Payment services	469	642
1. Current accounts	457	631
2. Credit cards	—	—
3. Debit cards and other payment cards	—	—
4. Wire transfers and payment orders	12	11
5. Other fees linked to payment services	—	—
i) Distribution of third-party services	14,119	15,268
1. Collective portfolio management	5,056	5,337
2. Insurance products	6,520	7,100
3. Other products	2,543	2,831
of which: individual portfolio management	*2,543*	*2,831*
j) Structured finance	—	—
k) Securitization servicing	—	—
l) Loan commitments	65,630	67,467
m) Financial guarantees issued	8,272	9,316
of which: credit derivatives	—	—
n) Financing transactions	—	—
of which: factoring services	—	—
o) Currency negotiation	—	—
p) Commodities	—	—
q) Other fee and commission income	8,268	10,445
of which: for the management of multilateral trading facilities	—	—
of which: for the management of organized trading systems	—	—
Total	355,647	361,799

2.2 Fee and commission income: product and service distribution channels

Channel / Amount	12 mths ended 30/6/23	12 mths ended 30/6/22
a) at own branches:	128,168	135,375
1. portfolio management	35,374	40,780
2. placement of securities	78,675	79,327
3. services and products of third parties	14,119	15,268
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	12 mths ended 30/6/23	12 mths ended 30/6/22
a) Financial instruments	(21,875)	(24,494)
of which: securities trading	*(5,810)*	*(5,646)*
of which: financial instruments placement	*(4,265)*	*(6,650)*
of which: individual portfolio management	*(11,800)*	*(12,198)*
- Own assets	(11,800)	(12,198)
- Under mandate to third parties	—	—
b) Netting and settlement	—	—
c) Custody and administration	(2,690)	(2,108)
d) Collection and payment services	(7,292)	(9,083)
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	(28,108)	(36,532)
Total	(59,965)	(72,217)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: breakdown

	12 mths ended 30/6/23		12 mths ended 30/6/22	
Item / Income	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	62,524	24	84,439	3
B. Other financial assets mandatorily measured at fair value	—	10,451	—	26,030
C. Financial assets measured at fair value through other comprehensive income	18,472	—	14,241	—
D. Equity investments	527,323	—	487,992	—
Total	608,319	10,475	586,672	26,033

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: breakdown

Transactions/ Income components	Capital gains (A)	Trading income (B)	Capital losses (C)	Trading loss (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading	175,093	625,321	(210,521)	(188,569)	401,324
1.1 Debt securities	130,566	126,308	(78,677)	(77,892)	100,305
1.2 Equity securities	44,187	496,902	(131,844)	(109,725)	299,520
1.3 UCIT units	3	2,111	—	(952)	1,162
1.4 Loans	337	—	—	—	337
1.5 Other	—	—	—	—	—
2. Trading financial liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Liabilities	—	—	—	—	—
2.3 Other	—	—	—	—	—
3. Financial assets and liabilities: currency exchange gains / losses[1]	X	X	X	X	2,509
4. Derivative instruments	3,300,550	2,247,320	(3,466,138)	(2,407,781)	(308,501)
4.1 Financial derivatives:	2,840,370	1,748,885	(2,976,696)	(1,961,585)	(331,478)
- On debt securities and interest rates	1,425,147	961,918	(1,426,198)	(1,187,756)	(226,889)
- On equity securities and stock indexes	1,378,475	785,522	(1,521,291)	(769,038)	(126,332)
- On currencies and gold	X	X	X	X	17,548
- Others	36,748	1,445	(29,207)	(4,791)	4,195
4.2 Credit derivatives	460,180	498,435	(489,442)	(446,196)	22,977
of which: natural hedges related to the fair value option	*X*	*X*	*X*	*X*	—
Total	3,475,643	2,872,641	(3,676,659)	(2,596,350)	95,332

[1] Of which €4,776 in negative margin on interest rate derivatives (positive margin of €2,145 as at 30 June 2022).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): breakdown

Income components/Amounts	12 mths ended 30/6/23	12 mths ended 30/6/22
A. Income from:		
A.1 Fair value hedging instruments	305,565	478,228
A.2 Hedged asset items (fair value)	145,523	119,020
A.3 Hedged liability items (fair value)	615,009	1,567,137
A.4 Cash flow hedging derivatives	—	—
A.5 Assets and liabilities denominated in foreign currency	320	—
Total gains on hedging activities (A)	1,066,417	2,164,385
B. Losses on:		
B.1 Fair value hedging instruments	(947,924)	(1,858,644)
B.2 Hedged asset items (fair value)	(64,485)	(247,400)
B.3 Hedged liability items (fair value)	(50,296)	(48,449)
B.4 Cash-flow hedging derivatives	—	—
B.5 Assets and liabilities denominated in foreign currency	—	(10,606)
Total losses on hedging activities (B)	(1,062,705)	(2,165,099)
C. Net income from hedging activities (A-B)	3,712	(714)
of which: income from hedges on net positions	—	—

SECTION 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposal/repurchase: breakdown

Items / Income components	12 mths ended 30/6/23			12 mths ended 30/6/22*		
	Gains	Losses	Net income	Gains	Losses	Net income
A. Financial assets						
1. Financial assets measured at amortized cost	8,309	(37)	8,272	4,038	(229)	3,809
1.1 Due from banks	—	—	—	1,821	—	1,821
1.2 Due from customers	8,309	(37)	8,272	2,217	(229)	1,988
2. Financial assets measured at fair value through other comprehensive income	7,117	(13,856)	(6,739)	19,959	(198)	19,761
2.1 Debt securities	7,117	(13,856)	(6,739)	19,959	(198)	19,761
2.2 Loans	—	—	—	—	—	—
Total Assets (A)	15,426	(13,893)	1,533	23,997	(427)	23,570
B. Financial liabilities measured at amortized cost						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Securities in issue	7,489	(687)	6,802	848	(1,870)	(1,022)
Total liabilities (B)	7,489	(687)	6,802	848	(1,870)	(1,022)

* The values for the previous year were reclassified for improved comparison (see table under Heading 80) following the reclassification from Heading 100 to Heading 80.

SECTION 7

Heading 110: Net income from other financial assets and liabilities measured at fair value through profit or loss

7.1 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

Transactions/ Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net income [(A+B) - (C+D)]
1. Financial assets	22,107	—	—	—	22,107
1.1 Debt securities	—	—	—	—	—
1.2 Loans	22,107	—	—	—	22,107
2. Financial liabilities	37,909	130	(24,185)	(22,377)	(8,523)
2.1 Securities in issue	37,813	130	(23,864)	(22,377)	(8,298)
2.2 Due to banks	96	—	(321)	—	(225)
2.3 Due to customers	—	—	—	—	—
3. Foreign-currency denominated financial assets and liabilities: currency exchange gains / losses	X	X	X	X	(22)
Total	60,016	130	(24,185)	(22,377)	13,562

7.2 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/ Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net income [(A+B) - (C+D)]
1. Financial assets	17,944	1,928	(22,647)	(30)	(2,805)
1.1 Debt securities	338	—	(8)	—	330
1.2 Equity securities	525	—	—	—	525
1.3 UCIT units	17,081	1,928	(22,523)	(30)	(3,544)
1.4 Loans	—	—	(116)	—	(116)
2. Foreign-currency denominated financial assets and liabilities: currency exchange gains / losses	X	X	X	X	(1,633)
Total	17,944	1,928	(22,647)	(30)	(4,438)

SECTION 8

Heading 130: Net value adjustments (write-backs) for credit risk

8.1 Net value adjustments for credit risk related to financial assets measured at amortized cost: breakdown

Transactions/ Income components	Value adjustments (1)						Write-backs (2)				12 mths ended 30/6/23	12 mths ended 30/6/22
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
			Write-offs	Other	*Write-offs*	Other						
A. Due from banks	(9,266)	—	—	—	—	—	8,683	—	—	—	(583)	2,743
- Loans	(8,156)	—	—	—	—	—	7,437	—	—	—	(719)	2,434
- Debt securities	(1,110)	—	—	—	—	—	1,246	—	—	—	136	309
B. Due from customers	(22,255)	(7,803)	—	(51,660)	—	—	20,673	7,501	100	—	(53,444)	42,049
- Loans	(20,639)	(4,202)	—	(51,660)	—	—	18,643	7,501	100	—	(50,257)	43,182
- Debt securities	(1,616)	(3,601)	—	—	—	—	2,030	—	—	—	(3,187)	(1,133)
Total	(31,521)	(7,803)	—	(51,660)	—	—	29,356	7,501	100	—	(54,027)	44,792

8.1a Net value adjustments for credit risk related to financial assets measured at amortized cost for which Covid-19 related concessions were granted: breakdown

Transactions/ Income components	Net value adjustments						12 mths ended 30/6/23	12 mths ended 30/6/22
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired assets			
			Write-offs	Other	*Write-offs*	Other		
1. Loans subject to forbearance measures compliant with the GLs*	—	—	—	—	—	—	—	—
2. Loans in place subject to moratoria no longer compliant with the GLs and not eligible for forbearance purposes**	—	—	—	—	—	—	—	—
3. Loans subject to other forbearance measures	—	—	—	—	—	—	—	245
4. New loans	(81)	—	—	—	—	—	(81)	432
Total 30 June 2023	(81)	—	—	—	—	—	(81)	X
Total 30 June 2022	432	245	—	—	—	—	X	677

* The row headed "Loans subject to forbearance measures compliant with the GLs" 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 subject to moratoria in place no longer compliant with the GLs 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 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.

8.2 Net value adjustments for credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/ Income components	Value adjustments (1)						Write-backs (2)				12 mths ended 30/6/23	12 mths ended 30/6/22
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
			Write-offs	Other	*Write-offs*	Other						
A. Debt securities	(74)	—	—	—	—	—	—	790	—	—	716	(2,305)
B. Loans	—	—	—	—	—	—	—	—	—	—	—	—
- To customers	—	—	—	—	—	—	—	—	—	—	—	—
- To banks	—	—	—	—	—	—	—	—	—	—	—	—
Total	(74)	—	—	—	—	—	—	790	—	—	716	(2,305)

SECTION 10

Heading 160: Administrative expenses

10.1 Personnel costs: breakdown

Type of expense/Amount	12 mths ended 30/6/23	12 mths ended 30/6/22
1) Employees:	(278,433)	(254,496)
a) wages and salaries	(204,054)	(190,088)
b) social security contributions	(47,184)	(38,135)
c) end-of-service payments	(209)	(181)
d) social security costs	—	—
e) provision for statutory end-of-service payments	(8,765)	(6,202)
f) provision for retirement plans and similar provisions:	—	—
- defined contribution	—	—
- defined benefit	—	—
g) payments to external supplemental pension funds:	(7,445)	(6,679)
- defined-contribution	(7,445)	(6,679)
- defined-benefit	—	—
h) expenses resulting from share-based payments	(7,264)	(9,821)
i) other employees' benefits	(3,512)	(3,390)
2) Other staff in service	(4,088)	(4,393)
3) Directors and Statutory Auditors	(4,666)	(4,034)
4) Early retirement costs	(3,042)	(2,379)
5) Recoveries of expenses for employees seconded to other companies	1,429	1,357
6) Reimbursements of expenses for third-party employees seconded to the company	—	—
Total	(288,800)	(263,945)

10.2 Average number of employees by category

	12 mths ended 30/6/23	12 mths ended 30/6/22
Employees:		
a) Senior executives	299	274
b) Middle managers	650	617
c) Other employees	139	137
Other staff	111	107
Total	1,199	1,135

10.5 Other administrative expenses: breakdown

Type of income/Values	12 mths ended 30/6/23	12 mths ended 30/6/22
OTHER ADMINISTRATIVE EXPENSES		
- legal, tax and professional services	(35,800)	(29,849)
- loan recovery activity	—	—
- marketing and communications	(5,629)	(4,126)
- real property	(4,893)	(4,794)
- EDP	(87,046)	(80,334)
- info-providers	(27,785)	(24,379)
- bank charges, collection and payment fees	(1,372)	(1,363)
- operating expenses	(6,851)	(4,930)
- other personnel costs	(5,754)	(3,919)
- other[1]	(53,575)	(58,121)
- indirect taxes and duties	(25,795)	(26,433)
Total other administrative expenses	(254,500)	(238,248)

[1] This item includes contributions to the various resolution funds: €35.5m (€42.2m as at 30 June 2022).

SECTION 11

Heading 170: Net transfers to provisions for risks and charges

11.1 Net transfers for credit risk related to loan commitments and financial guarantees issued: breakdown

	12 mths ended 30/6/23			12 mths ended 30/6/22
	Provisions	Reallocation of surplus	Total	Total
Loan commitments	(4,737)	6,570	1,833	3,745
Financial guarantees issued	(13,436)	26,287	12,851	5,337
Total	(18,173)	32,857	14,684	9,082

11.3 Net transfers to other provisions for risks and charges: breakdown

	12 mths ended 30/6/23			12 mths ended 30/6/22
	Provisions	**Reallocation of surplus**	**Total**	**Total**
1. Other provisions				
1.1 Legal disputes	—	—	—	—
1.2 Personnel expenses	(10,000)	—	(10,000)	(407)
1.3 Other	(1,500)	9,577	8,077	—
Total	(11,500)	9,577	(1,923)	(407)

SECTION 12

Heading 180: Net value adjustments to /write-backs of tangible assets

12.1 Net value adjustments to /write-backs of tangible assets: breakdown

Asset/Income component	**Depreciation (a)**	**Impairment losses (b)**	**Write-backs (c)**	**Net income (a + b - c)**
A. Property, plant, and equipment				
1 Core	(8,483)	—	—	(8,483)
- Owned	(2,878)	—	—	(2,878)
- Right-of-use assets	(5,605)	—	—	(5,605)
2 Held for investment purpose	(425)	—	—	(425)
- Owned	(425)	—	—	(425)
- Right-of-use assets	—	—	—	—
3 Inventories	X	—	—	—
Total	(8,908)	—	—	(8,908)

SECTION 13

Heading 190: Net value adjustments to /write-backs of intangible assets

13.1 Net value adjustments to /write-backs of intangible assets: breakdown

Asset/Income component	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net income (a + b - c)
A. Intangible assets				
of which: software	*(666)*	—	—	*(666)*
A.1 owned	(666)	—	—	(666)
- Generated by the company internally	—	—	—	—
- Other	(666)	—	—	(666)
A.2 Right-of-use assets	—	—	—	—
Total	(666)	—	—	(666)

SECTION 14

Heading 200: Other operating income (expense)

14.1 Other operating expenses: breakdown

Type of service/Values	12 mths ended 30/6/23	12 mths ended 30/6/22
a) Leases	—	—
b) Sundry costs and expenses[1]	(16,193)	(2,715)
Total other operating expenses	(16,193)	(2,715)

[1] The item includes 14 million linked to a refund to a customer who has been the subject of fraudulent action by a third party.

14.2 Other operating income: breakdown

Type of service/Values	12 mths ended 30/6/23	12 mths ended 30/6/22
a) Amounts recovered from customers	20,229	17,958
b) Other income[1]	21,628	23,114
Total other operating income	41,857	41,072

[1] This item includes €19m in reimbursements for a fraud suffered by a Private Client.

SECTION 15

Heading 220: Gains (losses) on equity investments

15.1 Gains (losses) on equity investments: breakdown

Income components/Amounts	12 mths ended 30/6/23	12 mths ended 30/6/22
A. Income	—	—
1. Write-ups	—	—
2. Gains on disposal	—	—
3. Write-backs	—	—
4. Other gains	—	—
B. Expenses	(54,263)	(855)
1. Write-downs	—	—
2. Impairment losses	(54,263)	—
3. Losses on disposal	—	(855)
4. Other expenses	—	—
Net profit (loss)	(54,263)	(855)

SECTION 19

Heading 270: Income tax for the year on ordinary activities

19.1 Income tax for the year on ordinary activity: breakdown

Income components/Amounts	12 mths ended 30/6/23	12 mths ended 30/6/22
1. Current taxes (-)	(140,758)	(50,634)
2. Changes in current taxes for previous years (+/-)	—	—
3. Reduction in current taxes for the year (+)	—	—
3.bis Reduction in current taxes for the year due to tax credits pursuant to Law No. 214/2011 (+)	—	—
4. Changes in prepaid taxes (+/-)	(8,912)	(17,485)
5. Changes in deferred taxes (+/-)	14,670	119
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(135,000)	(68,000)

19.2 Reconciliation between theoretical and effective tax burden

	12 mths ended 30/6/23	
	Value in %	**Absolute value**
Total profit before taxes		741,791
IRES		
Theoretical rate and theoretical tax	27.5%	203,910
Dividends (-)	-18.8%	(139,206)
Release of CMB reserves under Article 1 of Law No. 197/2002	2.6%	19,200
Impairment (+/–)	2.0%	14,922
Other changes (+/-)	0.2%	1,174
TOTAL IRES	13.5%	100,000
TOTAL IRAP	4.7%	35,000
TOTAL TAXES	18.2%	135,000

SECTION 22

Earnings per share

22.1 Average number of ordinary shares on a diluted basis

	12 mths ended 30/6/23	**12 mths ended 30/6/22**
Profit/(Loss) for the period	606,491	513,087
Average number of shares in issue	840,761,242	838,844,304
Average number of potentially diluted shares	4,561,321	4,131,090
Average number of diluted shares	845,322,563	842,975,394
Earnings per share	0.72	0.61
Earnings per share, diluted	0.72	0.61

Part D – Comprehensive Income

Breakdown of Comprehensive Income

Items		30 June 2023 Net amount	30 June 2022 Net amount
10.	**Profit (loss) for the year**	**606,491**	**513,087**
	Other comprehensive income not reclassified through profit or loss		
20.	**Equity securities designated at fair value through other comprehensive income:**	**18,101**	**16,996**
	a) fair value changes	(44,457)	15,949
	b) transfers to other net equity items	62,558	1,047
30.	**Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):**	**(6,274)**	**4,345**
	a) fair value changes	(6,274)	7,163
	b) transfers to other net equity items	—	(2,818)
40.	**Hedge accounting of equity securities designated at fair value through other comprehensive income:**	—	—
	a) fair value change (hedged instrument)	—	—
	b) fair value change (hedging instrument)	—	—
50.	**Tangible assets**	—	—
60.	**Intangible assets**	—	—
70.	**Defined benefit plans**	**178**	**436**
80.	**Non-current assets and asset groups held for sale**	—	—
90.	**Portion of valuation reserves of equity-accounted investments:**	—	—
100.	**Income taxes relating to other income items not reclassified through profit or loss**	—	—
	Other income items through profit or loss		
110.	**Hedging of foreign investments:**	—	—
	a) fair value changes	—	—
	b) transfer to profit or loss	—	—
	c) other changes	—	—
120.	**Currency exchange gains / losses:**	—	—
	a) fair value changes	—	—
	b) transfer to profit or loss	—	—
	c) other changes	—	—
130.	**Cash flow hedging:**	**(462)**	**462**
	a) fair value changes	(462)	462
	b) transfer to profit or loss	—	—
	c) other changes	—	—
	of which: income of net positions	—	—
140.	**Hedging instruments (not designated items):**	—	—
	a) fair value changes	—	—
	b) transfer to profit or loss	—	—
	c) other changes	—	—
150.	**Financial assets (other than equity securities) measured at fair value through other comprehensive income:**	**(8,210)**	**(89,644)**
	a) fair value changes	(10,585)	(78,161)
	b) transfer to profit or loss	2,375	(11,483)
	- credit risk adjustments	(479)	1,542
	- gains/losses on disposals	2,854	(13,025)
	c) other changes	—	—
160.	**Non-current assets and asset groups held for sale:**	—	—
	a) fair value changes	—	—
	b) transfer to profit or loss	—	—
	c) other changes	—	—
170.	**Portion of valuation reserves of equity-accounted investments:**	—	—
	a) fair value changes	—	—
	b) transfer to profit or loss	—	—
	- impairment losses	—	—
	- gains/losses on disposals	—	—
	c) other changes	—	—
180.	**Income taxes relating to other income items reclassified through profit or loss**	—	—
190.	**Total other income items**	**3,333**	**(67,405)**
200.	**Comprehensive income (Headings 10 +190)**	**609,824**	**445,682**

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 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,

[1] On 27 June 2023, the Board of Directors approved the Policy update for the definition of the Risk Appetite calibration in the risk appetite statement (RAS). 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.

RAF, Recovery Plan, planning support); iii) Quantitative Risk Methodologies, responsible for the development of quantitative methodologies for measuring and managing credit 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 Liability 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 on the accounting infrastructure. The Statutory Audit Committee supervises the risk management and control system as defined by the RAF and the internal controls system, assessing the effectiveness of the structures and units involved in the process and coordinating them.

Within the Parent Company's risk governance system, the following Management Committees have specific responsibilities within the processes of taking, managing, measuring and controlling risks: 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"), 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 following framework risk pillars, in line with the best international practices: capital adequacy; liquidity and funding; profitability; 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 takes place on the basis of the residual life of instruments that have undergone a significant deterioration in risk (referred to as “Stage 2”) or which show objective signs of deterioration (“Stage 3”) and over a 12-month horizon for instruments that do not fall within the previous 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 watch list.

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 defined on a statistical basis. 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.

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 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]

In light of the main assumptions characterizing the base case scenario relating to a level of inflation that will remain steadily very high, and in consideration of the fact that the impact will be distributed in a different way across the various product categories, the Bank, confirming the decision taken in the previous financial year, decided to adopt additional provisions ("overlays"). Unlike the previous financial year, which was mainly characterized by the effects of the continuation of the pandemic, the current overlays have been applied in the corporate division concerning sectors particularly exposed to inflationary pressure in order to enhance any risk peaks in specific industrial sectors that the quantitative methodology captures only on average.

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.

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

[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").

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 known for its prudent approach to risk, which is reflected in the fact that its overdue exposure levels are among the lowest 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 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 write-down of non-performing loans according to pre-established maturities.

4. Financial assets subject to commercial renegotiations and forbearance measures

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, refinancing or waivers of 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 adoption 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 "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.

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. Macroeconomic scenario and impacts

The macroeconomic environment in the first half of 2023 governing the IFRS 9 provision of June 2023 is characterized by the same assumptions underlying the scenario available in December 2022.

Stagflation has been confirmed as the most probable feature for 2023 with an increase in the price level associated with weak growth, especially in the second half of the current year.

However, the macroeconomic forecasts for 2023 are slightly better than the baseline scenario available in December 2022 due to the improved performance of the overall economic system observed between November 2022 and March 2023.

Starting from 2024, growth will remain contained but positive for the following two-year period.

For example, concerning the Italian domestic economy, despite the continuous increase in prices, the year 2022 was characterized by economic growth well beyond expectations with a growth rate of the domestic product over 3.8%, i.e. half a percentage point higher than basic level forecast for 2022 in the past half-year period.

However, growth in 2023 has been more modest, also following the ongoing monetary tightening. The forecast for the annual closing shows that the rate of GDP growth will be reduced to 0.7%, despite being higher than expected in the previous half year, which estimated negative numbers. For the European context in general, and for the related main national economies such as Germany, the same trend has been observed. Growth in 2022 will be above the initial expectations even if with a lower intensity than the one observed in Italy, while the year 2023 will be characterized by a sharp reduction in growth compared to previous forecasts.

However, the greater resilience of the main European economies compared to Italy regarding the effects of the energy crisis, due both to the possibility of enjoying effective price containment measures in some cases (e.g. Germany) or alternative energy supplies to fossil fuels in other cases (e.g. France), will allow them to resume a more sustained growth path than in Italy starting from 2024. For example, for the EU in the two-year period 2024-2025 the growth rates will be 1.9% and 2.4% respectively against 1.3% and 1.2% in Italy.

Moreover, as done in the previous year ending in June 2022, Mediobanca has kept additional provisions (referred to as "overlays") with the aim of including the uncertainties of the evolution of the macroeconomic context in hedging levels. Unlike the previous financial year, which was mainly characterized by the effects of the continuation of the pandemic, during the year under review overlays were applied in the corporate division concerning sectors particularly exposed to inflationary pressure in order to enhance any risk peaks in specific industrial sectors that the quantitative methodology captures only on average. More specifically, overlays of €25.2m were allocated (intercompany positions amounted to €4.3m). Overlays were reduced compared to the previous financial year in consideration of the good responsiveness of the models to the worsening scenarios expected for 2023/2024 and for the classification of some sectors from High/Medium to Low Impact for inflation risk in consideration of their ability to overcome the increase in costs of raw materials by adjusting selling prices and maintaining volumes unchanged in general.

Table 1 – Overlay stock as at 30/6/23

	Overlay stock at the reporting date	
	30 June 2023	**30 June 2022**
Mediobanca SpA	25.2	41.3

Table 2 - Macroeconomic baseline scenario parameters as at 30/6/23

GDP forecasts	**2022**	**2023**	**2024**	**2025**
Italy	3.8%	0.7%	1.3%	1.2%
EU	3.5%	0.6%	1.9%	2.4%
USA	2.1%	0.6%	0.5%	2.4%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	8.1%	8.5%	8.4%	8.2%
EU	6.1%	6.4%	6.2%	6.0%
USA	3.6%	4.1%	4.6%	3.9%
Interest rate government bonds (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	3.1%	4.8%	4.8%	4.7%
Germany	1.2%	2.7%	2.7%	2.7%
USA	3.0%	4.0%	4.1%	3.9%

Table 3 – Macroeconomic mild-positive scenario parameters as at 30/6/23

GDP forecasts	**2022**	**2023**	**2024**	**2025**
Italy	3.8%	1.9%	2.9%	2.4%
UE	3.5%	2.6%	4.7%	4.6%
USA	2.1%	2.4%	2.3%	3.8%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	8.1%	8.2%	7.6%	7.1%
UE	6.1%	6.1%	5.4%	4.9%
USA	3.6%	3.7%	3.7%	2.8%
Interest rate government bonds (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	3.1%	5.1%	5.6%	5.7%
Germany	1.2%	3.1%	3.8%	4.2%
USA	3.0%	5.1%	5.6%	5.7%

Table 4 – Macroeconomic mild-negative scenario parameters as at 30/6/23

GDP forecasts	**2022**	**2023**	**2024**	**2025**
Italy	3.8%	-0.6%	-0.5%	-0.2%
UE	3.5%	-1.4%	-0.9%	0.1%
USA	2.1%	-1.1%	-1.4%	0.8%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	8.1%	8.8%	9.2%	9.4%
UE	6.1%	6.7%	7.0%	7.1%
USA	3.6%	4.5%	5.4%	5.0%
Interest rate government bonds (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	3.1%	4.4%	4.0%	3.7%
Germany	1.2%	2.3%	1.7%	1.3%
USA	3.0%	3.5%	2.8%	2.3%

[3] 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.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing exposures: amounts, value adjustments, trends and segmentation by earnings

A.1.1 Financial assets by portfolio and credit quality (book value)

Portfolio/quality	Bad loans	Unlikely to pay	Overdue non-performing exposures	Overdue performing exposures	Other performing exposures*	Total
1. Financial assets measured at amortized cost	—	18,081	847	47,149	54,522,573	54,588,650
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	5,801,120	5,801,120
3. Financial assets designated at fair value	—	—	—	—	538,590	538,590
4. Other financial assets mandatorily measured at fair value	—	—	—	—	863	863
5. Financial assets held for sale	—	—	—	—	—	-
Total 30 June 2023	-	18,081	847	47,149	60,863,146	60,929,223
Total 30 June 2022	-	19,031	615	35,732	56,961,059	56,282,734

* There are no overdue performing exposures being renegotiated under collective agreements.

A.1.2 Financial assets by portfolio/credit quality (gross/net values)

Portfolio/quality	Non-performing				Performing			Total (Net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortized cost	111,714	(92,786)	18,928	—	54,641,095	(71,373)	54,569,722	54,588,650
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	5,809,042	(7,922)	5,801,120	5,801,120
3. Financial assets designated at fair value	—	—	—	—	X	X	538,590	538,590
4. Other financial assets mandatorily measured at fair value	6,636	(6,636)	—	—	X	X	863	863
5. Financial assets held for sale	—	—	—	—	—	—	—	-
Total 30 June 2023	118,350	(99,422)	18,928	—	60,450,137	(79,295)	60,910,295	60,929,223
Total 30 June 2022	68,869	(49,223)	19,646	—	56,555,365	(79,782)	56,263,088	56,282,734

Portfolio/quality	Assets with obviously poor credit quality		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	—	—	9,324,845
2. Hedging derivatives	—	—	245,954
Total 30 June 2023	—	—	9,570,799
Total 30 June 2022	—	—	8,189,739

Information on sovereign debt exposures

*A.1.2a Exposures to sovereign debt securities by state and portfolio**

Portfolio/quality	Non-performing				Performing			Total net exposure[1]
	Gross exposure	Individual adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	(917,768)	(917,768)
France	—	—	—	—	X	X	74,208	74,208
Germany	—	—	—	—	X	X	—	—
Italy	—	—	—	—	X	X	(447,179)	(447,179)
Belgium	—	—	—	—	X	X	(712,776)	(712,776)
Other	—	—	—	—	X	X	167,979	167,979
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	4,548,276	—	4,548,276	4,548,276
Italy	—	—	—	—	3,019,973	—	3,019,973	3,019,973
Germany	—	—	—	—	266,821	—	266,821	266,821
United States	—	—	—	—	779,543	—	779,543	779,543
Spain					292,899		292,899	292,899
Other	—	—	—	—	189,040	—	189,040	189,040
3. Financial assets measured at amortized cost	—	—	—	—	2,779,579	—	2,779,579	2,779,579
Italy	—	—	—	—	1,767,271	—	1,767,271	1,767,271
Germany	—	—	—	—	273,769	—	273,769	273,769
United States	—	—	—	—	399,705	—	399,705	399,705
France	—	—	—	—	306,733	—	306,733	306,733
Other	—	—	—	—	32,101	—	32,101	32,101
Total 30 June 2023	—	—	—	—	7,327,855	—	6,410,087	6,410,087

* This does not include financial or credit derivatives.

[1] The net exposure includes (long and short) positions in securities 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 €-74m.

*A.1.2b Exposures to sovereign debt securities by portfolio**

Portfolio/quality	Trading Book[1]			Banking Book[2]			
	Nominal Value	Book value	Contract duration	Nominal Value	Book value	Fair Value	Contract duration
Italy	21,340	74,208	2.30	4,911,719	4,787,244	4,747,782	3.43
United States	—	—	—	556,783	540,590	526,540	1.59
Germany	(475,090)	(447,179)	4.13	1,195,000	1,179,248	1,169,294	0.72
France	(701,225)	(712,776)	0.81	610,000	599,632	586,330	1.17
Other	179,846	167,979	—	224,000	221,142	219,322	—
Total 30 June 2023	(975,129)	(917,768)		7,497,502	7,327,856	7,249,268	

* This figure does not include forward sales with a notional amount of €348m.

[1] This item does not include sales of €215m on Bund/Bobl/Schatz futures (Germany), with a positive fair value of €0.6m; or sales of €464m on the BPT future (Italy) with a negative fair value of €0.6m. Net hedge buys of €667m were not included, of which €318m allocated to France country risk and €370m to Germany country risk.

[2] This item does not include the instrument linked to the appreciation of Greek GDP (referred to as "GDP Linkers Securities") with a notional value of €127m.

A.1.3 Financial assets by past due brackets (book value)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3			Purchased or originated credit impaired assets		
	From 1 to 30 days	From 30 to 90 days	More than 90 days	From 1 to 30 days	From 30 to 90 days	More than 90 days	From 1 to 30 days	From 30 to 90 days	More than 90 days	From 1 to 30 days	From 30 to 90 days	More than 90 days
1. Financial assets measured at amortized cost	17,534	3,876	19,242	899	3,050	2,548	—	—	3,257	—	—	—
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—
3. Financial assets held for sale	—	—	—	—	—	—	—	—	—	—	—	—
Total 30 June 2023	17,534	3,876	19,242	899	3,050	2,548	—	—	3,257	—	—	—
Total 30 June 2022	4,153	4,725	3,045	—	6,443	17,366	3	3	2,514	—	—	—

A.1.4 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									
	On-demand loans to 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 write-downs*	*of which: collective write-downs*	On-demand loans to 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 write-downs*	*of which: collective write-downs*	On-demand loans to 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 write-downs*	*of which: collective write-downs*	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	*of which: individual write-downs*	*of which: collective write-downs*	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired loan commitments and financial guarantees issued	
Opening amount of overall adjustments	526	59,021	6,787	—	—	66,334	—	10,627	3,347	—	—	13,974	—	42,587	—	—	42,587	—	—	—	—	—	—	27,944	18,748	—	—	169,587
Increases due to purchased or originated financial assets	4	25,044	3,897	—	—	28,945	—	885	—	—	—	885	—	631	—	—	631	—	X	X	X	X	X	7,150	965	—	—	38,576
Derecognitions other than write-offs	(270)	(17,035)	(1,153)	—	—	(18,458)	—	(1,084)	(1,008)	—	—	(2,092)	—	(2,082)	—	—	(2,082)	—	—	—	—	—	—	(7,760)	(15,347)	—	—	(45,739)
Net value adjustments / write-backs for credit risk	595	(6,585)	(2,994)	—	—	(8,984)	—	500	(954)	—	—	(454)	—	51,650	—	—	51,650	—	—	—	—	—	—	(3,106)	1,841	—	—	40,947
Contractual changes without derecognition	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in estimation methods	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-offs not directly recognized through profit or loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other changes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(29)	—	—	—	(29)
Closing amount of overall adjustments	855	60,445	6,537	—	—	67,837	—	10,928	1,385	—	—	12,313	—	92,786	—	—	92,786	—	—	—	—	—	—	24,199	6,207	—	—	203,342
Recoveries for collections of written-off financial assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-offs directly recognized through profit or loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

A.1.5 Financial assets, loan commitments and financial guarantees issued: transfers between different stages of credit risk (gross and nominal values)

Portfolios/risk stages	Gross value / nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortized cost	66,074	2,701	50,305	—	773	685
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	—	—
3. Financial assets held for sale	—	—	—	—	—	—
4. Loan commitments and financial guarantees issued	75,408	145,930	—	—	—	477
Total 30 June 2023	141,482	148,631	50,305	—	773	1,162
Total 30 June 2022	195,649	139,800	604	69,080	1,486	—

The transitions from Stage 1 to Stage 2 were affected by the reclassifications due to the worsened rating of some counterparties and by reclassifications as forborne loans; conversely, Stage 2 was affected by debt repayments and improved ratings.

The transitions from Stage 2 to Stage 3 were influenced by the transition of a position to UTP.

A.1.6 On- and off-balance sheet exposures to banks: net and gross values

Types of exposure / value	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 assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
A. On-balance sheet credit exposures												
A.1 On-demand	4,427,140	4,427,140	—	—	—	855	855	—	—	—	4,426,285	—
a) Non-performing	—	X	—	—	—	—	X	—	—	—	—	—
b) Performing	4,427,140	4,427,140	—	X	—	855	855	—	X	—	4,426,285	—
A.2 Other	32,284,111	30,766,581	—	—	—	24,473	24,473	—	—	—	32,259,638	—
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	32,284,111	30,766,581	—	X	—	24,473	24,473	—	X	—	32,259,638	—
- of which: forborne exposures	—	—	—	*X*	—	—	—	—	*X*	—	—	—
Total (A)	36,711,251	35,193,721	—	—	—	25,328	25,328	—	—	—	36,685,923	—
B. Off-balance sheet credit exposures												
a) Non-performing	—	X	—	—	—	—	X	—	—	—	—	—
b) Performing	21,118,709	2,749,886	—	X	—	1,852	1,852	—	X	—	21,116,857	—
Total (B)	21,118,709	2,749,886	—	—	—	1,852	1,852	—	—	—	21,116,857	—
Total (A+B)	57,829,960	37,943,607	—	—	—	27,180	27,180	—	—	—	57,802,780	—

A.1.7 On- and off-balance sheet exposures to customers: gross and net values

Types of exposure / value	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 assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad debts	62,422	X	—	55,786	—	62,422	X	—	55,786	—	—	—
- *of which: forborne exposures*	*60,763*	*X*	—	*54,127*	—	*60,763*	*X*	—	*54,127*	—	—	—
b) Unlikely to pay	54,900	X	—	54,900	—	36,819	X	—	36,819	—	18,081	—
- *of which: forborne exposures*	—	*X*	—	—	—	—	*X*	—	—	—	—	—
c) Overdue non-performing exposures	1,028	X	—	1,028	—	181	X	—	181	—	847	—
- *of which: forborne exposures*	—	*X*	—	—	—	—	*X*	—	—	—	—	—
d) Overdue performing exposures	47,197	40,668	6,529	X	—	48	16	32	X	—	47,149	—
- *of which: forborne exposures*	*850*	—	*850*	*X*	—	—	—	—	*X*	—	*850*	—
e) Other performing exposures	34,077,159	29,414,640	221,719	X	—	54,774	42,493	12,281	X	—	34,022,385	—
- *of which: forborne exposures*	*144,277*	—	*144,277*	*X*	—	*5,277*	—	*5,277*	*X*	—	*139,000*	—
TOTAL (A)	34,242,706	29,455,308	228,248	111,714	—	154,244	42,509	12,313	92,786	—	34,088,462	—
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	4,356	X	—	4,356	—	—	X	—	—	—	4,356	—
b) Performing	26,944,681	16,144,891	142,040	X	—	28,554	22,347	6,207	X	—	26,916,127	—
TOTAL (B)	26,949,037	16,144,891	142,040	4,356	—	28,554	22,347	6,207	—	—	26,920,483	—
TOTAL (A+B)	61,191,743	45,600,199	370,288	116,070	—	182,798	64,856	18,520	92,786	—	61,008,945	—

As at 30 June 2023, gross non-performing assets increased (from €68.9m to €118.3m) following the transfer of a position from performing status to unlikely-to-pay (UTP). On a net basis, they remained almost steady, from €19.6m to €18.9m, having a steady impact of 0.1% of on-balance sheet credit exposures taking into account a sharp increase in the coverage ratio (from 71.5% to 84%) in connection with the transition of a position from UTP to bad debt.

Finrep Gross NPL Ratio[4]

(€m)

	30 June 2023	30 June 2022
	Amounts before value adjustments	
Loans	41,489.8	39,997.9
NPLs	118.3	68.9
Loan to customers	41,608.1	40,066.8
NPLs purchased	—	—
Treasury financial assets*	12,790.8	14,039.2
Total Loans and advances	54,398.9	54,105.9
Finrep Gross NPL ratio in %	0.2%	0.1%

* In line with the instructions of the EBA Risk Dashboard, the calculation excludes cash and includes untied deposits held with Central Banks.

[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).

A.1.7a Loans subject to Covid 19 - related support measures: gross and net values

Type of exposure/Amounts	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 assets		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired assets		
A. BAD LOANS												
d) New loans	—	—	—	—	—	—	—	—	—	—	—	—
E. OTHER PERFORMING LOANS	53,559	53,559	—	—	—	217	217	—	—	—	53,342	—
a) Subject to forbearance measures compliant with the GLs*	—	—	—	—	—	—	—	—	—	—	—	—
b) Subject to moratoria in place no longer compliant with the GLs and not eligible for forbearance purposes**	—	—	—	—	—	—	—	—	—	—	—	—
c) Subject to other forbearance measures	—	—	—	—	—	—	—	—	—	—	—	—
d) New loans	53,559	53,559	—	—	—	217	217	—	—	—	53,342	—
TOTAL (A+B+C+D+E)	53,559	53,559	—	—	—	217	217	—	—	—	53,342	—

* The row "Loans subject to forbearance measures compliant with the GLs" 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 the GLs 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 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

Reason/Category	Bad loans	Unlikely to pay	Overdue non-performing exposures
A. Opening balance (gross amount)	10,331	57,718	820
- of which: exposures sold but not derecognized	—	—	—
B. Increases	54,127	51,848	846
B.1 inflows from performing exposures	—	50,482	748
B.2 inflows from purchased or originated credit impaired financial assets	—	—	—
B.3 transfers from other categories of non-performing exposures	54,127	—	—
B.4 contractual changes without derecognition	—	—	—
B.5 other increases	—	1,366	98
C. Decreases	2,036	54,666	638
C.1 transfers to performing exposures	—	—	520
C.2 write-offs	—	—	—
C.3 collection	—	539	118
C.4 gains on disposal	—	—	—
C.5 losses on disposal	—	—	—
C.6 transfers to other categories of non-performing exposures	—	54,127	—
C.7 contractual changes without derecognition	—	—	—
C.8 other decreases	2,036	—	—
D. Closing balance of gross exposure	62,422	54,900	1,028
- of which: exposures 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)	60,763	120,684
- of which: exposures sold but not derecognized	—	—
B. Increases	—	50,798
B.1 inflows from not forborne performing exposures	—	40,340
B.2 inflows from forborne performing exposures	—	X
B.3 inflows from forborne non-performing exposures	X	—
B.4 inflows from not forborne non-performing exposures	—	—
B.5 other increases	—	10,458
C. Decreases	—	26,355
C.1 outflows to not forborne performing exposures	X	—
C.2 outflows to forborne performing exposures	—	X
C.3 outflows to forborne non-performing exposures	X	—
C.4 write-offs	—	—
C.5 collection	—	26,355
C.6 gains on disposal	—	—
C.7 losses on disposal	—	—
C.8 other decreases	—	—
D. Closing balance of gross exposure	60,763	145,127
- of which: exposures sold but not derecognized	—	—

As at 30 June 2023, gross non-performing positions subject to forbearance[5] remained unchanged compared to 30 June 2022 and stood at €60.8m; they are fully hedged.

Forborne performing positions had a gross value of €145.1m, an increase compared to the previous financial year (€120.7m), with a coverage ratio of 3.6% (3.5%); on a net basis, forborne performing positions increased to €139.9m (€113.4m).

Overall, forborne non-performing positions concerned 0.2% (0.1%) of total loans to customers, while forborne performing positions 0.4% (0.6%).

A.1.11 On-balance sheet non-performing exposures to customers: trend in overall value adjustments

Reason/Category	Bad loans		Unlikely to pay		Overdue non-performing exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance of overall adjustments	10,331	6,636	38,687	37,500	205	—
- *of which: exposures sold but not derecognized*	—	—	—	—	—	—
B. Increases	54,127	54,127	35,632	—	53	—
B.1 value adjustments to purchased or originated credit impaired financial assets	—	X	—	X	—	X
B.2 other value adjustments	16,627	16,627	35,012	—	53	—
B.3 losses on disposal	—	—	—	—	—	—
B.4 transfers from other categories of non-performing exposures	37,500	37,500	—	—	—	—
B.5 contractual changes without derecognition	—	—	—	—	—	—
B.6 other increases	—	—	620	—	—	—
C. Decreases	2,036	—	37,500	37,500	77	—
C.1 write-backs due to valuations	—	—	—	—	77	—
C.2 write-backs due to collections	—	—	—	—	—	—
C.3 gains on disposal	—	—	—	—	—	—
C.4 write-offs	—	—	—	—	—	—
C.5 transfers to other categories of non-performing exposures	—	—	37,500	37,500	—	—
C.6 contractual changes without derecognition	—	—	—	—	—	—
C.7 other decreases	2,036	—	—	—	—	—
D. Closing amount of overall adjustments	62,422	60,763	36,819	—	181	—
- *of which: exposures sold but not derecognized*	—	—	—	—	—	—

[5] By definition, "forbearance" is when a specific concession is offered to a client who is undergoing, or 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						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost	1,059,193	3,620,624	34,319,580	998,294	545,183	—	14,209,935	54,752,809
- Stage 1	1,059,193	3,620,624	34,319,580	998,294	528,953	—	13,923,926	54,450,570
- Stage 2	—	—	—	—	16,230	—	174,295	190,525
- Stage 3	—	—	—	—	—	—	111,714	111,714
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
B. Financial assets measured at fair value through other comprehensive income	1,506,406	157,967	3,328,081	425,068	161,123	—	230,397	5,809,042
- Stage 1	1,506,406	157,967	3,328,081	425,068	123,400	—	230,397	5,771,319
- Stage 2	—	—	—	—	37,723	—	—	37,723
- Stage 3	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
C. Financial assets held for sale	—	—	—	—	—	—	—	—
- Stage 1	—	—	—	—	—	—	—	—
- Stage 2	—	—	—	—	—	—	—	—
- Stage 3	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
Total (A+B+C)	2,565,599	3,778,591	37,647,661	1,423,362	706,306	—	14,440,332	60,561,851
D. Loan commitments and financial guarantees issued	468,780	1,054,795	9,988,332	928,937	528,174	2,973	6,069,182	19,041,173
- Stage 1	468,780	1,054,795	9,988,332	898,392	478,855	2,973	6,002,650	18,894,777
- Stage 2	—	—	—	30,545	49,319	—	62,176	142,040
- Stage 3	—	—	—	—	—	—	4,356	4,356
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—
Total (D)	468,780	1,054,795	9,988,332	928,937	528,174	2,973	6,069,182	19,041,173
Total (A+B+C+D)	3,034,379	4,833,386	47,635,993	2,352,299	1,234,480	2,973	20,509,514	79,603,024

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. 262/2005 (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 counterparties without rating and non-performing loans.

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	Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6			
A. Financial assets measured at amortized cost	1,658,372	3,873,747	41,953,197	3,236,743	727,519	—	105,418	3,197,813	54,752,809
- Stage 1	1,658,372	3,873,747	41,953,197	3,152,771	648,186	—	—	3,164,297	54,450,570
- Stage 2	—	—	—	83,972	79,333	—	—	27,220	190,525
- Stage 3	—	—	—	—	—	—	105,418	6,296	111,714
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
B. Financial assets measured at fair value through other comprehensive income	1,381,153	333,808	3,350,177	355,021	108,780	—	—	280,103	5,809,042
- Stage 1	1,381,153	333,808	3,350,177	317,298	108,780	—	—	280,103	5,771,319
- Stage 2	—	—	—	37,723	—	—	—	—	37,723
- Stage 3	—	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
C. Financial assets held for sale	—	—	—	—	—	—	—	—	—
- Stage 1	—	—	—	—	—	—	—	—	—
- Stage 2	—	—	—	—	—	—	—	—	—
- Stage 3	—	—	—	—	—	—	—	—	—
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
Total (A+B+C)	3,039,525	4,207,555	45,303,374	3,591,764	836,299	—	105,418	3,477,916	60,561,851
D. Loan commitments and financial guarantees issued	437,980	1,541,149	12,672,236	2,725,456	482,126	—	4,356	1,177,870	19,041,173
- Stage 1	437,980	1,541,149	12,672,236	2,688,287	377,503	—	—	1,177,622	18,894,777
- Stage 2	—	—	—	37,169	104,623	—	—	248	142,040
- Stage 3	—	—	—	—	—	—	4,356	—	4,356
- Purchased or originated credit impaired assets	—	—	—	—	—	—	—	—	—
Total (D)	437,980	1,541,149	12,672,236	2,725,456	482,126	—	4,356	1,177,870	19,041,173
Total (A+B+C+D)	3,477,505	5,748,704	57,975,610	6,317,220	1,318,425	—	109,774	4,655,786	79,603,024

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 exposure	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
			Credit derivatives				Credit derivatives					Unsecured loans				
			Property mortgages	Property finance leases	Securities	Other collateral guarantees	CLN	Other derivatives				Public administrations	Banks	Other financial companies	Other entities	
								Central counterparties	Banks	Other financial companies	Other entities					
1. Secured on-balance sheet credit exposures:	2,662,849	2,662,634	—	—	2,622,405	—	—	—	—	—	—	—	—	—	—	2,622,405
1.1 totally secured	2,422,779	2,422,582	—	—	2,382,405	—	—	—	—	—	—	—	—	—	—	2,382,405
- *of which, non-performing*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2. partially secured	240,070	240,052	—	—	240,000	—	—	—	—	—	—	—	—	—	—	240,000
- *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 exposure	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
			Property mortgages	Property finance leases	Securities	Other collateral guarantees	CLN	Other derivatives				Public administrations	Banks	Other financial companies	Other entities	
								Central counter-parties	Banks	Other financial companies	Other entities					
1. Secured on-balance sheet credit exposures:	6,886,877	6,819,500	426,475	—	2,862,471	1,395,481	—	—	—	—	—	603,402	28,070	262,302	702,854	6,281,055
1.1 totally secured	5,807,145	5,798,429	271,117	—	2,819,655	1,390,381	—	—	—	—	—	497,494	28,070	84,084	553,066	5,643,867
- *of which, non-performing*	4,357	3,159	2,106	—	57	996	—	—	—	—	—	—	—	—	—	3,159
1.2. partially secured	1,079,732	1,021,071	155,358	—	42,816	5,100	—	—	—	—	—	105,908	—	178,218	149,788	637,188
- of which, non-performing	54,127	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured off-balance sheet credit exposures:	1,091,846	1,089,970	—	—	299,173	453,237	—	—	—	—	—	6,400	—	89,148	121,289	969,247
2.1 totally secured	884,554	883,471	—	—	294,080	449,038	—	—	—	—	—	—	—	60,489	21,336	824,943
- *of which, non-performing*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2. partially secured	207,292	206,499	—	—	5,093	4,199	—	—	—	—	—	6,400	—	28,659	99,953	144,304
- *of which, non-performing*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

B. Distribution and concentration of credit exposures

B.1 Distribution of on- and off-balance sheet exposures to customers by sector

Exposures/Counterparties	Public administrations		Financial companies		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. On-Balance sheet credit exposures										
A.1 Bad loans	—	—	—	(6,636)	—	—	—	(55,786)	—	—
- *of which: forborne exposures*	—	—	—	(6,636)	—	—	—	(54,127)	—	—
A.2 Unlikely to pay	—	—	2,106	(894)	—	—	15,671	(35,621)	304	(304)
- *of which: forborne exposures*	—	—	—	—	—	—	—	—	—	—
A.3 Overdue non-performing exposures	—	—	36	(78)	—	—	21	(45)	790	(58)
- *of which, forborne exposures*	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	10,686,944	(1,783)	12,137,839	(24,186)	944,671	(1,127)	10,383,235	(28,594)	861,516	(259)
- *of which, forborne exposures*	—	—	9,012	(528)	—	—	121,053	(4,709)	9,785	(40)
Total (A)	10,686,944	(1,783)	12,139,981	(31,794)	944,671	(1,127)	10,398,927	(120,046)	862,610	(621)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	4,356	—	—	—
B.2 Performing exposures	3,283,786	(132)	9,971,344	(6,430)	1,434,339	(801)	13,063,595	(21,973)	597,402	(19)
Total (B)	3,283,786	(132)	9,971,344	(6,430)	1,434,339	(801)	13,067,951	(21,973)	597,402	(19)
Total (A+B) 30 June 2023	13,970,730	(1,915)	22,111,325	(38,224)	2,379,010	(1,928)	23,466,878	(142,019)	1,460,012	(640)
Total (A+B) 30 June 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)

B.2 Distribution of on- and off-balance sheet exposures to customers by geography

Exposures/geographical area	Italy		Other 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. On-Balance sheet credit exposures										
A.1 Bad loans	—	(8,295)	—	(54,127)	—	—	—	—	—	—
A.2 Unlikely to pay	2,776	(1,819)	15,305	(35,000)	—	—	—	—	—	—
A.3 Overdue non-performing exposures	847	(181)	—	—	—	—	—	—	—	—
A.4 Performing exposures	23,797,548	(37,433)	9,665,598	(17,267)	606,064	(122)	—	—	324	—
Total (A)	23,801,171	(47,728)	9,680,903	(106,394)	606,064	(122)	—	—	324	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	4,356	—	—	—
B.2 Performing exposures	9,846,890	(6,918)	15,741,281	(15,842)	1,281,509	(5,790)	45,134	(2)	1,313	(2)
Total (B)	9,846,890	(6,918)	15,741,281	(15,842)	1,281,509	(5,790)	49,490	(2)	1,313	(2)
Total (A+B) 30 June 2023	33,648,061	(54,646)	25,422,184	(122,236)	1,887,573	(5,912)	49,490	(2)	1,637	(2)
Total (A+B) 30 June 2022	33,495,494	(63,948)	24,025,717	(71,936)	2,337,563	(12,884)	1,215,183	(5)	4,402	—

B.3 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	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-Balance sheet credit exposures										
A.1 Bad loans	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
A.3 Overdue non-performing exposures	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	28,631,671	(21,115)	8,007,548	(4,212)	46,237	(1)	466	—	1	—
Total (A)	28,631,671	(21,115)	8,007,548	(4,212)	46,237	(1)	466	—	1	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	—	—	—	—
B.2 Performing exposures	2,594,389	(79)	18,519,567	(1,773)	—	—	—	—	2,901	—
Total (B)	2,594,389	(79)	18,519,567	(1,773)	—	—	—	—	2,901	—
Total (A+B) 30 June 2023	31,226,060	(21,194)	26,527,115	(5,985)	46,237	(1)	466	—	2,902	—
Total (A+B) 30 June 2022	29,912,027	(20,421)	25,683,379	(7,020)	59,378	(7)	659	(2)	20	—

B.4a Credit risk indicators

	30 June 2023	30 June 2022
a) Gross bad loans/total loans	0.10%	0.04%
b) Non-performing accounts receivable / on-balance sheet credit exposures	0.18%	0.22%
c) Net bad loans/regulatory capital	—	—

B.4b Large exposures

	30 June 2023	30 June 2022
a) Book value	18,127,117	17,547,165
b) Weighted value	13,597,321	12,925,854
c) Number of positions	26	24

At the end of the period, exposures (including market risks and equity investments) exceeding 10% of Tier 1 Regulatory Capital regarded twenty-six groups of associated customers (two more than in the previous financial year) for a gross exposure of €18.1bn (€13.6bn taking into account guarantees and weightings), a slight increase compared to June 2022 (€17.5bn and €12.9bn, respectively). In detail, the twenty-six positions concerned nine industrial groups, one financial company, one insurance company, one mutual fund, and fourteen banking groups.

C. Securitization

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The Bank's portfolio concerned the Group's senior securitizations, €654.3m of which represented by Quarzo bonds (a transaction with underlying Compass Banca performing loans), which was nearly halved compared to 30 June 2022 (€1,206.6m).

The Bank holds a securities portfolio that derives from third-party securitizations of €986.9m (€1,219.1m), of which €788.8m as part of the banking book and €198.1m as part of the trading book (respectively €1,021.2m and €197.9m).

In the first half of 2023, the ABS market reversed the trend of widening spreads in line with the general market trend, which, despite inflationary fears, showed good resistance to rising rates, also benefiting from the BTP-Bund tightening (for the domestic component).

The primary market partially reopened for high standing issuers in the core European area (for example German and French autoloans), while for issuers in Southern Europe the lack of the Central Bank in bookbuilding translated into a very limited investor base.

After the repayment of the TLTRO in June (with the simultaneous repayment of liquidity and release of collateral), issuers will continue to evaluate the issuance of ABS against the cost-effectiveness of other forms of refinancing.

During the year under review, exposures in the banking book decreased from €1,021.2m to €788.8m with a prevalence of senior securities with underlying NPLs (€486.3m, down by €217.3m) and CLOs (€259.4m, steady compared to the previous year). Positions on mezzanine tranches (€3.5m) and junior tranches (€0.5m) remained limited and essentially unchanged. The difference between book value (amortized cost) and fair value (taken from market platforms) stood at €15.2m due to the worsening market conditions.

The trading book stood at €198.1m (€197.9m): the senior portion amounted to €149.3m (€143.3m), €100.5m of which in the Transferable Custody Receipt transaction;[6] €23.9m in performing consumer loans (following four new investments) and €24.8m in CLOs (€19.5m). The mezzanine portion stood at €48.9m (€51.8m), €27.4m of which in CLOs.

Mediobanca also has exposures to:

– CLI Holdings I and CLI Holdings II,[7] SPVs under English law, which respectively subscribed to the capital of Cairn Loan Investments and Cairn Loan Investments II, independent managers of Cairn-branded

[6] 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.

[7] CLI H I is reported in the disclosure on structured entities not consolidated for accounting purposes, while CLI H II is an investment consolidated using the equity method pursuant to IAS 28.

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). As at 30 June, CLI H I was recognized for €12.5m and CLI H II had a value of €38.6m;

- *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 acted as advisor; the fund has senior tranches of real estate NPLs and loans as the underlying instrument, with an aggregate NAV of €118.8m (the share of Mediobanca being €64.1m), which takes into account uncertainties on recoveries and rate hikes.

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C.2 Exposures from main third-party securitizations by asset type/ exposure

Type of underlying assets/Exposure	Cash exposure					
	Senior		Mezzanine		Junior	
	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs
A. Italy NPLs (residential mortgages and real estates)	486,305	(2,387)	—	—	—	—
B. Italy Consumer ABS	15,990	2	21,516	99	—	—
C. Netherlands Performing Loans	12,759	(14)	992	—	451	(8)
D. UK Performing Loans	34,262	—	—	—	—	—
E. Other Group company loans	654,255	—	—	—	—	—
F. Other loans*	384,757	(75)	29,862	(387)	—	—
Total 30 June 2023	1,588,328	(2,473)	52,370	(288)	451	(8)
Total 30 June 2022	2,367,400	(4,277)	55,331	(4,331)	3,185	(402)

* CLO transactions, €100m of which relating to TCR30.

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 and entirely recognized				Related financial liabilities		
	Book value	*of which: subject to securitization transactions*	*of which: subject to repurchase agreements*	*of which non-performing*	Book value	*of which: subject to securitization transactions*	*of which: subject to repurchase agreements*
A. Financial assets held for trading	1,499,821	—	1,499,821	X	1,364,696	—	1,364,696
1. Debt securities	1,349,542	—	1,349,542	X	1,219,563	—	1,219,563
2. Equity securities	150,279	—	150,279	X	145,133	—	145,133
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	1,184,230	—	1,184,230	—	847,866	—	847,866
1. Debt securities	1,184,230	—	1,184,230	—	847,866	—	847,866
2. Equity securities	—	—	—	X	—	—	—
3. Loans	—	—	—	—	—	—	—
E. Financial assets measured at amortized cost	1,347,668	—	1,347,668	—	964,054	—	964,054
1. Debt securities	1,341,450	—	1,341,450	—	953,981	—	953,981
2. Loans	6,218	—	6,218	—	10,073	—	10,073
Total 30 June 2023	4,031,719	—	4,031,719	—	3,176,616	—	3,176,616
Total 30 June 2022	5,059,199	—	5,059,199	—	4,198,522	—	4,198,522

E.3 Disposals related to liabilities with repayment exclusively based on assets sold and not fully derecognized: fair value

	Fully booked	Partially booked	Total	
			30 June 2023	30 June 2022
A. Financial assets held for trading	1,499,821	—	1,499,821	2,324,398
1. Debt securities	1,349,542	—	1,349,542	1,798,008
2. Equity securities	150,279	—	150,279	526,390
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	1,184,230	—	1,184,230	1,610,176
1. Debt securities	1,184,230	—	1,184,230	1,610,176
2. Equity securities	—	—	—	—
3. Loans	—	—	—	—
E. Financial assets measured at amortized cost (fair value)	1,389,770	—	1,389,770	1,125,726
1. Debt securities	1,383,584	—	1,383,584	1,112,925
2. Loans	6,186	—	6,186	12,801
Total financial assets	4,073,821	—	4,073,821	5,060,300
Total associated financial liabilities	3,930,813	—	X	X
Net value 30 June 2023	143,008	—	4,073,821	X
Net value 30 June 2022	105,190	—	X	5,060,300

F. Models for managing credit risk

The Bank 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 information, please refer to the content of "Section 1.1 Credit risks" of this Part 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 characterized by persistent volatility in all asset classes, especially interest rates. The reason for this can be ascribed to the macroeconomic context, characterized by a high inflation rate in the main Western economies. Furthermore, in March, the default of Silicon Valley Bank and the forced takeover of Credit Suisse by UBS raised fears of the onset of a new banking crisis, which quickly subsided. Last but not least, the Russian-Ukrainian conflict contributed to a period of market instability.

The inflationary push which began at the end of 2021 as an effect of the post-Covid recovery accelerated during 2022 also due to the war in Ukraine and the consequent tensions on the market of energy commodities. To deal with the increase in prices, the Central Banks (in particular the Fed and the ECB) resorted to restrictive monetary policies through repeated increases in the discount rates (+525 bps in the US and +400 bps in the Euro Area compared to 2020). Despite this, inflation in the United States and in the European Union remained well above monetary policy targets. This generated volatility on the markets due to uncertainties as to the end of such restrictive policies and due to the fear of a recession, given the high cost of money. A more marked decrease in the inflation rate in Europe and in the United States only occurred in the period May-June. In the context described above, the peak of volatility was recorded in March when news on the state of the accounts of Silicon Valley Bank (SVB) and its subsequent default raised fears about the stability of the banking sector both in the US and in Europe. In the following weeks, the sell-off panic moved to Credit Suisse, which was considered to be the most fragile global financial institution, causing a sudden drop in prices until the Swiss authorities pushed for its acquisition by its rival UBS. During the same days, stock market movements were compounded by unprecedented fluctuations on the interbank rates market, especially in the US - the SOFR lost more than 80 bps in a single session; this situation occurred due to an erroneous forecast by market operators of a sudden change in monetary policy by the Fed, aimed at avoiding the contagion effect on other American banking institutes considered to be unsound.

The VaR and Stop Loss limits were exceeded during the month of March, at the time of the exceptional volatility peaks on the interest rate market.

The Value-at-Risk of the Trading aggregate fluctuated over the year under review between a minimum of €4.5m in September and a maximum of €16.7m recorded in mid-March. The average figure (€8.4m) was 35% higher than the average of the previous year (€6.1m). After the peak, the VaR figure progressively decreased until it reached €6.7m, well below the average for the year.

The risk factors that explain the VaR trend are mainly as follows: (i) short-term USD interest rates (SOFR) underlying some call and put option positions brokered on listed markets; (ii) yields of Italian Government Bonds and of countries in the core Euro Area. The contribution of other risk factors, such as share prices or exchange rates, is marginal. With respect to these, the Bank's position is conservative or substantially neutral.

In line with the VaR trend, the Expected shortfall - which measures a further stress scenario on the same VaR historical series - shows a higher average figure than in the previous financial year (€12.8m against €8.2m).

Daily back-testing results (based on the comparison with the theoretical Profits and Losses), during the twelve-month observation period, showed three cases of deviation from the VaR. Thresholds were exceeded at the time of the interest rate volatility peaks in March.

Table 1: Value-at-risk and Expected Shortfall: trading portfolio

(€'000)

	FY 2022-2023				2021-2022
Risk factors	**30 June**	**Min**	**Max**	**Avg**	**Avg**
Interest rates	5,044	1,697	15,354	7,071	2,735
Credit	2,571	1,483	3,641	2,548	1,532
Shares	2,359	815	8,852	3,609	3,817
Exchange rates	1,145	543	2,327	904	633
Inflation	47	43	1,586	365	140
Volatility	5,469	1,884	15,083	6,254	3,421
Diversification effect*	(9,919)	(20,768)	(6,663)	(12,389)	(617)
Total	6,717	4,508	16,661	8,382	6,109
Expected Shortfall	***11,048***	***5,581***	***27,851***	***12,846***	***8,190***

* 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.

Furthermore, each desk has sensitivity limits to changes in the various risk factors, which are monitored on a daily basis. Compared to the previous year, there was an increase in the average delta of interest rates (from €83,000 to €218,000), consistent with the general change in rates. Please also note that the average equity vega decreased from €1.4m to €757,000 per percentage point and the average exposure to exchange rates from €427,000 to €142,000 per percentage point. The equity vega was essentially closed at the end of the financial year.

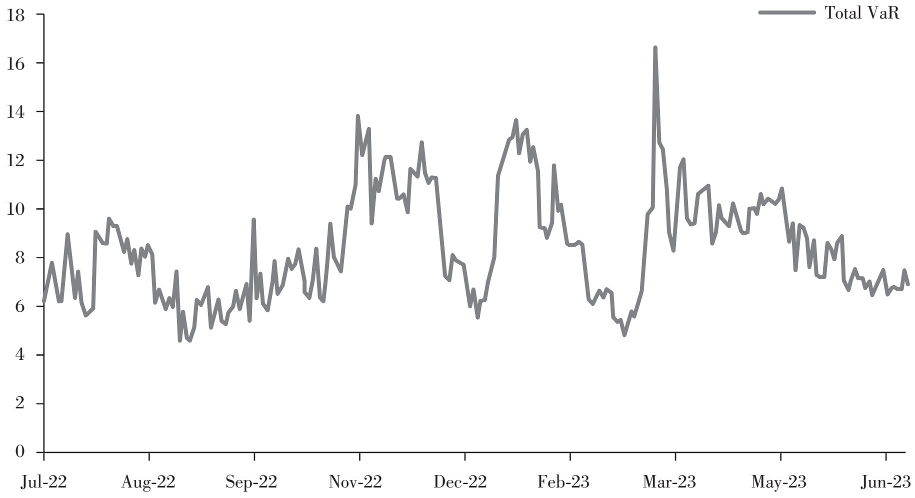
Table 2: Summary of trend in main sensitivities of trading portfolio

(€'000)

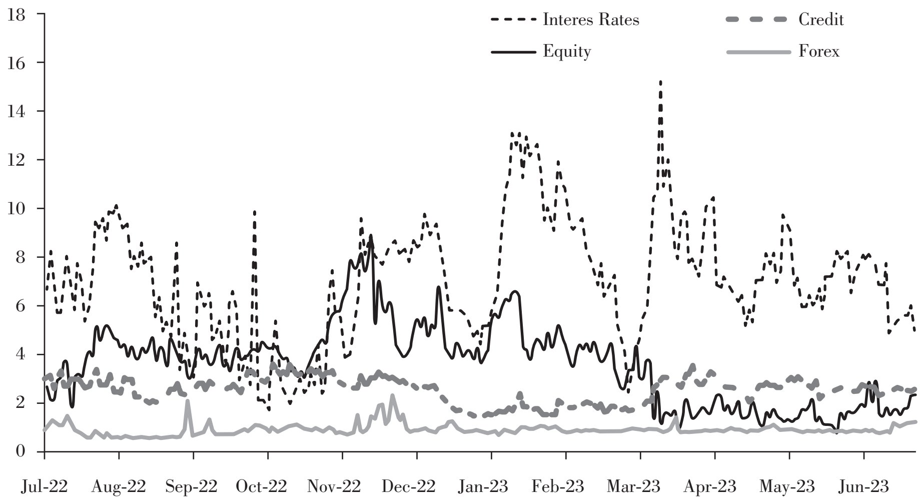
	FY 2022-2023				FY 2021-2022
Risk factors	**30 June**	**Min**	**Max**	**Avg**	**Avg**
Equity delta (+1%)	(24,805)	(513,481)	6,330,451	418,680	318,529
Equity vega (+1%)	239,406	(461,445)	3,166,955	757,496	1,438,665
Interest rate delta (+1 bp)	183,720	(173,610)	612,456	218,649	82,913
Inflation delta (+1 bp)	3,705	(245)	42,311	13,079	221
Exchange rate delta (+1%) (*)	137,294	(3,739,534)	763,080	142,539	427,898
Credit delta (1 bp)	460,497	4,356	730,681	421,632	514,646

* Refers to the Euro gaining versus other foreign currencies.

Trends in VaR of trading portfolio



Trends in VaR constituents (Trading)



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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 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	Indefinite duration
1. Cash assets	—	510,283	365,394	1,845,139	1,904,444	330,350	459,182	—
1.1 Debt securities	—	510,283	365,394	1,845,139	1,904,444	330,350	459,182	—
- with early redemption option	—	—	—	—	—	—	—	—
- other	—	510,283	365,394	1,845,139	1,904,444	330,350	459,182	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	3,428	26,806	616,511	810,676	2,090,077	403,444	139,024	—
2.1 Repos	—	—	—	—	—	—	—	—
2.2 Other liabilities	3,428	26,806	616,511	810,676	2,090,077	403,444	139,024	—
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ Long positions	—	—	956,975	—	—	—	—	—
+ Short positions	—	—	956,975	—	—	—	—	—
– Other derivatives								
+ Long positions	—	713,906	72,696	—	204,380	—	—	—
+ Short positions	—	713,906	72,696	—	204,380	—	—	—
3.2 Without underlying securities								
– Options								
+ Long positions	—	4,321,781	1,512,540	1,395,289	4,958,422	1,467,297	—	—
+ Short positions	—	4,321,781	1,512,540	1,395,289	4,958,422	1,467,297	—	—
– Other derivatives								
+ Long positions	—	57,451,759	23,366,450	32,432,154	36,464,514	10,954,999	9,613,366	—
+ Short positions	—	69,522,562	26,751,443	16,954,271	36,483,381	10,958,220	9,613,366	—

2. Regulatory trading portfolio: cash exposures in securities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	Level 2	Level 3
A. Equity securities[1]			
A.1 Shares	980,684	—	163,498
A.2 Innovative equity instruments	—	—	—
A.3 Other equity securities	—	—	—
B. UCITS			
B.1 Under Italian law	—	—	230
- harmonized open	—	—	—
- non-harmonized open	—	—	—
- closed	—	—	230
- reserved	—	—	—
- speculative	—	—	—
B.2 Under other EU states law	25	—	—
- harmonized	25	—	—
- non-harmonized open	—	—	—
- non-harmonized closed	—	—	—
B.3 Under non-EU states law	—	—	—
- open	—	—	—
- closed	—	—	—
Total	980,709	—	163,728

[1] Mismatch between trading assets and technical shortfalls booked as trading liabilities: over 73% of the net exposure is related to EU member states.

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

The Bank monitors and manages interest rate risk through sensitivity testing of net interest income and economic value. The sensitivity of the net interest income quantifies the impact on current earnings in the worst-case scenario among those outlined in the guidelines of the Basel Committee (BCBS) implemented in the document published by the EBA in October 2022 (EBA/GL/2022/14). 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 include a floor set by the EBA guidelines at minus -1.5% on the demand maturity with linear progression up to 0% at the fifty-year maturity.

For both sensitivities, balance sheet items were treated according to their contractual profile, except for 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, 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 Bank's banking book positions at 30 June, in the event of a parallel decrease in the curve ("parallel down"), the expected net interest income would undergo a negative change of €66m.

As for the analysis of the discounted value of future cash flows of the banking book, a shock "short-up" scenario would result in a negative change of €46m (€88m in the previous year).

In addition to the scenarios envisaged from a regulatory standpoint, other scenarios were analysed:

– Steepening-Up is a scenario where the curve grows but more pronounced on the long part of the curve;
– Flattening-Up is a scenario in which the curve grows but more pronounced in the short part of the curve;
– +50 bps is a scenario where the curve moves in parallel upwards by 50 basis points;

(€m)

	Banking Book
Data at 30 June 2023	**Mediobanca S.p.A.**
Steepening Up	15
Flattening Up	75
+50 bps	17

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 Bank seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).[8]

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 Bank 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 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.

Some structured bond issues remain in the portfolio without causing any risks correlated to the main risk, broken down into the interest rate component (hedged) and other risks which are represented in the trading book and are usually covered by external positions of the opposite sign; for structured bonds issued during the year, mostly interest rate, the Bank applied the fair value

[8] 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.

option in the initial recognition phase of the liability and the related risks were hedged with derivatives measured at Fair Value Through Profit or Loss in order to deal with the impacts on the P&L account.

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.

Finally, it should be noted that the transition to SOFR (for USD) 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.

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 Bank 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. Hedging instruments

D. Items hedged

As for hedged and hedging instruments, they have been 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. Exposures deriving from transactions on the interbank market should be added to these. 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 derivative transactions, as required by IFRS 13, fair value incorporates the effects of the counterparty's credit risk (referred to as Credit Valuation Adjustments, CVA) and Mediobanca's credit risk (referred to as Debit Valuation Adjustment, DVA) based on the future exposure profile of all 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 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	Indefinite duration
1. Cash assets	8,825,455	38,813,206	7,056,882	3,130,107	6,153,260	1,121,875	407,852	—
1.1 Debt securities	—	1,967,088	2,589,635	2,296,461	3,230,936	956,667	112,289	—
- with early redemption option	—	—	—	—	—	—	—	—
- other	—	1,967,088	2,589,635	2,296,461	3,230,936	956,667	112,289	—
1.2 Loans to banks	6,867,851	23,350,233	1,337,254	397,066	1,286,568	125,066	243,820	—
1.3 Loans to customers	1,957,604	13,495,885	3,129,993	436,580	1,635,756	40,142	51,743	—
- current accounts	1,353,073	—	—	—	—	—	—	—
- other loans	604,531	13,495,885	3,129,993	436,580	1,635,756	40,142	51,743	—
- with early redemption option	—	—	—	—	—	—	—	—
- other	604,531	13,495,885	3,129,993	436,580	1,635,756	40,142	51,743	—
2. Cash liabilities	25,020,289	12,409,148	3,978,370	7,192,239	13,457,779	1,302,916	1,246,606	—
2.1 Due to customers	4,415,011	2,777,221	1,056,569	417,225	180,505	49,226	40,593	—
- current accounts	4,412,539	—	—	—	—	—	—	—
- other liabilities	2,472	2,777,221	1,056,569	417,225	180,505	49,226	40,593	—
- with early redemption option	—	—	—	—	—	—	—	—
- other	2,472	2,777,221	1,056,569	417,225	180,505	49,226	40,593	—
2.2 Due to banks	20,604,219	6,390,031	1,054,562	2,717,448	3,722,966	36,821	629,130	—
- current accounts	20,032,208	—	—	—	—	—	—	—
- other liabilities	572,011	6,390,031	1,054,562	2,717,448	3,722,966	36,821	629,130	—
2.3 Debt securities	1,059	3,241,896	1,867,239	4,057,566	9,554,308	946,869	576,883	—
- with early redemption option	—	—	—	—	—	—	—	—
- other	1,059	3,241,896	1,867,239	4,057,566	9,554,308	946,869	576,883	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
- with early redemption option	—	—	—	—	—	—	—	—
- other	—	—	—	—	—	—	—	—
3. Financial derivatives								
3.1 With underlying securities								
– Options								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other								
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities								
– Options								
+ long positions	22,120	130,000	—	2,917	721,204	—	835,704	—
+ short positions	22,120	130,000	—	2,917	721,204	—	835,704	—
– Other								
+ long positions	—	35,148,719	6,244,577	10,110,240	6,831,885	1,939,673	—	—
+ short positions	—	48,772,893	730,180	1,686,126	7,129,198	1,956,698	—	—
4. Other off-balance sheet transactions								
+ long positions	—	4,653,635	1,087,080	2,074,535	8,960,619	677,388	92,985	—
+ short positions	—	4,592,396	1,337,024	1,976,189	8,672,395	678,350	289,889	—

2. Banking book: cash exposures in securities and UCITS units

Type of exposure/Amounts	Book value		
	Level 1	**Level 2**	**Level 3**
A. Equity securities[1]			
A.1 Shares	115,868	—	124,263
A.2 Innovative equity instruments	—	—	—
A.3 Other equity securities	—	—	244,396
B. UCITS			
B.1 Under Italian law	11,791	—	153,850
- harmonized open	7,657	—	—
- non-harmonized open	—	—	—
- closed	—	—	152,207
- reserved	—	—	—
- speculative	4,134	—	1,643
B.2 Under other EU states law	119,259	—	245,013
- harmonized	—	—	—
- non-harmonized open	—	—	72,593
- non-harmonized closed	119,259	—	172,420
B.3 Under non-EU states law	—	—	—
- open	—	—	—
- closed	—	—	—
Total	246,917	—	767,522

[1] Of which 53% Italian and 47% from 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 paragraph "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 equity investment in RAM (CHF) was hedged until March 2023, when the related deposit (liability) expired. Therefore, the change in the fair value in relation to the exchange rate for the portion of the instrument to be hedged was 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)". After closing the hedging relationship, the equity investment was recorded at the end-of-period price and as of this date it will not generate any exchange risk effects.

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	2,528,222	562,057	2,189	33,424	27,818	29,108
A.1 Debt securities	695,071	93,506	—	—	4,556	—
A.2 Equity securities	292,701	155,328	—	261	17,257	1,263
A.3 Due from banks	1,051,830	299,024	2,181	629	5,983	12,343
A.4 Due from customers	325,905	13,596	—	32,522	8	15,446
A.5 Other financial assets	162,715	603	8	12	14	56
B. Other assets	—	—	—	—	—	—
C. Financial liabilities	3,368,946	516,191	114,063	12,264	85,474	33,750
C.1 Due to banks	1,848,026	488,935	2	12,258	82,300	33,479
C.2 Due to customers	356,197	12,522	—	6	—	267
C.3 Debt securities	1,000,344	10,493	114,061	—	—	—
C.4 Other financial liabilities	164,379	4,241	—	—	3,174	4
D. Other liabilities	—	—	—	—	—	—
E. Financial derivatives						
- Options						
+ Long positions	369,160	25,165	1,269	—	11,885	1,861
+ Short positions	402,482	31,481	932	295	11,276	1,162
- Other derivatives						
+ Long positions	3,236,389	591,137	331,760	131,826	723,997	722,634
+ Short positions	2,346,173	675,131	172,593	175,486	722,954	678,715
Total assets	6,133,771	1,178,359	335,218	165,250	763,700	753,603
Total liabilities	6,117,601	1,222,803	287,588	188,045	819,704	713,627
Difference (+/-)	16,170	(44,444)	47,630	(22,795)	(56,004)	39,976

2. Internal models and other methodologies used for sensitivity analysis

During the year under review, the Eurodollar rate moved around the average value of 1.04, with a minimum of 0.95 and a maximum of 1.10, to close at 1.08, i.e. near the values recorded at the beginning of the financial year. The overall VaR forex remained relatively steady at €800,000 with short-lived peaks at €2m during phases of maximum fluctuation of the EUR/USD exchange rate.

3 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

3.1 TRADING DERIVATIVES

A. Financial derivatives

A.1 Trading financial derivatives: reporting-date notional values

Underlying assets / Type of derivatives	30 June 2023				30 June 2022			
	Over the counter			Established markets	Over the counter			Established markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements	
1. Debt securities and interest rate	116,827,575	47,637,922	1,070,386	2,115,793	73,485,211	42,742,468	1,399,979	243,799,846
a) Options	—	7,122,189	525,328	1,269,393	—	7,624,697	708,379	242,979,042
b) Swaps	116,827,575	36,471,348	545,058	—	73,485,211	31,002,059	691,600	—
c) Forwards	—	277,076	—	—	—	348,654	—	—
d) Futures	—	—	—	846,400	—	—	—	820,804
e) Other	—	3,767,309	—	—	—	3,767,058	—	—
2. Equity securities and stock price indexes	—	14,292,821	3,042,128	18,361,567	—	24,947,174	2,321,422	18,485,564
a) Options	—	13,800,330	744,742	17,860,244	—	23,537,631	328,337	18,079,439
b) Swaps	—	492,491	—	—	—	1,409,543	—	—
c) Forwards	—	—	—	—	—	—	—	—
d) Futures	—	—	—	501,323	—	—	—	406,125
e) Other[1]	—	—	2,297,386	—	—	—	1,993,085	—
3. Currencies and gold	—	17,454,932	779,920	—	—	17,231,913	1,364,763	—
a) Options	—	1,928,085	—	—	—	321,906	—	—
b) Swaps	—	5,883,267	504,598	—	—	6,360,404	528,736	—
c) Forwards	—	9,643,580	275,322	—	—	10,549,603	836,027	—
d) Futures	—	—	—	—	—	—	—	—
e) Other	—	—	—	—	—	—	—	—
4. Commodities	—	1,919,947	—	—	—	1,827,453	—	—
5. Other	—	—	—	—	—	—	—	—
Total	116,827,575	81,305,622	4,892,434	20,477,360	73,485,211	86,749,008	5,086,164	262,285,410

[1] This exclusively regards certificates issued.

A.2 Trading financial derivatives: gross positive and negative fair values by product

Underlying assets / Type of derivatives	30 June 2023				30 June 2022			
	Over the counter			Established markets	Over the counter			Established markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements	
1. Positive fair value								
a) Options	—	596,513	270,042	688,152	—	1,038,790	335	784,678
b) Interest rate swaps	1,321,280	253,324	56,589	—	884,648	201,868	2,772	—
c) Cross currency swaps	—	212,050	—	—	—	357,730	—	—
d) Equity swaps	—	172,525	—	—	—	161,284	—	—
e) Forwards	—	154,861	7,693	—	—	328,158	13,070	—
f) Futures	—	—	—	7,826	—	—	—	11,923
g) Other[1]	—	—	12,602	—	—	—	—	—
Total	1,321,280	1,389,273	346,926	695,978	884,648	2,087,830	16,177	796,601
2. Negative fair value								
a) Options	—	712,130	325,764	833,108	—	1,070,066	20,733	1,200,474
b) Interest rate swaps	21,750	1,715,613	18,604	—	19,959	1,223,215	—	—
c) Cross currency swaps	—	170,640	22,994	—	—	288,073	36,283	—
d) Equity swaps	—	2,875	—	—	—	685	—	—
e) Forwards	—	99,939	4,089	—	—	258,681	51,137	—
f) Futures	—	—	—	23,631	—	—	—	14,886
g) Other	—	—	2,094,087	—	—	—	1,582,692	—
Total	21,750	2,701,197	2,465,538	856,739	19,959	2,840,720	1,690,845	1,215,360

[1] This exclusively regards certificates issued.

A.3 OTC trading financial derivatives: notional values, gross positive and negative fair values by counterparty

Underlying assets	**Central counterparties**	**Banks**	**Other financial companies**	**Other entities**
Contracts not included in offsetting arrangements				
1) Debt securities and interest rates				
- notional value	X	40,000	100,000	930,386
- positive fair value	X	56,620	—	344
- negative fair value	X	442	686	47,169
2) Equity securities and stock indexes				
- Notional value[1]	X	2,330,636	711,469	22
- positive fair value	X	282,235	3,161	577
- negative fair value[1]	X	2,363,771	27,754	2,260
3) Currencies and gold				
- notional value	X	7,047	231,788	541,084
- positive fair value	X	17	3,105	868
- negative fair value	X	—	464	22,992
4) Commodities[2]				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
5) Other				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in offsetting arrangements				
1) Debt securities and interest rates				
- notional value	116,827,575	35,861,888	6,356,677	5,419,357
- positive fair value	1,321,280	325,163	189,176	65,825
- negative fair value	21,750	1,521,477	229,829	278,957
2) Equity securities and stock indexes				
- notional value	—	8,297,743	4,638,683	1,356,395
- positive fair value	—	124,766	247,906	66,176
- negative fair value	—	221,592	109,008	36,140
3) Currencies and gold				
- notional value	—	13,450,607	2,619,654	1,384,672
- positive fair value	—	229,456	66,599	55,315
- negative fair value	—	217,246	60,755	24,259
4) Commodities[2]				
- notional value	—	1,319,947	600,000	—
- positive fair value	—	18,322	570	—
- negative fair value	—	1,932	—	—
5) Other				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

[1] Of which, certificates with a nominal value of €2,297,386 and fair value of €-2,081,486.

[2] This heading 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	From 1 year to 5 years	Over 5 years	Total
A.1 Financial derivative contracts on debt securities and interest rates	54,199,857	66,003,457	45,332,569	165,535,883
A.2 Financial derivative contracts on equity securities and stock indexes	6,037,460	11,001,900	295,589	17,334,949
A.3 Financial derivatives on currencies and gold	12,678,540	4,981,114	575,198	18,234,852
A.4 Financial derivatives on commodities	1,590,044	329,903	—	1,919,947
A.5 Other financial derivatives	—	—	—	—
Total 30 June 2023	74,505,901	82,316,374	46,203,356	203,025,631
Total 30 June 2022	52,021,842	79,643,301	33,655,240	165,320,383

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. Hedge purchases		
a) Credit default products	4,190,989	23,081,608
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Other*	218,385	—
Total 30 June 2023	4,409,374	23,081,608
Total 30 June 2022	4,454,813	26,446,452
2. Hedging sales		
a) Credit default products	2,834,997	23,071,967
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Other*	—	—
Total 30 June 2023	2,834,997	23,071,967
Total 30 June 2022	2,199,753	26,791,001

* This exclusively regards 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[9] issues. The arbitrage structures have a notional value of €18bn (€17.6bn in June in the previous year). The derivative embedded in own issues and derivatives with MBInternational to hedge their issues are represented in hedge buys on single entities in the amount of €1.4bn[10] (€1.6bn as at 30 June 2022).

[9] Please see “Part B - Liabilities - Liabilities at amortized cost” of the present report.

[10] Embedded items with underlying commodities (€170m) and related derivatives (€1,750m) are shown in Table A.3.

B.2 Trading credit derivatives: gross positive and negative fair values by product

Types of derivatives	30 June 2023	30 June 2022
1. Positive fair value		
a) Credit default products	152,513	232,370
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Other	—	—
Total	152,513	232,370
2. Negative fair value		
a) Credit default products	213,200	297,250
b) Credit spread products	—	—
c) Total rate of return swaps	—	—
d) Other[1]	203,733	232,740
Total	416,933	529,990

[1] This exclusively regards certificates issued.

B.3 OTC credit trading derivatives: notional values and gross positive/negative fair value, by counterparty

	Central counterparties	Banks	Other financial companies	Other entities
Contracts not included in offsetting arrangements				
1) Hedging purchases				
– notional value[1]	X	852,836	—	—
– positive fair value	X	2,652	—	—
– negative fair value[1]	X	203,733	—	—
2) Hedging sales				
– notional value	X	14,526	—	—
– positive fair value	X	2,376	—	—
– negative fair value	X	1,973	—	—
Contracts included in offsetting arrangements				
1) Hedge purchases				
– notional value	7,240,601	4,391,982	15,005,563	—
– positive fair value	—	18,458	31,933	—
– negative fair value	—	35,629	123,186	—
2) Hedging sales				
– notional value	7,233,083	3,831,156	14,828,199	—
– positive fair value	—	41,640	55,454	—
– negative fair value	14,847	12,748	24,817	—

[1] Of which, certificates with a notional value of €218,385 and a fair value of €-203,733.

B.4 Outstanding life of OTC trading credit derivatives: notional values

Underlying / Outstanding life	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
1. Hedging sales	9,312,916	15,942,610	651,438	25,906,964
2. Hedging purchases	10,723,278	16,315,427	452,277	27,490,982
Total 30 June 2023	20,036,194	32,258,037	1,103,715	53,397,946
Total 30 June 2022	12,662,552	46,263,232	966,234	59,892,018

3.2 ACCOUNTING HEDGES

A. Financial hedging derivatives

A.1 Financial hedging derivatives: reporting-date notional value

Underlying assets / Type of derivatives	30 June 2023				30 June 2022			
	Over the counter			Established markets	Over the counter			Established markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements	
1. Debt securities and interest rate	36,704,275	24,922,259	—	—	40,565,259	5,330,779	—	—
a) Options	—	1,711,945	—	—	—	2,146,137	—	—
b) Swaps	36,704,275	23,210,314	—	—	40,565,259	2,942,094	—	—
c) Forwards	—	—	—	—	—	242,548	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Other	—	—	—	—	—	—	—	—
2. Equity securities and stock price indexes	—	—	—	—	—	—	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swaps	—	—	—	—	—	—	—	—
c) Forwards	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Other	—	—	—	—	—	—	—	—
3. Currencies and gold	—	360,506	—	—	—	306,600	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swaps	—	360,506	—	—	—	306,600	—	—
c) Forwards	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Other	—	—	—	—	—	—	—	—
4. Commodities	—	—	—	—	—	—	—	—
5. Other	—	—	—	—	—	—	—	—
Total	36,704,275	25,282,765	—	—	40,565,259	5,637,379	—	—

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 June 2023				30 June 2022				30 June 2023	30 June 2022
	Over the counter			Established markets	Over the counter			Established markets		
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements			
1. Positive fair value										
a) Options	—	27.932	—	—	—	36.604	—	—	—	—
b) Interest rate swaps	129.042	87.602	—	—	101.712	17.171	—	—	305.565	478.228
c) Cross currency swaps	—	1.377	—	—	—	894	—	—	—	—
d) Equity swaps	—	—	—	—	—	—	—	—	—	—
e) Forwards	—	—	—	—	—	739	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Other	—	—	—	—	—	—	—	—	—	—
Total	129.042	116.911	—	—	101.712	55.408	—	—	305.565	478.228
2. Negative fair value										
a) Options	—	6.461	—	—	—	6.788	—	—	—	—
b) Interest rate swaps	1.870.620	238.920	—	—	1.245.183	133.962	—	—	947.924	1.858.644
c) Cross currency swaps	—	466	—	—	—	—	—	—	—	—
d) Equity swaps	—	—	—	—	—	—	—	—	—	—
e) Forwards	—	—	—	—	—	48	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Other	—	—	—	—	—	—	—	—	—	—
Total	1.870.620	245.847	—	—	1.245.183	140.798	—	—	947.924	1.858.644

A.3 OTC financial hedging derivatives: notional values, gross positive and negative fair values by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other entities
Contracts not included in offsetting arrangements				
1) Debt securities and interest rates				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
2) Equity securities and stock indexes				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
3) Currencies and gold				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
4) Commodities				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
5) Other				
- notional value	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in offsetting arrangements				
1) Debt securities and interest rates				
- notional value	36,704,275	21,711,242	3,211,017	—
- positive fair value	129,042	89,660	25,874	—
- negative fair value	1,870,620	204,293	41,088	—
2) Equity securities and stock indexes				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
3) Currencies and gold				
- notional value	—	315,965	44,541	—
- positive fair value	—	1,377	—	—
- negative fair value	—	370	96	—
4) Commodities				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Other				
- notional value	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

A.4 Outstanding life of OTC financial hedging derivatives: notional values

Underlying / Outstanding life	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A.1 Financial derivative contracts on debt securities and interest rates	8,252,919	33,004,619	20,368,996	61,626,534
A.2 Financial derivative contracts on equity securities and stock indexes	—	—	—	—
A.3 Financial derivative contracts on currencies and gold	—	315,965	44,541	360,506
A.4 Financial derivatives on commodities	—	—	—	—
A.5 Other financial derivatives	—	—	—	—
Total 30 June 2023	8,252,919	33,320,584	20,413,537	61,987,040
Total 30 June 2022	10,654,033	23,342,470	12,206,135	46,202,638

C. Non-derivative hedging instruments

C.1 Hedging instruments other than derivatives: breakdown by accounting portfolio and hedge type

	Book value			Changes in the value used to calculate the hedge ineffectiveness		
	Fair value hedges	Cash flow hedges	Foreign investment hedges	Fair value hedges	Cash flow hedges	Foreign investment hedges
Financial assets other than derivatives	—	—	—	—	—	—
of which: trading activities	—	—	—	—	—	—
of which: other assets mandatorily measured at fair value	—	—	—	—	—	—
of which: assets designated at fair value	—	—	—	—	—	—
Total 30 June 2023	—	—	—	—	—	
Total 30 June 2022	—	—	—	—	—	—
Financial liabilities other than derivatives	—	—	—	320	—	—
Trading liabilities	—	—	—	—	—	—
Liabilities designated at fair value	—	—	—	—	—	—
Liabilities measured at amortized cost	X	X	—	320	—	—
Total 30 June 2023	—	—	—	320	—	—
Total 30 June 2022	—	—	—	(10,606)	—	—

D. Hedged instruments

D.1 Fair value hedges

	Specific hedges: book value	Specific hedges - net positions: book 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 the value used to calculate the hedge ineffectiveness	
A. Assets						
1. Financial assets measured at fair value through other comprehensive income - hedges of:	1,243,481	—	15,485	—	8,418	—
1.1 Debt securities and interest rate	1,243,481	—	15,485	—	8,418	X
1.2 Equity securities and stock indexes	—	—	—	—	—	X
1.3 Currencies and gold	—	—	—	—	—	X
1.4 Receivables	—	—	—	—	—	X
1.5 Other	—	—	—	—	—	X
2. Financial assets measured at amortized cost - hedges of:	3,489,804	—	73,251	—	27,828	—
1.1 Debt securities and interest rate	3,489,804	—	73,251	—	27,828	X
1.2 Equity securities and stock indexes	—	—	—	—	—	X
1.3 Currencies and gold	—	—	—	—	—	X
1.4 Receivables	—	—	—	—	—	X
1.5 Other	—	—	—	—	—	X
Total 30 June 2023	4,733,285	—	88,736	—	36,246	—
Total 30 June 2022	5,732,244	—	124,986	—	126,720	—
B. Liabilities						
1. Financial liabilities measured at amortized cost - hedges of:	26,315,775	—	1,858,927	—	564,714	—
1.1 Debt securities and interest rate	26,315,775	—	1,858,927	—	564,714	X
1.2 Currencies and gold	—	—	—	—	—	X
1.3 Other	—	—	—	—	—	X
Total 30 June 2023	26,315,775	—	1,858,927	—	564,714	—
Total 30 June 2022	26,207,103	—	1,320,555	—	1,495,156	—

D.2 Hedging of cash flows and foreign investments

	Changes in the value used to calculate the hedge ineffectiveness	Hedge reserves	Ending of hedge: residual value of hedging reserves
A. Cash flow hedging			
1. Assets	—	—	—
1.1 Debt securities and interest rate	—	—	—
1.2 Equity securities and stock indexes	—	—	—
1.3 Currencies and gold	—	—	—
1.4 Receivables	—	—	—
1.5 Other	—	—	—
2. Liabilities	—	—	—
1.1 Debt securities and interest rate	—	—	—
1.2 Currencies and gold	—	—	—
1.3 Other	—	—	—
Total (A) 30 June 2023	—	—	—
Total (A) 30 June 2022	691	—	—
B. Hedging of foreign investments	X	—	—
Total (A+B) 30 June 2023	—	—	—
Total (A+B) 30 June 2022	—	—	—

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 counterparties	Banks	Other financial companies	Other entities
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	153,531,850	57,613,130	9,667,694	6,349,743
- net positive fair value	1,450,322	471,443	215,050	66,169
- net negative fair value	1,892,370	1,726,212	271,603	326,126
2) Equity securities and stock indexes				
- notional value	—	10,628,379	5,350,152	1,356,417
- net positive fair value	—	407,001	251,067	66,753
- net negative fair value	—	2,585,363	136,762	38,400
3) Currencies and gold				
- notional value	—	13,773,619	2,895,983	1,925,756
- net positive fair value	—	230,850	69,704	56,183
- net negative fair value	—	217,616	61,315	47,251
4) Commodities				
- notional value	—	1,319,947	600,000	—
- net positive fair value	—	18,322	570	—
- net negative fair value	—	1,932	—	—
5) Other				
- notional value	—	—	—	—
- net positive fair value	—	—	—	—
- net negative fair value	—	—	—	—
B. Credit derivatives				
1) Hedging purchases				
- notional value	7,240,601	5,244,818	15,005,563	—
- net positive fair value	—	21,110	31,933	—
- net negative fair value	—	239,362	123,186	—
2) Hedging sales				
- notional value	7,233,083	3,845,682	14,828,199	—
- net positive fair value	—	44,016	55,454	—
- net negative fair value	14,847	14,721	24,817	—

4. LIQUIDITY RISK

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 Bank 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 Bank, 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 over time and of the Group's Risk Appetite Framework.

Moreover, the Bank's 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 the adequacy of its overall framework for liquidity risk management and measurement from a qualitative and a 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 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 Parent Company's units 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 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 its 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 Bank'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 verify whether the mismatch between cash inflows and outflows, whether expected or unexpected, remains sustainable in the short term, including within an intra-day time horizon.

The Bank, through the Group Treasury unit, manages its own liquidity position actively, with the objective of meeting its own clearing obligations within the time frame 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.

In April 2023, after proving that the Group's liquidity is managed at a centralized level, Mediobanca obtained permission from the European Central Bank to waive the adoption of liquidity requirements on an individual basis under Article 8 of the CRR (referred to as "waiver" of monitoring on an individual basis).

The Contingency Funding Plan (described in the "Regulations") is an event governance model to be activated in case of a crisis 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.

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 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	Indefinite duration
Cash assets	8,106,793	2,421,604	617,142	1,493,860	3,181,917	5,843,037	7,991,236	32,369,907	11,207,359	255,059
A.1 Government securities	875	—	1,171	12,672	170,459	800,294	3,028,120	4,226,164	2,058,269	—
A.2 Other debt securities	1,228	10,531	1,394	49,703	112,182	1,605,096	258,266	3,255,496	1,712,767	—
A.3 UCIT units	—	—	—	—	—	—	—	—	—	—
A.4 Loans	8,104,690	2,411,073	614,577	1,431,485	2,899,276	3,437,647	4,704,850	24,888,247	7,436,323	255,059
– Banks	6,220,766	944,018	111,747	417,011	1,027,510	1,695,652	2,986,638	14,034,899	7,119,099	255,059
– Customers	1,883,924	1,467,055	502,830	1,014,474	1,871,766	1,741,995	1,718,212	10,853,348	317,224	—
Cash liabilities	25,023,736	1,400,238	874,782	2,719,239	7,076,102	3,541,175	4,492,573	18,569,439	5,253,983	—
B.1 Deposits and current accounts	24,444,736	—	—	—	—	—	—	—	—	—
– Banks	20,032,197	—	—	—	—	—	—	—	—	—
– Customers	4,412,539	—	—	—	—	—	—	—	—	—
B.2 Debt securities	1,059	8	27,319	272,526	291,982	1,034,880	1,353,224	13,111,005	4,498,212	—
B.3 Other liabilities	577,941	1,400,230	847,463	2,446,713	6,784,120	2,506,295	3,139,349	5,458,434	755,771	—
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of principal										
– long positions	—	789,675	507,191	2,554,886	3,054,229	1,656,556	2,253,867	25,543,222	7,364,945	—
– short positions	—	187,736	71,443	1,816,894	2,296,690	2,230,891	1,509,615	3,704,531	356,842	—
C.2 Financial derivatives without exchange of principal										
– long positions	846,240	7,283	24,377	151,687	169,089	427,821	730,180	—	—	—
– short positions	1,084,437	21,903	12,674	206,898	226,909	487,236	1,090,464	—	—	—
C.3 Deposits and loans for collection										
– long positions	—	4,450,153	—	—	127,602	675,489	49,190	1,000	14,884	—
– short positions	—	—	—	9,974	109,881	365,372	1,991,060	2,405,124	436,906	—
C.4 Irrevocable loan commitments*										
– long positions	—	—	—	309,971	12,509	568,455	1,617,558	1,796,449	660,034	—
– short positions	—	3,376,191	195,509	471,092	219,962	603,483	50,116	—	48,684	—
C.5 Financial guarantees issued	—	—	—	—	—	—	—	—	—	—
C.6 Financial guarantees received	—	—	—	—	—	—	—	—	—	—
C.7 Credit derivatives with exchange of principal										
– long positions	—	—	—	—	4,000	282,300	1,083,080	1,158,771	509,000	—
– short positions	—	—	—	—	4,000	291,900	1,133,380	1,282,699	325,172	—
C.8 Credit derivatives without exchange of principal										
– long positions	173,807	—	—	—	—	—	—	—	—	—
– short positions	233,790	—	—	—	—	—	—	—	—	—

* This item includes hedge sales perfectly matched by purchases 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 2023 was €174.3m (€134.4m in the previous year).

Risk mitigation

The Group's Non-Financial Risks Committee, with the task of guiding, monitoring and mitigating non-financial risks (including IT&Cyber risk, fraud risk, third-party/outsourcing 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 Non-Financial Risk Management unit.

Based on the Group's operational risk management policy and in line with the principle of proportionality, the processes for identifying operational risks, including through the collection and analysis of data concerning operational risk loss, assessment and estimation, and the processes for identifying and initiating the related mitigation actions, are defined and implemented within the Parent Company and main subsidiaries. Based on the evidence obtained, actions to mitigate the most relevant operational risks have been proposed, implemented and monitored.

The operating losses recorded during the year under review impacted the Bank's total revenues by approximately 1.2%.

With regard to the different classes of operational risk, the Group's percentage composition of the various Basel II event types is shown below.

Event Type	**% of Total Loss**
Employment practices and workplace safety	92%
Execution, delivery and process management	4%
Clients, products and business practices	2%
Other	2%
Total	100%

Most of the operating losses of the year are due to the "External Fraud" case, and in particular the fraud suffered by a Wealth customer in the context of payments related to portfolio investments. In the face of this event, in addition to the strengthening of the garrisons and controls, the actions of recovery and insurance coverage have been activated, which have allowed to significantly reduce gross losses.

The category of "Clients, products and business practices" includes provisions and costs for the management of complaints or disputes with Consumer and Premier clients in regard of financial terms and conditions or interest rates applied to loan products (significantly those deriving from the 'Lexitor' ruling). Subsequently, provisions were recorded for the management of disputes with personnel.

In terms of Business Lines, losses from operational risks were higher in Wealth Management, also due to the main types of events mentioned above (in particular 'external fraud'). Very limited losses were recorded in CIB and Holding Function.

In terms of potential risks, the business lines Wealth Management and CIB were exposed to low-frequency and high-severity events as they are characterized by high-amount non-standard transactions.

Furthermore, although they did not generate significant losses, there was an increase in some cases (classes) of operational risk, such as IT & Cyber Risk and Outsourcing Risk both at Industry and Group level.

Due to the foregoing, the Non-Financial Risk Management project was launched with the aim of strengthening and developing specific frameworks for each risk class (such as IT & Cyber risk, third-party risk, fraud risk and reputation risk), while providing an overview of such risks.

Litigation risk: Risks deriving from pending proceedings

For a description of the legal proceedings currently pending against the Parent Company, please see Part B – Liabilities, pgs. 432-434.

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.

Part F - Information on Capital

SECTION 1

Company capital

QUANTITATIVE INFORMATION

B.1 Company capital: breakdown

Items/Values	30 June 2023	30 June 2022
1. Capital	444,169	443,640
2. Share premium	2,195,606	2,195,606
3. Reserves	1,826,803	2,032,801
- retained earnings	1,981,088	2,102,514
a) legal	88,728	88,728
b) under articles of association	720,073	836,680
c) treasury shares	78,876	240,807
d) other	1,093,411	936,299
- other	(154,285)	(69,713)
4. Equity instruments	—	—
5. (Treasury shares)	(78,876)	(240,807)
6. Valuation reserves:	59,189	118,414
- Equity securities designated at fair value through other comprehensive income	106,435	150,891
- Hedging of equity securities designated at fair value through other comprehensive income	—	—
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(49,000)	(40,790)
- Tangible assets	—	—
- Intangible assets	—	—
- Hedging of foreign investments	—	—
- Hedging of cash flows	—	463
- Hedging instruments (not designated instruments)	—	—
- Currency exchange gains / losses	—	—
- Non-current assets and asset groups held for sale	—	—
- Financial liabilities designated at fair value through profit or loss (change in own credit quality)	(5,524)	750
- Actuarial gains (losses) on defined benefits pension schemes	(2,354)	(2,532)
- Valuation reserves share of equity-accounted interests	—	—
- Extraordinary revaluation laws	9,632	9,632
7. Profit (loss) for the year	606,491	513,087
Total	5,053,382	5,062,741

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: breakdown

Assets/Values	30 June 2023		30 June 2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	4,418	(53,418)	15,204	(55,994)
2. Equity securities	123,492	(17,057)	167,759	(16,868)
3. Loans	—	—	—	—
Total	127,910	(70,475)	182,963	(72,862)

B.3 Valuation reserves for financial assets measured at FVOCI: changes during the period

	Debt securities	Equity securities	Loans	Total
1. Opening amount	(40,790)	150,891	—	110,101
2. Increases	34,864	32,657	—	67,521
2.1 Increases in fair value	22,260	32,657	—	54,917
2.2 Value adjustments for credit risk	1,418	X	—	1,418
2.3 P&L recycling of negative reserves due to realization	11,186	X	—	11,186
2.4 Transfers to other net equity components (equity securities)	—	—	—	—
2.5 Other changes	—	—	—	—
3. Decreases	43,074	77,113	—	120,187
3.1 Decreases in fair value	32,845	14,555	—	47,400
3.2 Credit risk write-backs	1,896	—	—	1,896
3.3 P&L recycling of positive reserves:	8,333	X	—	8,333
- due to realization	—	—	—	—
3.4 Transfers to other net equity components (equity securities)	—	62,558	—	62,558
3.5 Other changes	—	—	—	—
4. Closing amount	(49,000)	106,435	—	57,435

SECTION 2

Own funds and supervisory capital requirements

The Bank, as the Group, stands out for its strong capital soundness, as it keeps its capital ratios constantly above the regulatory thresholds justifying the capital surplus with the type of transactions carried out on the corporate market.

2.1 Own funds

Scope of regulations

During the year under review, the AIRB PD and LGD models were revised following the conclusion of the IMI on the Large Corporate portfolio, which introduced a Limitation on the LGD model through a 45% floor for the performing portfolio. This action resulted in an increase in the order of €1.5bn in RWA, an impact expected to subside after the implementation of Basel 4 (expected as of 1 January 2025), which will entail the use of the new 40% Foundation parameter.

It should be remembered that the Bank continues to forgo the enforcement of its right to extend the transitional regime of major adjustments pursuant to IFRS 9, to neutralize valuation reserves on government bonds, and to exclude certain exposures to central banks from the calculation of the leverage ratio.[1]

QUALITATIVE INFORMATION

The Common Equity Tier1 (CET1) consists of paid-in capital, reserves (including €57.4m in positive reserves on available-for-sale securities) and profit for the year (€606.5m) calculated in CET1 after deducting the proposed dividends (€714.7m, calculated on consolidated profits).

From this amount, the following items are deducted:

– treasury shares of €78.9m after cancellation of a part of the buybacks made under the latest buyback plan;

[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 €28.5m, almost equal to those of the previous financial year (€28m);
- prudential changes of €71.8m relating to valuations of financial instruments (referred to as (AVA and DVA), which slightly increased compared to last year (€65.8m), mainly due to the trend in gains and losses on liabilities following the evolution of the Bank's credit quality;
- interests of €137m in total in financial companies, almost totally related to the equity investment in Assicurazioni Generali (€119.1m).

No Additional Tier 1 (AT1) instruments were issued.

Tier 2 capital includes subordinated liabilities, up slightly from €911.8m to €966.6m after the nominal issue of €300m, which more than absorbed the amortization for the year (€234m). No subordinated Tier 2 issue benefits from grand-fathering, as permitted under Articles 483 and ff of the CRR.

Issue	**30 June 2023**		
	ISIN code	**Nominal Value**	**Computed value***
MB SUBORDINATO TV con min 3% 2025	IT0005127508	496,805	214,646
MB SUBORDINATO 3.75% 2026	IT0005188351	299,750	172,256
MB SUBORDINATO 1.957% 2029	XS1579416741	50,000	48,495
MB SUBORDINATO 2.3% 2030	XS2262077675	248,854	240,387
MB SUBORDINATO TF 10Y Callable	XS2577528016	299,950	290,865
Total subordinated securities		1,395,359	966,649

* The computed value differs from the book value due to the items measured at fair value and amortized cost and to buyback commitments entered into.

Tier 2 also includes the buffer which results from book value write-downs being higher than the prudential expected losses calculated using the advanced models for €22.5m, down on last June (€51.1m), calculating the maximum permissible amount representing 0.6% of the risk-weighted exposure amounts calculated with advanced models (under Article 159, CRR).

QUANTITATIVE INFORMATION

	30 June 2023	30 June 2022
A. Common equity tier 1 (CET1) prior to application of prudential filters	4,338,700	4,433,577
of which CET1 instruments subject to phase-in regime	—	—
B. CET1 prudential filters (+/-)	(117,395)	(67,052)
C. CET1 before items to be deducted and effects of phase-in regime (A +/- B)	4,221,306	4,366,525
D. Items to be deducted from CET1	(752,644)	(867,001)
E. Phase-in regime - impact on CET1 (+/-)*	587,950	660,719
F. Total common equity tier 1 (CET1) (C-D+/-E)	4,056,612	4,160,243
G. Additional Tier 1 (AT1) before items to be deducted and effects of phase-in regime	—	—
of which AT1 instruments subject to phase-in regime	—	—
H. Items to be deducted from AT1	—	—
I. Phase-in regime - impact on AT1 (+/-)	—	—
L. Total additional tier 1 (AT1) capital (G-H+/-I)	—	—
M. Tier 2 (T2) capital before items to be deducted and effects of phase-in regime	989,108	962,893
of which T2 instruments subject to phase-in regime	—	—
N. Items to be deducted from T2	(104,920)	(154,209)
O. Phase-in regime - impact on T2 (+/-)	—	—
P. Total Tier 2 capital (M-N+/-O)	884,188	808,684
Q. Total own funds (F+L+P)	4,940,800	4,968,927

* Adjustments include the adoption of the phase-in provisions for the introduction of IFRS 9.

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

As at 30 June 2023, the phased-in Common Equity Ratio – between Common Equity Tier1 and total weighted assets with the adoption of the Danish Compromise – stood at 12.78%, down compared to 30 June 2022 (13.26%) due to the effects of the Internal Model Investigation (IMI) on the Large Corporate model (-65 bps); the result for the year, together with lower RWAs, fully absorbs the outflow of the proposed dividends.

The total capital ratio also decreased from 15.84% to 15.57%.

The Leverage ratio, calculated without benefiting from the temporary ability permitted by the Regulator to exclude reserves to central banks exposures, stood at 6% (6.3% as at 30 June last), well above the regulatory limit of 3%.

B. QUANTITATIVE INFORMATION

Categories/Values	Unweighted amounts*		Weighted amounts/ requirements	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
A. RISK ASSETS				
A.1 Credit and counterparty risk	79,294,244	81,772,807	26,979,359	26,960,682
1. Standard methodology	60,623,547	62,804,267	16,440,421	17,105,010
2. Internal rating methodology	18,361,770	18,640,008	10,447,070	9,752,165
2.1 Basic	—	—	—	—
2.2 Advanced	18,361,770	18,640,008	10,447,070	9,752,165
3. Securitization	308,927	328,531	91,869	103,507
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			2,158,349	2,156,855
B.2 Credit valuation adjustment risk			38,948	24,386
B.3 Settlement risk			—	—
B.4 Market risk			167,426	194,477
1. Standard methodology			167,426	194,477
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Operational risk			174,348	134,374
1. Basic Indicator Approach (BIA)			174,348	134,374
2. Standard method			—	—
3. Advanced method			—	—
B.6 Other calculation items			—	—
B.7 Total prudential requirements			2,539,071	2,510,093
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			31,738,389	31,376,158
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			12.78%	13.26%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			12.78%	13.26%
C.4 Total own funds/risk-weighted assets (total capital ratio)			15.57%	15.84%

* 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 loan commitments, 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

The Parent Company established the special purpose vehicle MB INVAG S.r.l., to which the assets and liabilities of INV AG S.r.l. (liquidated on 28 December last) attributable to the shareholder Mediobanca were contributed.

SECTION 2

Transactions completed after the reporting date

It should be noted that the Board of Directors of Mediobanca held on 27 July 2023 approved the merger by acquisition of MB INVAG S.r.l. into Mediobanca.

On 17 May, Mediobanca signed a strategic agreement with the shareholders of Arma Partners. The closing of the transaction is expected by the end of 2023. The company will be then fully consolidated.

Lastly, please note the partnership agreement with Founders Factory, aimed at launching a new joint venture in the fintech sector. The new joint venture will be consolidated using the equity method.

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 Transactions

1. Information on remuneration for key management personnel

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 post	Non-cash benefits (*)	Bonuses and other incentives	Other compensation
BOARD OF DIRECTORS[1]	3,270.0	1,330.0	4,465.0	3,300.0
of which: management	*1,125.0*	*1,330.0*	*4,465.0*	*3,300.0*
Key MANAGEMENT personnel[2]	—	358.0	1,776.0	4,778.0
STATUTORY AUDIT COMMITTEE[3]	460.0	—	—	—

* This includes the amount of fringe benefits (on a taxable basis) including any insurance policies and supplemental pension schemes. Therefore, equity-based compensation costs of €5.7m are excluded.

[1] There were 15 people in office at 30 June 2023.

[2] There were 8 people in office at 30 June 2023.

[3] There were 3 people in office at 30 June 2023.

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 aiming to ensure the transparency and substantial correctness of transactions with related parties carried out directly or through subsidiary companies. Having received favourable opinions from the Bank's Related Parties and Statutory Audit Committees, the Board of Directors incorporated the Bank of Italy's most recent instructions on this subject, which introduce prudential limits for risk activities with related parties; this Regulation came into force during December 2012, and was updated most recently in June 2021. The full document is available on the Bank's website at www.mediobanca.com.

For the definition of related parties adopted, please see 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 compensation paid to Directors and key management personnel 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

The overall exposure to related parties remained particularly low and widely below the approved limits. There are no significant changes within the reference scope to be reported.

Situation as at 30 June 2023

(€ m)

	Subsidiaries	Directors and key management personnel	Associates	Other related party	Total
Assets	30,775.3	—	—	84.4	30,859.7
of which: other assets	*5,351.9*	—	—	*72.0*	*5,423.9*
Loans	*25,423.4*	—	—	*12.4*	*25,435.8*
Liabilities	26,441.5	—	—	12.9	26,454.4
Guarantees and commitments	7,823.2	—	—	390.0	8,213.2
Interest income	837.5	—	—	1.1	838.6
Interest expense	(421.4)	—	—	—	(421.4)
Net fee and commission	10.2	—	1.0	0.1	11.3
Sundry income (costs)	(619.5)	(26.8) [1]	(0.1)	(24.1)[2]	(670.5)

[1] Of which, short-term benefits of €(17.3)m and performance shares of €(5.7)m; the figure includes 8 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 2022

(€ m)

	Subsidiaries	Directors and key management personnel	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	*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 and commission	13.1	—	2.8	(2.2)	13.7
Sundry income (costs)	(901.5)	(20.9) [1]	(0.1)	93.8 [2]	(828.7)

[1] Of which, short-term benefits of €(18)m and performance shares of €(2.9)m; the figure inx\cludes 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 Shareholders' Meeting with regard to performance share schemes in place:

Extraordinary shareholders' meeting	Maximum no. of shares approved	Final deadline for awards	No. of options and performance shares awarded
Performance Share schemes			
28 October 2015	20,000,000	X	1,196,569*
28 October 2020	20,000,000	X	717,763*
28 October 2021	4,000,000	X	1,776,576*
28 October 2022	3,000,000	X	66,465**

* Relating to awards made in the five-year period 2018 - 2022.

** Relating to awards to be made for the variable remuneration for financial year 2022/2023.

2. Description of performance shares schemes and group LTI

In the area of equity instruments used for staff remuneration, Mediobanca decided to adopt a performance shares scheme, serving the award of short-term annual variable remuneration and the LTI Plan 19-23. The performance shares scheme was most recently approved by the shareholders at the Annual General Meeting held on 28 October 2022.

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 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 its shareholders in order 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 2022 is 3,000,000 to the Group's personnel for the variable remuneration to be paid out for the financial year ending at 30 June 2023.. Treasury shares will be used in connection with the scheme.

As part of the variable remuneration for financial year 2022, 1,843,041 performance shares, through treasury shares, drawn from the Scheme approved in the October 2021 shareholders' meeting, were awarded on 27 September 2022. The shares, the award of which is conditional upon performance targets being met over a five-year period or less, will be made available in tranches in 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). On 31 January 2023, 66,465 shares were assigned as lay-off incentives, drawn from the Scheme approved on 28 October 2022.

During the year, the rights over 22,054 shares were forfeit against attributions of 1,516,639 shares, 557,794 of which through treasury shares and the remainder through a capital increase.

Starting on 30 June 2023, in connection with the variable remuneration for financial year 2023, a total of 1,227,029 performance shares were awarded at a figurative cost of €10.6m, as part of the variable remuneration component only. These shares, the award of which is conditional upon performance targets being achieved over a five-year period, will be made available in tranches as follows: November 2024 (up to 532,243), November 2025 (up to 185,868), November 2026 (up to 293,462), November 2027 (up to 107,862), and November 2028 (up to 107,594).

B. QUANTITATIVE INFORMATION

2. Changes in performance share scheme during the year

Items/Performance shares	30 June 2023		30 June 2022	
	No. of performance shares	Avg. price	No. of performance shares	Avg. price
A. Balance at start of period	3,453,025	7.01	4,326,781	6.46
B. Increases	1,843,041		1,313,735	
B.1 Newly issued shares	1,843,041	5.89	1,313,735	7.94
B.2 Other changes	—	—	—	—
C. Decreases	1,538,693		2,187,491	
C.1 Cancelled	—	—	—	—
C.2 Exercised	1,516,639	7.59	2,124,262	7.09
C.3 Expired	—	—	—	—
C.4 Other changes	22,054	7.76	63,229	7.28
D. Balance at end of period	3,757,373	6.21	3,453,025	7.01

Part M – Disclosure on Lease

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, such leases do not contain an option to buy at expiry or 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.

It should be remembered that when the standard was adopted, some simplifications were adopted, excluding contracts with a duration of twelve months or less (referred to as "short-term"), contracts with a value of less than €5,000 (referred to as "low value"), and contracts relating to 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.

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 rather than by its value in use. 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 right-of-use assets acquired, "Part B Notes to the balance sheet - Assets - Section 8";
– information on amounts due under leases, "Part B Notes to the balance sheet - Liabilities - Section 1";
– for the effects on earnings, "Part C Notes to the Profit and Loss Account", in particular the headings for interest income and expense and value adjustments to tangible assets.

The value in use recorded in the balance sheet at 30 June 2023 was €23,736,000, broken down as follows:

– value in use of properties: €19,617,000;
– value in use of vehicles: €4,011,000;
– value in use of other assets: €108,000.

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 (€2.6m in June 2023).

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 balance sheet - Assets - Section 4";

– for the effects on earnings, "Part C Notes to the Profit and Loss Account", in particular the headings for interest income and expense and value adjustments to tangible assets.

1. Balance-sheet and earnings data

2. Finance leases

2.1 Maturity analysis of lease payments receivable by time band and reconciliation with lease loans recognized under assets

Time bands	**30 June 2023 Lease payments to be received**	**30 June 2022 Lease payments to be received**
Up to 1 year	1,158	1,187
From 1 year to 2 years	1,143	1,172
From 2 year to 3 years	288	1,183
From 3 year to 4 years	0	297
From 4 year to 5 years	—	—
Over 5 years	—	—
Total lease payments to be received	**2,589**	**3,839**
Reconciliation with loans	(9)	(19)
Not accrued financial gains (-)	(9)	(19)
Unguaranteed residual value (-)	—	—
Lease loans	**2,580**	**3,820**

The table provides a maturity analysis of the lease payments receivable by time band, and a reconciliation of payments to be received and lease payments, 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 of the unguaranteed residual value due to the lessor. These are reconciled with the lease loan, recognized in the balance sheet under financial assets measured at amortized cost, by subtracting financial gains 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.

ANNEXED TABLES

Consolidated financial statements
Comparison between the restated Balance Sheet and the template contained in Bank of Italy Circular No. 262/2005, seventh update

Regarding Assets, the balance sheet shown in the consolidated Review of Operations reflects the following restatements:

– the 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); in the year under review the item also includes Revalea net treasury assets reported under Asset group held for sale (heading 120);

– the amount of “Banking book debt securities” includes the debt securities of the following items: “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 amount of “Equity investments” includes equities recognized as “Financial assets measured at fair value through other comprehensive income” (heading 30), “Equity investments” (heading 70), and funds mandatorily recognized at fair value in heading 20 “Financial assets measured at fair value through profit or loss”;

– the 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 to generic hedging financial assets” (heading 60) relating to loans and receivables; in the year under review the item also includes Revalea net treasury assets reported under Asset group held for sale (heading 120);

– the 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 asset groups held for sale, if any.

Regarding Liabilities:

– the 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 designated at fair value" (heading 30); Revalea funding liability items associated with assets held for sale (heading 70) were also reported in the year under review;

– the 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 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". Revalea other liability items associated with assets held for sale (heading 70) were also reported in the year under review.

Balance sheet as at 30 June 2023 – Assets

RECLASSIFIED STATEMENTS (€m)

Asset items	Financial assets held for trading	Treasury financial assets and cash	Banking book debt securities	Loans to customers	Equity Investments	Tangible and intangible assets	Other assets	Total assets
10. Cash and cash equivalents	—	4,237.0	—	—	—	—	—	**4,237.0**
20. Financial assets measured at fair value through profit or loss	9,546.2	—	0.9	544.4	562.9	—	—	**10,654.4**
a) financial assets held for trading	*9,546.2*	—	—	—	—	—	—	***9,546.2***
b) financial assets designated at fair value	—	—	—	*538.6*	—	—	—	***538.6***
c) other financial assets mandatorily measured at fair value	—	—	*0.9*	*5.8*	*562.9*	—	—	***569.6***
30. Financial assets measured at fair value through other comprehensive income	—	—	5,801.1	—	241.0	—	—	**6,042.1**
40. Financial assets measured at amortized cost	—	6,120.4	4,669.3	51,766.0	—	—	—	**62,555.7**
50. Hedging derivatives	—	—	—	—	—	—	1,321.9	**1,321.9**
60. Value adjustment to generic hedging financial assets (+/-)	—	—	—	—	—	—	—	**—**
70. Equity investments	—	—	—	—	3,563.8	—	—	**3,563.8**
80. Reinsured portion of technical reserve	—	—	—	—	—	—	—	**—**
90. Tangible assets	—	—	—	—	—	530.7	—	**530.7**
100. Intangible assets	—	—	—	—	—	796.7	—	**796.7**
110. Tax assets	—	—	—	—	—	—	769.1	**769.1**
120. Non-current assets and asset groups held for sale	—	21.1	—	238.8	—	0.2	(8.1)	**252.0**
130. Other assets	—	—	—	—	—	—	915.6	**915.6**
Total assets	**9,546.2**	**10,378.5**	**10,471.3**	**52,549.2**	**4,367.7**	**1,327.6**	**2,998.5**	**91,639.0**

TEMPLATE RECOMMENDED BY BANK OF ITALY CIRCULAR NO. 262/2005 7TH UPDATE

EMARKET SDIR CERTIFIED

TEMPLATE RECOMMENDED BY BANK OF ITALY CIRCULAR NO. 262/2005 7TH UPDATE

Balance sheet as at 30 June 2023 – Liabilities

RECLASSIFIED STATEMENTS (€m)

Liabilities and net equity	**Funding**	**Treasury funding**	**Trading financial liabilities**	**Other liabilities**	**Provisions**	**Own funds**	**Total liabilities and net equity**
10. Financial liabilities measured at amortized cost	58,923.2	5,470.0	—	509.9	—	—	**64,903.1**
a) due to banks	*9,518.3*	*3,756.4*	—	*0.4*	—	—	***13,275.1***
b) due to customers	*28,527.8*	*1,713.6*	—	*509.2*	—	—	***30,750.6***
c) securities in issue	*20,877.1*	—	—	*0.3*	—	—	***20,877.4***
20. Trading financial liabilities	—	—	9,436.7	—	—	—	**9,436.7**
30. Financial liabilities designated at fair value	1,581.0	—	—	—	—	—	**1,581.0**
40. Hedging derivatives	—	—	—	2,069.6	—	—	**2,069.6**
50. Value adjustment to generic hedging financial liabilities	—	—	—	—	—	—	**—**
60. Tax liabilities	—	—	—	867.3	—	—	**867.3**
70. Liabilities associated with assets held for sale	2.0	—	—	5.2	0.9	—	**8.1**
80. Other liabilities	—	—	—	1,051.0	—	—	**1,051.0**
90. Provision for statutory end-of-service payments	—	—	—	—	20.6	—	**20.6**
100. Provisions for risks and charges	—	—	—	—	161.1	—	**161.1**
110. Insurance reserves	—	—	—	111.3	—	—	**111.3**
120. Revaluation reserves	—	—	—	—	—	62.1	**62.1**
130. Redeemable shares	—	—	—	—	—	—	**—**
140. Equity instruments	—	—	—	—	—	—	**—**
150. Reserves	—	—	—	—	—	7,675.3	**7,675.3**
160. Share premium	—	—	—	—	—	2,195.6	**2,195.6**
170. Capital	—	—	—	—	—	444.2	**444.2**
180. Treasury shares (-)	—	—	—	—	—	(78.9)	**(78.9)**
190. Equity attributable to minority interests (+/-)	—	—	—	—	—	104.1	**104.1**
200. Profit/(loss) for the period	—	—	—	—	—	1,026.8	**1,026.8**
Total liabilities and net equity	**60,506.2**	**5,470.0**	**9,436.7**	**4,614.3**	**182.6**	**11,429.2**	**91,639.0**

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/2005, seventh update

The profit and loss account shown in the consolidated 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 €7m) was reclassified in "Treasury income";

– "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), Banking Book result 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 €3.6m), 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 write-backs 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 write-backs of €32.2m on NPLs), 100 "Net gains (losses) on disposals/repurchases" (€-4.4m), 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" (€-0.6m), and 200 "Net provisions for risks and charges" relating to commitments and sureties (€2.1m). As at 30 June 2023, this item also included €2.7m relating to costs for advances paid to legal advisors for a significant NPL transfer transaction;

EMARKET SDIR CERTIFIED

- 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 write-backs for credit risk relating to assets measured at fair value through OCI and other financial assets stated under item 130 (€-1.9m);
- the heading “Overhead costs” includes amounts stated under heading 190 “Administrative expenses” (after the item reclassified under Loan loss provisions), net transfers to provisions stated under heading 200 (after the amounts stated under the heading Loan loss provisions €2.1m, and Other gains and losses), 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;
- “Other gains/losses” includes the non-recurring costs of item 190 “Administrative expenses”, in particular contributions to resolution and deposit protection funds (€70.4 million), €49.5 million linked to the zeroing of RAM’s Goodwill (item 270 “Goodwill value adjustments”) and 14.4 million relating to item 280 “Gains (losses) from the sale of investments” (of which €17.7 million relating to the loss on the disposal of Revalea). In addition, non-recurring expenses of item 230 “Other operating expenses/ income” amount to €16.4 million, of which €13.6 million of net contingent liabilities resulting from a repayment to a customer subject to fraudulent action perpetuated by a third party and €2.8m for adjustments to financial assets and provisions for a fraudulent action with retailers, should also be added. The same item also comprises the provisions of heading 200 “Net provisions for risks and charges” of €30.5m, which includes €26m for early retirement provisions, €3.3m for the Lexitor fund adjustment, and the remainder for other minor items including costs for the management of leased properties redeemed.

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/2005, seventh update

RECLASSIFIED STATEMENTS (€m)

Profit-and-loss account	Net interest income	Treasury income	Net fee and commission income	*Share in profits earned by equity-accounted companies*	Overheads	Net (Value adjustments to) write-backs of loans to customers	Net (Value adjustments to) write-backs of other financial assets	Other gains (losses)	Income taxes	Profit (loss) attributable to minority interests	Profit (loss) for the period
10. Interest and similar income	2,826.0	8.1	—	—	—	—	—	—	—	—	2,834.1
20. Interest and similar charges	(1,011.3)	(15.0)	—	—	—	—	—	—	—	—	(1,026.3)
30. Net interest income	**1,814.7**	**(6.9)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,807.8**
40. Commission income	2.0	4.5	830.5	—	—	(0.9)	—	—	—	—	836.1
50. Commission expenses	(10.5)	(1.2)	(146.4)	—	—	—	—	—	—	—	(158.1)
60. Net fee and commission	**(8.5)**	**3.3**	**684.1**	**—**	**—**	**(0.9)**	**—**	**—**	**—**	**—**	**678.0**
70. Dividends and similar income	—	78.8	—	—	—	—	—	—	—	—	78.8
80. Net trading income (expense)	(6.6)	106.0	—	—	—	—	—	—	—	—	99.4
90. Net hedging income (expense)	1.4	—	—	—	—	—	—	—	—	—	1.4
100. Gains (losses) on disposal/repurchase	—	9.2	—	—	—	(4.4)	—	—	—	—	4.8
110. Net income from other financial assets and liabilities measured at fair value through profit or loss	—	15.3	—	—	—	(0.2)	(5.4)	—	—	—	9.7
120. Total revenues	**1,801.0**	**205.7**	**684.1**	**—**	**—**	**(5.5)**	**(5.4)**	**—**	**—**	**—**	**2,679.9**
130. Net value adjustments (write-backs) for credit risk	—	—	32.2	—	—	(261.7)	(1.9)	—	—	—	(231.4)
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—	(0.6)		—	—	—	(0.6)
150. Net income from financial operations	**1,801.0**	**205.7**	**716.3**	**—**	**—**	**(267.8)**	**(7.3)**	**—**	**—**	**—**	**2,447.9**
160. Net premiums	—	—	40.0	—	—	—	—	—	—	—	40.0
170. Other income / charges from insurance activities	—	—	(10.2)	—	—	—	—	—	—	—	(10.2)
180. Net profit from financial and insurance activities	**1,801.0**	**205.7**	**746.1**	**—**	**—**	**(267.8)**	**(7.3)**	**—**	**—**	**—**	**2,477.7**
190. Administrative expenses	—	—	—	—	(1,410.8)	(2.7)	—	(73.7)	—	—	(1,487.2)
200. Net transfers to provisions for risks and charges	—	—	—	—	(7.4)	2.1	—	(30.5)	—	—	(35.8)
210. Net value adjustments to tangible assets	—	—	—	—	(62.1)	—	—	—	—	—	(62.1)
220. Net value adjustments to intangible assets	—	—	—	—	(30.2)	—	—	—	—	—	(30.2)
230. Other operating income (expense)	—	—	97.8	—	97.4	(1.7)	—	(16.4)	—	(3.7)	173.4
240. Operating costs	**—**	**—**	**97.8**	**—**	**(1,413.1)**	**(2.3)**	**—**	**(120.6)**	**—**	**(3.7)**	**(1,441.9)**
250. Gains (losses) on equity investments	—	—	—	453.9	—	—	—	—	—	—	453.9
260. Net income from fair value measurement of tangible and intangible assets	—	—	—	—	—	—	—	(1.3)	—	—	(1.3)
270. Goodwill write-offs	—	—	—	—	—	—	—	(49.5)	—	—	(49.5)
280. Gains (losses) on disposal of investments	—	—	—	—	—	—	—	(14.4)	—	—	(14.4)
290. Profit (loss) on ordinary activity before tax	**1,801.0**	**205.7**	**843.9**	**453.9**	**(1,413.1)**	**(270.1)**	**(7.3)**	**(185.8)**	**—**	**(3.7)**	**1,424.5**
300. Income tax for the year on ordinary activities	—	—	—	—	—	—	—	—	(394.7)	—	(394.7)
310. Profit (loss) on ordinary activities after tax	**1,801.0**	**205.7**	**843.9**	**453.9**	**(1,413.1)**	**(270.1)**	**(7.3)**	**(185.8)**	**(394.7)**	**(3.7)**	**1,029.8**
320. Gains (losses) of ceded operating assets, after tax	—	—	—	—	—	—	—	—	—	—	—
330. Profit (loss) for the period	**1,801.0**	**205.7**	**843.9**	**453.9**	**(1,413.1)**	**(270.1)**	**(7.3)**	**(185.8)**	**(394.7)**	**(3.7)**	**1,029.8**
340. Profit (loss) for the period attributable to minority interests	—	—	—	—	—	—	—	—	—	(3.0)	(3.0)
350. Profit (loss) for the period attributable to the Parent Company	**1,801.0**	**205.7**	**843.9**	**453.9**	**(1,413.1)**	**(270.1)**	**(7.3)**	**(185.8)**	**(394.7)**	**(6.7)**	**1,026.8**

Individual Financial Statements

Balance sheet as at 30 June 2023 – Assets

RECLASSIFIED STATEMENTS (€m)

TEMPLATE RECOMMENDED BY BANK OF ITALY CIRCULAR NO. 262/2005, SEVENTH UPDATE

Asset items	Financial assets held for trading	Treasury financial assets and cash	*Banking book debt securities*	Loans to customers	Equity Investments	Tangible and intangible assets	Other assets	Total assets
10. Cash and cash equivalents	—	3,506.9	—	920.0	—	—	—	**4,426.9**
20. Financial assets measured at fair value through profit or loss	10,509.4	—	0.9	538.6	529.9	—	—	**11,578.8**
a) financial assets held for trading	*10,509.4*	—	—	—	—	—	—	***10,509.4***
b) financial assets designated at fair value	—	—	—	*538.6*	—	—	—	***538.6***
c) other financial assets mandatorily measured at fair value	—	—	*0.9*	—	*529.9*	—	—	***530.8***
30. Financial assets measured at fair value through other comprehensive income	—	—	5,801.1	—	484.5	—	—	**6,285.6**
40. Financial assets measured at amortized cost	—	9,283.6	5,316.7	39,988.3	—	—	—	**54,588.6**
50. Hedging derivatives	—	—	—	—	—	—	246.0	**246.0**
60. Value adjustment to generic hedging of financial assets (+/-)	—	—	—	—	—	—	—	**—**
70. Equity investments	—	—	—	—	3,528.5	—	—	**3,528.5**
80. Tangible assets	—	—	—	—	—	139.6	—	**139.6**
90. Intangible assets	—	—	—	—	—	29.7	—	**29.7**
100. Tax assets	—	—	—	—	—	—	277.5	**277.5**
110. Non-current assets and asset groups held for sale	—	—	—	—	—	—	—	**—**
120. Other assets	—	—	—	—	—	—	166.7	**166.7**
Total assets	**10,509.4**	**12,790.5**	**11,118.7**	**41,446.9**	**4,542.9**	**169.3**	**690.2**	**81,267.9**

Balance sheet as at 30 June 2023 – Liabilities

RECLASSIFIED STATEMENTS (€m)

Liabilities and net equity	Funding	Treasury funding	Trading financial liabilities	Other liabilities	Provisions	Own funds	Total liabilities and net equity
10. Financial liabilities measured at amortized cost	54,369.0	6,585.1	—	25.5	—	—	**60,979.6**
a) due to banks	*29,452.0*	*4,872.0*	—	—	—	—	***34,324.0***
b) due to customers	*7,032.4*	*1,713.1*	—	*25.2*	—	—	***8,770.7***
c) securities in issue	*17,884.6*	—	—	*0.3*	—	—	***17,884.9***
20. Trading financial liabilities	—	—	10,592.2	—	—	—	**10,592.2**
30. Financial liabilities designated at fair value	1,524.0	—	—	—	—	—	**1,524.0**
40. Hedging derivatives	—	—	—	2,116.5	—	—	**2,116.5**
50. Value adjustment to generic hedging financial liabilities	—	—	—	—	—	—	**—**
60. Tax liabilities	—	—	—	521.4	—	—	**521.4**
70. Liabilities associated with assets held for sale	—	—	—	—	—	—	**—**
80. Other liabilities	—	—	—	378.0	—	—	**378.0**
90. Provision for statutory end-of-service payments	—	—	—	—	5.1	—	**5.1**
100. Provisions for risks and charges	—	—	—	—	97.7	—	**97.7**
110. Revaluation reserves	—	—	—	—	—	59.2	**59.2**
120. Redeemable shares	—	—	—	—	—	—	**—**
130. Equity instruments	—	—	—	—	—	—	**—**
140. Reserves	—	—	—	—	—	1,826.8	**1,826.8**
150. Share premium	—	—	—	—	—	2,195.6	**2,195.6**
160. Capital	—	—	—	—	—	444.2	**444.2**
170. Treasury shares (-)	—	—	—	—	—	(78.9)	**(78.9)**
180. Profit/(loss) for the period	—	—	—	—	—	606.5	**606.5**
Total liabilities and net equity	**55,893.0**	**6,585.1**	**10,592.2**	**3,041.4**	**102.8**	**5,053.4**	**81,267.9**

TEMPLATE RECOMMENDED BY BANK OF ITALY CIRCULAR NO. 262/2005, SEVENTH UPDATE

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/2005, seventh update

Profit and loss account as at 30 June 2023

RECLASSIFIED STATEMENTS (€m)

Profit and loss account	Net interest income	Treasury income	Net fee and commission income	Dividends on investments	Overheads	Net (Value adjustments to) write-backs of loans to customers	Net (Value adjustments to) write-backs of other financial assets	Impairment on investments	Other gains (losses)	Income taxes	Profit (loss) for the period
10. Interest and similar income	1,732.2	8.1	—	—	—	—	—	—	—	—	1,740.3
20. Interest and similar charges	(1,392.7)	(15.0)	—	—	—	—	—	—	—	—	(1,407.7)
30. Net interest income	**339.5**	**(6.9)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**332.6**
40. Commission income	6.9	4.5	344.2	—	—	—	—	—	—	—	355.6
50. Commission expenses	(12.1)	(3.8)	(44.0)	—	—	—	—	—	—	—	(59.9)
60. Net fee and commission	**(5.2)**	**0.7**	**300.2**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**295.7**
70. Dividends and similar income	—	91.5	—	527.3	—	—	—	—	—	—	618.8
80. Net trading income (expense)	(4.8)	100.1	—	—	—	—	—	—	—	—	95.3
90. Net hedging income (expense)	3.7	—	—	—	—	—	—	—	—	—	3.7
100. Gains (losses) on disposal or repurchase	—	8.3	—	—	—	—	—	—	—	—	8.3
110. Net income from other financial assets and liabilities measured at fair value through profit or loss	—	13.8	—	—	—	(0.2)	(4.5)	—	—	—	9.1
120. Total revenues	**333.2**	**207.5**	**300.2**	**527.3**	**—**	**(0.2)**	**(4.5)**	**—**	**—**	**—**	**1,363.5**
130. Net value adjustments (write-backs) for credit risk	—	—	—	—	—	(50.8)	(2.5)	—	—	—	(53.3)
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—	—	—	—	—	—	—
150. Net income from financial operations	**333.2**	**207.5**	**300.2**	**527.3**	**—**	**(51.0)**	**(7.0)**	**—**	**—**	**—**	**1.,310.2**
160. Administrative expenses	—	—	—	—	(507.1)	—	—	—	(36.2)	—	(543.3)
170. Net transfers to provisions for risks and charges	—	—	—	—	0.2	14.7	—	—	(2.1)	—	12.8
180. Net value adjustments to/write-backs of tangible assets	**—**	**—**	**—**	**—**	**(8.9)**	**—**	**—**	**—**	**—**	**—**	**(8.9)**
190. Net adjustments to/write-backs of intangible assets	—	—	—	—	(0.7)	—	—	—	—	—	(0.7)
200. Other operating income (expense)	—	—	19.7	—	18.1	—	—	—	(12.1)	—	25.7
210. Operating costs	—	—	19.7	—	(498.4)	14.7	—	—	(50.4)	—	(514.4)
220. Gains (losses) on equity investments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(54.3)**	**—**	**—**	**(54.3)**
230. Net income from fair value measurement of tangible and intangible assets	—	—	—	—	—	—	—	—	—	—	—
240. Goodwill write-offs	—	—	—	—	—	—	—	—	—	—	—
250. Gains (losses) on disposal of investments	—	—	—	—	—	—	—	—	—	—	—
260. Profit/(Loss) on ordinary operations before tax	**333.2**	**207.5**	**319.9**	**527.3**	**(498.4)**	**(36.3)**	**(7.0)**	**(54.3)**	**(50.4)**	**—**	**741.5**
270. Income tax for the year on ordinary activities	—	—	—	—	—	—	—	—		(135.0)	(135.0)
280. Profit (loss) on ordinary operations after tax	**333.2**	**207.5**	**319.9**	**527.3**	**(498.4)**	**(36.3)**	**(7.0)**	**(54.3)**	**(50.4)**	**(135.0)**	**606.5**
290. Gains (losses) of ceded operating assets, after tax	—	—	—	—	—	—	—	—	—	—	—
300. Profit (loss) for the period	**333.2**	**207.5**	**319.9**	**527.3**	**(498.4)**	**(36.3)**	**(7.0)**	**(54.3)**	**(50.4)**	**(135.0)**	**606.5**

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 were made

(Figures in €)

Revalued assets	Original revaluation	Decreases for sales or write-downs	Residual revaluation
– property at 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 at Piazza Paolo Ferrari 6			
revaluation effected under Law no. 72 of 19 March 1983	815,743.67	—	815,743.67
			815,743.67

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Balance sheet and profit and loss account of investments in Group undertakings (including indirect investments)

Banks (IAS/IFRS)

Table B

BALANCE SHEET

		CMB MONACO S.A.M.* (€'000)	CHEBANCA! (€'000)	COMPASS BANCA (€'000)
	ASSETS			
10.	Cash and cash equivalents	2,008,860	1,159,299	489,948
20.	Financial assets measured at fair value through profit or loss	160,481	26,073	—
	a) financial assets held for trading	*156,149*	—	—
	b) financial assets designated at fair value	—	—	—
	c) other financial assets mandatorily measured at fair value	*4,332*	*26,073*	—
30.	Financial assets measured at fair value through other comprehensive income	—	—	868
40.	Financial assets measured at amortized cost	6,642,921	29,355,978	14,759,106
	a) due from banks	*3,199,485*	*16,370,871*	*164*
	b) due from customers	*3,443,436*	*12,985,107*	*14,758,942*
50.	Hedging derivatives	4,182	752,970	502,835
60.	Value adjustment to generic hedging financial assets (+/-)	—	—	—
70.	Equity investments	45,803	69	81,045
80.	Tangible assets	35,995	152,005	66,267
90.	Intangible assets	22,156	5,239	355,101
	of which:			
	goodwill	—	—	*354,033*
100.	Tax assets	—	42,338	429,203
	a) current	—	*7,195*	*46,449*
	b) prepaid	—	*35,143*	*382,754*
110.	Non-current assets and asset groups held for sale	—	—	3,000
120.	Other assets	42,114	289,727	93,863
	TOTAL ASSETS	**8,962,512**	**31,783,698**	**16,781,236**

* 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 2023, drawn up for the purpose of the Group's consolidated financial statements).

Banks (IAS/IFRS)

Table B

BALANCE SHEET

		CMB MONACO S.A.M. (*) (€'000)	CHEBANCA! (€'000)	COMPASS BANCA (€'000)
	LIABILITIES			
10.	Financial liabilities measured at amortized cost	7,718,368	30,547,649	13,196,785
	a) due to banks	*1,636,900*	*13,439,479*	*11,311,120*
	b) due to customers	*6,081,468*	*17,108,170*	*1,785,550*
	c) securities in issue	—	—	*100,115*
20.	Trading financial liabilities	156,149	—	—
30.	Financial liabilities designated at fair value	—	—	—
40.	Hedging derivatives	9,467	6,741	104
50.	Value adjustment to generic hedging financial liabilities (+/-)	—	—	—
60.	Tax liabilities	1,058	10,572	222,537
	a) current	—	*10,572*	*64,832*
	b) deferred	*1,058*	—	*157,705*
70.	Liabilities associated with assets held for sale	—	—	—
80.	Other liabilities	53,639	255,935	206,921
90.	Provision for statutory end-of-service payments	—	1,965	7,191
100.	Provisions for risks and charges	2,705	32,552	37,971
	a) commitments and financial guarantees	*476*	*554*	*8,937*
	b) post-employment and similar benefits	—	—	—
	c) other provisions for risks and charges	*2,229*	*31,998*	*29,034*
110.	Revaluation reserves	—	(522)	313,386
120.	Redeemable shares	—	—	—
130.	Equity instruments	—	160,000	—
140.	Reserves	846,896	(19,866)	1,840,954
150.	Share premium	4,573	233,750	—
160.	Capital	111,110	506,250	587,500
170.	Treasury shares (-)	—	—	—
180.	Profit (loss) for the year (+/-)	58,547	48,672	367,887
	TOTAL LIABILITIES AND NET EQUITY	**8,962,512**	**31,783,698**	**16,781,236**

* 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 2023, drawn up for the purpose of the Group's consolidated financial statements).

Banks (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNT

	CMB MONACO S.A.M.*	CHEBANCA!	COMPASS BANCA
	(€'000)	(€'000)	(€'000)
10. Interest and similar income	200,287	618,742	1,294,876
of which: interest income calculated according to the effective interest method	*10,740*	*298,536*	*1,156,206*
20. Interest and similar charges	(106,048)	(373,124)	(315,703)
30. Net interest income	**94,239**	**245,618**	**979,173**
40. Commission income	62,746	237,991	47,316
50. Commission expenses	(6,782)	(72,121)	(20,308)
60. Net fee and commission	**55,964**	**165,870**	**27,008**
70. Dividends and similar income	17	—	15,017
80. Net trading income (expense)	8,202	1,530	—
90. Net hedging income (expense)	—	(586)	178
100. Gains (losses) on disposal/repurchase of:	—	(2)	(2,909)
a) financial assets measured at amortized cost	—	*(2)*	*(2,909)*
b) financial assets measured at fair value through other comprehensive income	—	—	—
c) financial liabilities	—	—	—
110. Net income from other financial assets and liabilities measured at fair value through profit or loss	(2,532)	1,676	—
a) financial assets and liabilities designated at fair value	—	—	—
b) other financial assets mandatorily measured at fair value	*(2,532)*	*1,676*	—
120. Total revenues	**155,890**	**414,106**	**1,018,467**
130. Value adjustments (write-backs) for credit risk relating to:	(880)	(10,269)	(200,403)
a) financial assets measured at amortized cost	*(880)*	*(10,269)*	*(200,403)*
b) financial assets measured at fair value through other comprehensive income	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	(701)	—
150. Net income from financial operations	**155,010**	**403,136**	**818,064**
160. Administrative expenses:	(74,374)	(332,965)	(357,034)
a) personnel costs	*(49,025)*	*(144,081)*	*(110,765)*
b) other administrative expenses	*(25,349)*	*(188,884)*	*(246,269)*
170. Net transfers to provisions for risks and charges	(484)	(17,733)	(14,051)
a) commitments and guarantees issued	*72*	*(149)*	*(715)*
b) other net provisions	*(556)*	*(17,584)*	*(13,336)*
180. Net value adjustments to /write-backs of tangible assets	(3,024)	(26,530)	(13,637)
190. Net value adjustments to /write-backs of intangible assets	(7,772)	(3,374)	(895)
200. Other operating expense / income	3,052	51,369	108,137
210. Operating costs	**(82,602)**	**(329,233)**	**(277,480)**
220. Gains (losses) on equity investments	—	—	—
230. Net income from fair value measurement of tangible and intangible assets	—	—	—
240. Goodwill write-offs	—	—	—
250. Gains (losses) on disposal of investments	—	(10)	—
260. Profit (loss) on ordinary operations before tax	**72,408**	**73,893**	**540,584**
270. Income tax for the year on ordinary operations	(13,861)	(25,221)	(172,697)
280. Profit (loss) on ordinary operations after tax	**58,547**	**48,672**	**367,887**
290. Gains (losses) of ceded operating assets, after tax	—	—	—
300. Profit (loss) for the year	**58,547**	**48,672**	**367,887**

* 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 2023, drawn up for the purpose of the Group's consolidated financial statements).

Banks (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MEDIOBANCA INTERNATIONAL (LUXEMBOURG) (€'000)
	ASSETS	
10.	Cash and cash equivalents	372,427
20.	Financial assets measured at fair value through profit or loss	144,262
	a) financial assets held for trading	*131,716*
	b) financial assets designated at fair value	*7,857*
	c) other financial assets mandatorily measured at fair value	*4,689*
30.	Financial assets measured at fair value through other comprehensive income	—
40.	Financial assets measured at amortized cost	5,041,606
	a) due from banks	*1,859,395*
	b) due from customers	*3,182,211*
50.	Hedging derivatives	—
60.	Value adjustment to generic hedging financial assets (+/-)	—
70.	Equity investments	4,150
80.	Tangible assets	1,215
90.	Intangible assets	—
	of which:	
	goodwill	—
100.	Tax assets	1,833
	a) current	*930*
	b) prepaid	*903*
110.	Non-current assets and asset groups held for sale	—
120.	Other assets	10,896
	TOTAL ASSETS	**5,576,389**
	LIABILITIES	
10.	Financial liabilities measured at amortized cost	4,972,745
	a) due to banks	*2,103,121*
	b) due to customers	*3,015*
	c) securities in issue	*2,866,609*
20.	Trading financial liabilities	60,123
30.	Financial liabilities designated at fair value	64,721
40.	Hedging derivatives	2,737
50.	Value adjustment to generic hedging financial liabilities (+/-)	—
60.	Tax liabilities	9,005
	a) current	*9,005*
	b) deferred	—
70.	Liabilities associated with assets held for sale	—
80.	Other liabilities	10,596
90.	Provision for statutory end-of-service payments	—
100.	Provisions for risks and charges	839
110.	Revaluation reserves	(282)
120.	Redeemable shares	—
130.	Equity instruments	100,000
140.	Reserves	327,316
150.	Share premium	—
160.	Capital	10,000
170.	Treasury shares (-)	—
180.	Profit (loss) for the year (+/-)	18,589
	TOTAL LIABILITIES AND NET EQUITY	**5,576,389**

Banks (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNT

		MEDIOBANCA INTERNATIONAL (LUXEMBOURG) (€'000)
10.	Interest and similar income	216,918
	of which: interest income calculated according to the effective interest method	*199,327*
20.	Interest and similar charges	(188,396)
30.	**Net interest income**	**28,522**
40.	Commission income	17,897
50.	Commission expenses	(7,860)
60.	**Net fee and commission**	**10,037**
70.	Dividends and similar income	—
80.	Net trading income (expense)	(8,940)
90.	Net hedging income (expense)	144
100.	Gains (losses) on disposal/repurchase of:	486
	a) financial assets measured at amortized cost	*486*
	b) financial assets measured at fair value through other comprehensive income	—
	c) financial liabilities	—
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	1,278
	a) financial assets and liabilities designated at fair value	*1,278*
	b) other financial assets mandatorily measured at fair value	—
120.	**Total revenues**	**31,527**
130.	Net value adjustments (write-backs) for credit risk relating to:	3,651
	a) financial assets measured at amortized cost	*3,651*
	b) financial assets measured at fair value through other comprehensive income	—
140.	Gains (losses) from contractual modifications without derecognition	—
150.	**Net income from financial operations**	**35,178**
160.	Administrative expenses:	(11,414)
	a) personnel costs	*(2,742)*
	b) other administrative expenses	*(8,672)*
170.	Net transfers to provisions for risks and charges	621
180.	Net value adjustments to /write-backs of tangible assets	(206)
190.	Net value adjustments to /write-backs of intangible assets	—
200.	Other operating expense / income	644
210.	**Operating costs**	**(10,355)**
220.	Gains (losses) on equity investments	—
230.	Net income from fair value measurement of tangible and intangible assets	—
240.	Goodwill write-offs	—
250.	Gains (losses) on disposal of investments	—
260.	**Profit (loss) on ordinary operations before tax**	**24,823**
270.	Income tax for the year on ordinary operations	(6,234)
280.	**Profit (loss) on ordinary operations after tax**	**18,589**
290.	Gains (losses) of ceded operating assets, after tax	—
300.	**Profit (loss) for the year**	**18,589**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	MBCREDIT SOLUTIONS (€'000)	REVALEA (€'000)	SOISY (€'000)
ASSETS			
10. Cash and cash equivalents	37,292	31,190	10,552
20. Financial assets measured at fair value through profit or loss	—	—	—
30. Financial assets measured at fair value through other comprehensive income	—	—	—
40. Financial assets measured at amortized cost	275	238,833	—
a) due from banks	—	—	—
b) due from financial companies	—	*309*	—
c) due from customers	*275*	*238,524*	—
50. Hedging derivatives	—	—	—
60. Value adjustment to generic hedging financial assets (+/-)	—	—	—
70. Equity investments	500	—	—
80. Tangible assets	4,705	105	—
90. Intangible assets	352	195	146
100. Tax assets	4,965	7,305	95
a) current	*2,486*	*32*	*74*
b) prepaid	*2,479*	*7,273*	*21*
110. Non-current assets and asset groups held for sale	—	—	—
120. Other assets	9,331	2,558	234
TOTAL ASSETS	**57,420**	**280,186**	**11,027**
LIABILITIES			
10. Financial liabilities measured at amortized cost	4,756	153,889	8,650
a) due to	*4,756*	*153,889*	*8,650*
20. Trading financial liabilities	—	—	—
30. Financial liabilities designated at fair value	—	—	—
40. Hedging derivatives	—	—	—
50. Value adjustment to generic hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	562	72	110
a) current	*562*	*72*	*110*
b) deferred	—	—	—
70. Liabilities associated with assets held for sale	—	—	—
80. Other liabilities	14,811	7,432	966
90. Provision for statutory end-of-service payments	3,044	196	135
100. Provisions for risks and charges	1,454	914	—
a) commitments and financial guarantees	*585*	—	—
b) post-employment and similar benefits	—	—	—
c) other provisions for risks and charges	*869*	*914*	—
110. Capital	32,500	3,000	392
120. Treasury shares (-)	—	—	—
130. Equity instruments	—	—	7,727
140. Share premium	—	—	6,852
150. Reserves	(715)	113,773	(11,734)
160. Revaluation reserves	585	7	(58)
180. Profit (loss) for the year (+/-)	423	903	(2,013)
TOTAL LIABILITIES AND NET EQUITY	**57,420**	**280,186**	**11,027**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNT

		MBCREDIT SOLUTIONS (€'000)	REVALEA (€'000)	SOISY (€'000)
10.	Interest and similar income	11,706	7,609	—
	of which: interest income calculated according to the effective interest method	—	—	—
20.	Interest and similar charges	(1,395)	(937)	(4)
30.	**Net interest income**	**10,311**	**6,672**	**(4)**
40.	Commission income	27,983	1,200	1,339
50.	Commission expenses	(7,608)	—	(114)
60.	**Net fee and commission**	**20,375**	**1,200**	**1,225**
70.	Dividends and similar income	—	—	—
80.	Net trading income (expense)	—	—	—
90.	Net hedging income (expense)	—	—	—
100.	Gains (losses) on disposal/repurchase of:	(2,177)	716	—
	a) financial assets measured at amortized cost	*(2,177)*	*716*	—
	b) financial assets measured at fair value through other comprehensive income	—	—	—
	c) financial liabilities	—	—	—
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	—	—	—
120.	**Total revenues**	**28,509**	**8,588**	**1,221**
130.	Net value adjustments (write-backs) for credit risk relating to:	14,612	7,718	(250)
	a) financial assets measured at amortized cost	*14,612*	*7,718*	*(250)*
140.	Gains (losses) from contractual modifications without derecognition	—	—	—
150.	**Net income from financial operations**	**43,121**	**16,306**	**971**
160.	Administrative expenses:	(39,701)	(17,651)	(2,853)
	a) personnel costs	*(12,040)*	*(1,299)*	*(948)*
	b) other administrative expenses	*(27,661)*	*(16,352)*	*(1,905)*
170.	Net transfers to provisions for risks and charges	(4,024)	784	—
	a) commitments and guarantees issued	*(873)*	*825*	—
	b) other net provisions	*(3,151)*	*(41)*	—
180.	Net value adjustments to /write-backs of tangible assets	(729)	(35)	—
190.	Net value adjustments to /write-backs of intangible assets	(372)	(97)	(43)
200.	Other operating income (expense)	2,721	1,940	(88)
210.	**Operating costs**	**(42,105)**	**(15,059)**	**(2,984)**
220.	Gains (losses) on equity investments	—	—	—
230.	Net income from fair value measurement of tangible and intangible assets	—	—	—
240.	Goodwill write-offs	—	—	—
250.	Gains (losses) on disposal of investments	—	—	—
260.	**Profit (loss) on ordinary activity before tax**	**1,016**	**1,247**	**(2,013)**
270.	Income tax for the year on ordinary operations	(593)	(344)	—
280.	**Profit (loss) on ordinary activities after tax**	**423**	**903**	**(2,013)**
290.	Gains (losses) of ceded operating assets, after tax	—		—
300.	**Profit (loss) for the year**	**423**	**903**	**(2,013)**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	SELMABIPIEMME LEASING (€'000)
ASSETS	
10. Cash and cash equivalents	37,170
20. Financial assets measured at fair value through profit or loss	—
30. Financial assets measured at fair value through other comprehensive income	—
40. Financial assets measured at amortized cost	1,391,966
a) due from banks	*293*
b) due from financial companies	*24,144*
c) due from customers	*1,367,529*
50. Hedging derivatives	—
60. Value adjustment to generic hedging financial assets (+/-)	—
70. Equity investments	—
80. Tangible assets	40,770
90. Intangible assets	—
100. Tax assets	24,867
a) current	*1,069*
b) prepaid	*23,798*
110. Non-current assets and asset groups held for sale	—
120. Other assets	38,136
TOTAL ASSETS	**1,532,909**
LIABILITIES	
10. Financial liabilities measured at amortized cost	1,267,814
a) due to	*1,267,814*
20. Trading financial liabilities	—
30. Financial liabilities designated at fair value	—
40. Hedging derivatives	235
50. Value adjustment to generic hedging financial liabilities (+/-)	—
60. Tax liabilities	7,770
a) current	*1,130*
b) deferred	*6,640*
70. Liabilities associated with assets held for sale	—
80. Other liabilities	20,675
90. Provision for statutory end-of-service payments	892
100. Provisions for risks and charges	6,213
a) commitments and financial guarantees	*109*
b) post-employment and similar benefits	—
c) other provisions for risks and charges	*6,104*
110. Capital	41,305
120. Treasury shares (-)	—
130. Equity instruments	—
140. Share premium	4,620
150. Reserves	178,114
160. Revaluation reserves	(78)
180. Profit (loss) for the year (+/-)	5,349
TOTAL LIABILITIES AND NET EQUITY	**1,532,909**

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNT

		SELMABIPIEMME LEASING (€'000)
10.	Interest and similar income	62,597
	of which: interest income calculated according to the effective interest method	*62,597*
20.	Interest and similar charges	(31,428)
30.	**Net interest income**	**31,169**
40.	Commission income	2,510
50.	Commission expenses	(820)
60.	**Net fee and commission**	**1,690**
70.	Dividends and similar income	—
80.	Net trading income (expense)	(27)
90.	Net hedging income (expense)	18
100.	Gains (losses) on disposal/repurchase of:	—
	a) financial assets measured at amortized cost	—
	b) financial assets measured at fair value through other comprehensive income	—
	c) financial liabilities	—
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	—
	a) financial assets and liabilities designated at fair value	—
	b) other financial assets mandatorily measured at fair value	—
120.	**Total revenues**	**32,850**
130.	Net value adjustments (write-backs) for credit risk relating to:	(6,617)
	a) financial assets measured at amortized cost	*(6,617)*
	b) financial assets measured at fair value through other comprehensive income	—
140.	Gains (losses) from contractual modifications without derecognition	85
150.	**Net income from financial operations**	**26,318**
160.	Administrative expenses:	(19,373)
	a) personnel costs	*(11,867)*
	b) other administrative expenses	*(7,506)*
170.	Net transfers to provisions for risks and charges	(1,349)
	a) commitments and guarantees issued	*(56)*
	b) other net provisions	*(1,293)*
180.	Net value adjustments to /write-backs of tangible assets	(2,190)
190.	Net value adjustments to /write-backs of intangible assets	—
200.	Other operating income (expense)	3,138
210.	**Operating costs**	**(19,774)**
220.	Gains (losses) on equity investments	—
230.	Net income from fair value measurement of tangible and intangible assets	(1,253)
240.	Goodwill write-offs	—
250.	Gains (losses) on disposal of investments	2,912
260.	**Profit (loss) on ordinary activity before tax**	**8,203**
270.	Income tax for the year on ordinary operations	(2,854)
280.	**Profit (loss) on ordinary activities after tax**	**5,349**
290.	Gains (losses) of ceded operating assets, after tax	—
300.	**Profit (loss) for the year**	**5,349**

Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	MEDIOBANCA INTERNATIONAL IMMOBILIERE (€'000)	MB FUNDING LUX (€'000)	POLUS CAPITAL MANAGEMENT GROUP* (€'000)
ASSETS			
10. Cash and cash equivalents	—	879	23,090
20. Financial assets measured at fair value through profit or loss	—	—	3,492
a) financial assets held for trading	—	—	*292*
b) financial assets designated at fair value	—	—	—
c) other financial assets mandatorily measured at fair value	—	—	*3,200*
30. Financial assets measured at fair value through other comprehensive income	—	—	—
40. Financial assets measured at amortized cost	512	1,100,000	—
a) due from banks	*512*	*1,100,000*	—
b) due from financial companies	—	—	—
c) due from customers	—	—	—
50. Hedging derivatives	—	—	—
60. Value adjustment to generic hedging financial assets (+/-)	—	—	—
70. Equity investments	—	—	—
80. Tangible assets	1,554	—	283
90. Intangible assets	—	—	77,535
of which:			
goodwill	—	—	*11,718*
100. Tax assets	3	—	—
a) current	3	—	—
b) prepaid	—	—	—
110. Non-current assets and asset groups held for sale	—	—	—
120. Other assets	14	1,118	15,023
TOTAL ASSETS	**2,083**	**1,101,997**	**119,423**
LIABILITIES			
10. Financial liabilities measured at amortized cost	—	1,100,828	215
a) due to	—	—	*215*
b) securities in issue	—	*1,100,828*	—
20. Trading financial liabilities	—	—	—
30. Financial liabilities designated at fair value	—	—	—
40. Hedging derivatives	—	—	—
50. Value adjustment to generic hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	22	—	18,829
a) current	*22*	—	*18,829*
b) deferred	—	—	—
70. Liabilities associated with assets held for sale	—	—	—
80. Other liabilities	—	184	6,580
90. Provision for statutory end-of-service payments	—	—	—
100. Provisions for risks and charges	—	—	—
a) commitments and financial guarantees	—	—	—
b) post-employment and similar benefits	—	—	—
c) other provisions for risks and charges	—	—	—
110. Capital	40	831	—
120. Treasury shares (-)	—	—	
130. Equity instruments	—	—	3,500
140. Share premium	—	—	79,344
150. Reserves	1,969	131	3,039
160. Revaluation reserves	—	—	—
180. Profit (loss) for the year (+/-)	52	23	7,916
TOTAL LIABILITIES AND NET EQUITY	**2,083**	**1,101,997**	**119,423**

* Pro-forma scheme as at 30 June 2023, used for the purposes of the Group's Consolidated Financial Statements.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNT

		MEDIOBANCA INTERNATIONAL IMMOBILIERE	MB FUNDING LUX	POLUS CAPITAL MANAGEMENT GROUP*
		(€'000)	(€'000)	(€'000)
10.	Interest and similar income	—	20,729	273
	of which: interest income calculated according to the effective interest method	—	—	—
20.	Interest and similar charges	—	(20,729)	—
30.	**Net interest income**	**—**	**—**	**273**
40.	Commission income	—	—	43,451
50.	Commission expenses	—	—	—
60.	**Net fee and commission**	**—**	**—**	**43,451**
70.	Dividends and similar income	—	—	177
80.	Net trading income (expense)	—	—	(241)
90.	Net hedging income (expense)	—	—	—
100.	Gains (losses) on disposal/repurchase of:	—	—	—
	a) financial assets measured at amortized cost	—	—	—
	b) financial assets measured at fair value through other comprehensive income	—	—	—
	c) financial liabilities	—	—	—
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	—	—	(79)
	a) financial assets and liabilities designated at fair value	—	—	—
	b) other financial assets mandatorily measured at fair value	—	—	*(79)*
120.	**Total revenues**	**—**	**—**	**43,581**
130.	Net value adjustments (write-backs) for credit risk relating to:	—	—	—
	a) financial assets measured at amortized cost	—	—	—
	b) financial assets measured at fair value through other comprehensive income	—	—	—
140.	Gains (losses) from contractual modifications without derecognition	—	—	—
150.	**Net income from financial operations**	**—**	**—**	**43,581**
160.	Administrative expenses:	(58)	(464)	(32,301)
	a) personnel costs	—	—	*(24,267)*
	b) other administrative expenses	*(58)*	*(464)*	*(8,034)*
170.	Net transfers to provisions for risks and charges	—	—	—
	a) commitments and guarantees issued	—	—	—
	b) other net provisions	—	—	—
180.	Net value adjustments to /write-backs of tangible assets	(64)	—	(161)
190.	Net value adjustments to /write-backs of intangible assets	—	—	(849)
200.	Other operating income (expense)	190	502	—
210.	**Operating costs**	**68**	**38**	**(33,311)**
220.	Gains (losses) on equity investments	—	—	—
230.	Net income from fair value measurement of tangible and intangible assets	—	—	—
240.	Goodwill write-offs	—	—	—
250.	Gains (losses) on disposal of investments	—	—	—
260.	**Profit (loss) on ordinary activity before tax**	**68**	**38**	**10,270**
270.	Income tax for the year on ordinary operations	(16)	(15)	(2,354)
280.	**Profit (loss) on ordinary activities after tax**	**52**	**23**	**7,916**
290.	Gains (losses) of ceded operating assets, after tax	—	—	—
300.	**Profit (loss) for the year**	**52**	**23**	**7,916**

* Pro-forma scheme as at 30 June 2023, used for the purposes of the Group's Consolidated Financial Statements.

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	7,248	7,360	4,338
20.	Financial assets measured at fair value through profit or loss	—	2,964	—
	a) financial assets held for trading	—	*2,964*	—
	b) financial assets designated at fair value	—	—	—
	c) other financial assets mandatorily measured at fair value	—	—	—
30.	Financial assets measured at fair value through other comprehensive income	—	—	—
40.	Financial assets measured at amortized cost	400	—	—
	a) due from banks	—	—	—
	b) due from financial companies	—	—	—
	c) due from customers	*400*	—	—
50.	Hedging derivatives	—	—	—
60.	Value adjustment to generic hedging financial assets (+/-)	—	—	—
70.	Equity investments	—	793	—
80.	Tangible assets	—	901	18
90.	Intangible assets	—	65	—
	of which:			
	Goodwill	—	—	—
100.	Tax assets	—	103	—
	a) current	—	103	—
	b) prepaid	—	—	—
110.	Non-current assets and asset groups held for sale	—	—	—
120.	Other assets	3,522	5,719	5,559
TOTAL ASSETS		**11,170**	**17,905**	**9,915**
LIABILITIES				
10.	Financial liabilities measured at amortized cost	—	241	—
	a) due to	—	*241*	—
	b) securities in issue	—	—	—
20.	Trading financial liabilities	—	—	—
30.	Financial liabilities designated at fair value	—	—	—
40.	Hedging derivatives	—	—	—
50.	Value adjustment to generic hedging financial liabilities (+/-)	—	—	—
60.	Tax liabilities	—	94	345
	a) current	—	*94*	*345*
	b) deferred	—	—	—
70.	Liabilities associated with assets held for sale	—	—	—
80.	Other liabilities	10,756	2,120	6,283
90.	Provision for statutory end-of-service payments	—	—	—
100.	Provisions for risks and charges	—	—	—
	a) commitments and financial guarantees	—	—	—
	b) post-employment and similar benefits	—	—	—
	c) other provisions for risks and charges	—	—	—
110.	Capital	600	1,000	782
120.	Treasury shares (-)	—	(4,421)	—
130.	Equity instruments	—	500	—
140.	Share premium	—	—	—
150.	Reserves	562	25,405	1,159
160.	Revaluation reserves	—	—	(112)
180.	Profit (loss) for the year (+/-)	(748)	(7,034)	1,458
TOTAL LIABILITIES AND NET EQUITY		**11,170**	**17,905**	**9,915**

* Pro-forma scheme as at 30 June 2023, used for the purposes of the Group's Consolidated Financial Statements.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNT

		CMG MONACO S.A.M.*	RAM ACTIVE INVESTMENTS S.A.*	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.*
		(€'000)	(CHF'000)	(CHF'000)
10.	Interest and similar income	—	15	—
	of which: interest income calculated according to the effective interest method	—	—	—
20.	Interest and similar charges	—	(9)	(1)
30.	**Net interest income**	**—**	**6**	**(1)**
40.	Commission income	12,349	14,068	4,969
50.	Commission expenses	(8,260)	(6,836)	(1,178)
60.	**Net fee and commission**	**4,089**	**7,232**	**3,791**
70.	Dividends and similar income	—	—	—
80.	Net trading income (expense)	—	(185)	24
90.	Net hedging income (expense)	—	—	—
100.	Gains (losses) on disposal/repurchase of:	—	—	—
	a) financial assets measured at amortized cost	—	—	—
	b) financial assets measured at fair value through other comprehensive income	—	—	—
	c) financial liabilities	—	—	—
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	—	—	—
	a) financial assets and liabilities designated at fair value	—	—	—
	b) other financial assets mandatorily measured at fair value	—	—	—
120.	**Total revenues**	**4,089**	**7,053**	**3,814**
130.	Net value adjustments (write-backs) for credit risk relating to:	—	—	—
	a) financial assets measured at amortized cost	—	—	—
	b) financial assets measured at fair value through other comprehensive income	—	—	—
140.	Gains (losses) from contractual modifications without derecognition	—	—	—
150.	**Net income from financial operations**	**4,089**	**7,053**	**3,814**
160.	Administrative expenses:	(4,993)	(13,917)	(2,322)
	a) personnel costs	*(2,742)*	*(10,617)*	*(1,407)*
	b) other administrative expenses	*(2,251)*	*(3,300)*	*(915)*
170.	Net transfers to provisions for risks and charges	—	—	—
	a) commitments and guarantees issued	—	—	—
	b) other net provisions	—	—	—
180.	Net value adjustments to /write-backs of tangible assets	—	(197)	(7)
190.	Net value adjustments to /write-backs of intangible assets	—	—	—
200.	Other operating income (expense)	—	157	—
210.	**Operating costs**	**(4,993)**	**(13,957)**	**(2,329)**
220.	Gains (losses) on equity investments	—	—	—
230.	Net income from fair value measurement of tangible and intangible assets	—	—	—
240.	Goodwill write-offs	—	—	—
250.	Gains (losses) on disposal of investments	—	—	1
260.	**Profit (loss) on ordinary activity before tax**	**(904)**	**(6,904)**	**1,486**
270.	Income tax for the year on ordinary operations	156	(130)	(28)
280.	**Profit (loss) on ordinary activities after tax**	**(748)**	**(7,034)**	**1,458**
290.	Gains (losses) of ceded operating assets, after tax	—	—	—
300.	**Profit (loss) for the year**	**(748)**	**(7,034)**	**1,458**

* Pro-forma scheme as at 30 June 2023, used for the purposes of the Group's Consolidated Financial Statements.

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	5,677	348
20.	Financial assets measured at fair value through profit or loss	—	—
	a) financial assets held for trading	—	—
	b) financial assets designated at fair value	—	—
	c) other financial assets mandatorily measured at fair value	—	—
30.	Financial assets measured at fair value through other comprehensive income	—	—
40.	Financial assets measured at amortized cost	—	—
	a) due from banks	—	—
	b) due from financial companies	—	—
	c) due from customers	—	—
50.	Hedging derivatives	—	—
60.	Value adjustment to generic hedging financial assets (+/-)	—	—
70.	Equity investments	801	—
80.	Tangible assets	7,445	—
90.	Intangible assets	17,000	—
	of which:		
	goodwill	—	—
100.	Tax assets	434	—
	a) current	*434*	—
	b) prepaid	—	—
110.	Non-current assets and asset groups held for sale	—	—
120.	Other assets	42,201	—
TOTAL ASSETS		**73,558**	**348**
LIABILITIES			
10.	Financial liabilities measured at amortized cost	26,227	—
	a) due to	*26,227*	—
	b) securities in issue	—	—
20.	Trading financial liabilities	—	—
30.	Financial liabilities designated at fair value	—	—
40.	Hedging derivatives	—	—
50.	Value adjustment to generic hedging financial liabilities (+/-)	—	—
60.	Tax liabilities	3,969	—
	a) current	*3,969*	—
	b) deferred	—	—
70.	Liabilities associated with assets held for sale	—	—
80.	Other liabilities	22,587	—
90.	Provision for statutory end-of-service payments	—	—
100.	Provisions for risks and charges	—	—
	a) commitments and financial guarantees	—	—
	b) post-employment and similar benefits	—	—
	c) other provisions for risks and charges	—	—
110.	Capital	50	—
120.	Treasury shares (-)	—	—
130.	Equity instruments	—	—
140.	Share premium	17,732	—
150.	Reserves	(8,081)	183
160.	Revaluation reserves	—	—
180.	Profit (loss) for the year (+/-)	11,074	165
TOTAL LIABILITIES AND NET EQUITY		**73,558**	**348**

* Pro-forma scheme as at 30 June 2023, used for the purposes of the Group's Consolidated Financial Statements.

Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNT

		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 and similar charges	(324)	—
30.	**Net interest income**	**(324)**	**—**
40.	Commission income	43,714	—
50.	Commission expenses	—	—
60.	**Net fee and commission**	**43,714**	**—**
70.	Dividends and similar income	—	—
80.	Net trading income (expense)	144	—
90.	Net hedging income (expense)	—	—
100.	Gains (losses) on disposal/repurchase of:	—	—
	a) financial assets measured at amortized cost	—	—
	b) financial assets measured at fair value through other comprehensive income	—	—
	c) financial liabilities	—	—
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	—	—
	a) financial assets and liabilities designated at fair value	—	—
	b) other financial assets mandatorily measured at fair value	—	—
120.	**Total revenues**	**43,534**	**—**
130.	Net value adjustments (write-backs) for credit risk relating to:	—	—
	a) financial assets measured at amortized cost	—	—
	b) financial assets measured at fair value through other comprehensive income	—	—
140.	Gains (losses) from contractual modifications without derecognition	—	—
150.	**Net income from financial operations**	**43,534**	**—**
160.	Administrative expenses:	(25,611)	(1,945)
	a) personnel costs	*(20,299)*	*(776)*
	b) other administrative expenses	*(5,312)*	*(1,169)*
170.	Net transfers to provisions for risks and charges	—	—
	a) commitments and guarantees issued	—	—
	b) other net provisions	—	—
180.	Net value adjustments to /write-backs of tangible assets	(1,096)	—
190.	Net value adjustments to /write-backs of intangible assets	—	—
200.	Other operating income (expense)	(1,989)	2,110
210.	**Operating costs**	**(28,696)**	**165**
220.	Gains (losses) on equity investments	—	—
230.	Net income from fair value measurement of tangible and intangible assets	—	—
240.	Goodwill write-offs	—	—
250.	Gains (losses) on disposal of investments	—	—
260.	**Profit (loss) on ordinary activity before tax**	**14,838**	**165**
270.	Income tax for the year on ordinary operations	(3,764)	—
280.	**Profit (loss) on ordinary activities after tax**	**11,074**	**165**
290.	Gains (losses) of ceded operating assets, after tax	—	—
300.	**Profit (loss) for the year**	**11,074**	**165**

* Pro-forma scheme as at 30 June 2023, used for the purposes of the Group's Consolidated Financial Statements.

Other Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	MBFACTA (€'000)	SPAFID (€'000)	SPAFID FAMILY OFFICE SIM (€'000)
ASSETS			
10. Cash and cash equivalents	48,475	27,738	323
20. Financial assets measured at fair value through profit or loss	—	—	—
a) financial assets held for trading	—	—	—
b) financial assets designated at fair value	—	—	—
c) other financial assets mandatorily measured at fair value	—	—	—
30. Financial assets measured at fair value through other comprehensive income	—	—	—
40. Financial assets measured at amortized cost	2,862,085	7,169	468
a) due from banks	*3,551*	*3,330*	—
b) due from financial companies	*240,702*	*5*	*37*
c) due from customers	*2,617,832*	*3,834*	*431*
50. Hedging derivatives	—	—	—
60. Value adjustment to generic hedging financial assets (+/-)	—	—	—
70. Equity investments	—	2,200	—
80. Tangible assets	1,112	1,328	138
90. Intangible assets	—	487	34
of which:			
goodwill	—	—	—
100. Tax assets	3,909	1,047	269
a) current	*2,794*	*174*	*15*
b) prepaid	*1,115*	*873*	*254*
110. Non-current assets and asset groups held for sale	—	—	—
120. Other assets	210,744	8,401	71
TOTAL ASSETS	**3,126,325**	**48,370**	**1,303**
LIABILITIES			
10. Financial liabilities measured at amortized cost	2,860,229	1,310	139
a) due to	*2,860,229*	*1,310*	*139*
b) securities in issue	—	—	—
20. Trading financial liabilities	—	—	—
30. Financial liabilities designated at fair value	—	—	—
40. Hedging derivatives	—	—	—
50. Value adjustment to generic hedging financial liabilities (+/-)	—	—	—
60. Tax liabilities	3,125	—	1
a) current	*3,085*	—	—
b) deferred	*40*	—	*1*
70. Liabilities associated with assets held for sale	—	—	—
80. Other liabilities	35,292	5,223	315
90. Provision for statutory end-of-service payments	189	745	1
100. Provisions for risks and charges	586	—	—
a) commitments and financial guarantees	*71*	—	—
b) post-employment and similar benefits	—	—	—
c) other provisions for risks and charges	*515*	—	—
110. Capital	120,000	6,100	1,000
120. Treasury shares (-)	—	—	—
130. Equity instruments	—	—	—
140. Share premium	—	3,500	—
150. Reserves	84,730	33,591	(71)
160. Revaluation reserves	75	(7)	3
170. Profit (loss) for the year (+/-)	22,099	(2,092)	(85)
TOTAL LIABILITIES AND NET EQUITY	**3,126,325**	**48,370**	**1,303**

Other Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNT

		MBFACTA	SPAFID	SPAFID FAMILY OFFICE SIM
		(€'000)	**(€'000)**	**(€'000)**
10.	Interest and similar income	102,178	506	5
	of which: interest income calculated according to the effective interest method	*102,178*	—	—
20.	Interest and similar charges	*(62,384)*	*(26)*	*(3)*
30.	**Net interest income**	**39,794**	**480**	**2**
40.	Commission income	11,047	8,127	1,371
50.	Commission expenses	(4,769)	(93)	(20)
60.	**Net fee and commission**	**6,278**	**8,034**	**1,351**
70.	Dividends and similar income	—	—	—
80.	Net trading income (expense)	5	—	—
90.	Net hedging income (expense)	—	—	—
100.	Gains (losses) on disposal/repurchase of:	—	—	—
	a) financial assets measured at amortized cost	—	—	—
	b) financial assets measured at fair value through other comprehensive income	—	—	—
	c) financial liabilities	—	—	—
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	—	—	—
	a) financial assets and liabilities designated at fair value	—	—	—
	b) other financial assets mandatorily measured at fair value	—	—	—
120.	**Total revenues**	**46,077**	**8,514**	**1,353**
130.	Net value adjustments (write-backs) for credit risk relating to:	(209)	(67)	—
	a) financial assets measured at amortized cost	*(209)*	*(67)*	—
	b) financial assets measured at fair value through other comprehensive income	—	—	—
140.	Gains (losses) from contractual modifications without derecognition	—	—	—
150.	**Net income from financial operations**	**45,868**	**8,447**	**1,353**
160.	Administrative expenses:	(13,618)	(8,549)	(1,475)
	a) personnel costs	*(5,622)*	*(5,225)*	*(1,007)*
	b) other administrative expenses	*(7,996)*	*(3,324)*	*(468)*
170.	Net transfers to provisions for risks and charges	*165*	—	—
	a) commitments and guarantees issued	*165*	—	—
	b) other net provisions	—	—	—
180.	Net value adjustments to /write-backs of tangible assets	(202)	(289)	(25)
190.	Net value adjustments to /write-backs of intangible assets	—	(320)	—
200.	Other operating income (expense)	366	(1,127)	—
210.	**Operating costs**	**(13,289)**	**(10,285)**	**(1,500)**
220.	Gains (losses) on equity investments	—	(750)	—
230.	Net income from fair value measurement of tangible and intangible assets	—	—	—
240.	Goodwill write-offs	—	—	—
250.	Gains (losses) on disposal of investments	—	—	—
260.	**Profit (loss) on ordinary activity before tax**	**32,579**	**(2,588)**	**(147)**
270.	Income tax for the year on ordinary operations	(10,480)	496	62
280.	**Profit (loss) on ordinary activities after tax**	**22,099**	**(2,092)**	**(85)**
290.	Gains (losses) of ceded operating assets, after tax	—	—	—
300.	**Profit (loss) for the year**	**22,099**	**(2,092)**	**(85)**

Other Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

		MEDIOBANCA SGR S.p.A. (€'000)
ASSETS		
10.	Cash and cash equivalents	8,612
20.	Financial assets measured at fair value through profit or loss	—
	a) financial assets held for trading	—
	b) financial assets designated at fair value	—
	c) other financial assets mandatorily measured at fair value	—
30.	Financial assets measured at fair value through other comprehensive income	—
40.	Financial assets measured at amortized cost	59,222
	a) due from banks	—
	b) due from financial companies	—
	c) due from customers	*59,222*
50.	Hedging derivatives	—
60.	Value adjustment to generic hedging financial assets (+/-)	—
70.	Equity investments	—
80.	Tangible assets	1,328
90.	Intangible assets	*77*
	of which:	
	Goodwill	—
100.	Tax assets	172
	a) current	*130*
	b) prepaid	*42*
110.	Non-current assets and asset groups held for sale	—
120.	Other assets	5,681
TOTAL ASSETS		**75,092**
LIABILITIES		
10.	Financial liabilities measured at amortized cost	4,935
	a) due to	*4,935*
	b) securities in issue	—
20.	Trading financial liabilities	—
30.	Financial liabilities designated at fair value	—
40.	Hedging derivatives	—
50.	Value adjustment to generic hedging financial liabilities (+/-)	—
60.	Tax liabilities	88
	a) current	—
	b) deferred	*88*
70.	Liabilities associated with assets held for sale	—
80.	Other liabilities	7,117
90.	Provision for statutory end-of-service payments	284
100.	Provisions for risks and charges	50
	a) commitments and financial guarantees	—
	b) post-employment and similar benefits	—
	c) other provisions for risks and charges	*50*
110.	Capital	10,330
120.	Treasury shares (-)	—
130.	Equity instruments	—
140.	Share premium	—
150.	Reserves	43,133
160.	Revaluation reserves	149
170.	Profit (loss) for the year (+/-)	9,006
TOTAL LIABILITIES AND NET EQUITY		**75,092**

Other Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNT

		MEDIOBANCA SGR S.p.A.
		(€'000)
10.	Commission income	43,936
20.	Commission expenses	(13,070)
30.	**Net fee and commission**	**30,866**
40.	Dividends and similar income	—
50.	Interest and similar income	641
	of which: interest income calculated according to the effective interest method	—
60.	Interest and similar charges	(20)
70.	Net trading income (expense)	—
80.	Net hedging income (expense)	—
90.	Gains (losses) on disposal/repurchase of:	—
	a) financial assets measured at amortized cost	—
	b) financial assets measured at fair value through other comprehensive income	—
	c) financial liabilities	—
100.	Net income from other financial assets and liabilities measured at fair value through profit or loss	—
	a) financial assets and liabilities designated at fair value	—
	b) other financial assets mandatorily measured at fair value	—
110.	**Total revenues**	**31,487**
120.	Net value adjustments (write-backs) for credit risk relating to:	(238)
	a) financial assets measured at amortized cost	*(238)*
	b) financial assets measured at fair value through other comprehensive income	—
130.	**Net income from financial operations**	**31,249**
140.	Administrative expenses:	(17,860)
	a) personnel costs	*(10,079)*
	b) other administrative expenses	*(7,781)*
150.	Net transfers to provisions for risks and charges	(50)
160.	**Net value adjustments to /write-backs of tangible assets**	**(510)**
170.	Net value adjustments to /write-backs of intangible assets	—
180.	Other operating income (expense)	(23)
190.	**Operating costs**	**(18,443)**
200.	Gains (losses) on equity investments	—
210.	Net income from fair value measurement of tangible and intangible assets	—
220.	Goodwill write-offs	—
230.	Gains (losses) on disposal of investments	—
240.	**Profit (loss) on ordinary activities before tax**	**12,806**
250.	Income tax for the year on ordinary operations	(3,800)
260.	**Profit (loss) on ordinary activities after tax**	**9,006**
270.	Gains (losses) of ceded operating assets, after tax	—
280.	**Profit (loss) for the year**	**9,006**

Other Financial companies (IAS/IFRS)

continued **Table B**

BALANCE SHEET

	MEDIOBANCA COVERED BOND (€'000)	QUARZO S.r.l. (€'000)	QUARZO CQS S.r.l. (€'000)	MBINVAG S.r.l. (€'000)
ASSETS				
10. Cash and cash equivalents	—	—	—	—
20. Financial assets measured at fair value through profit or loss	—	—	—	—
a) financial assets held for trading	—	—	—	—
b) financial assets designated at fair value	—	—	—	—
c) other financial assets mandatorily measured at fair value	—	—	—	—
30. Financial assets measured at fair value through other comprehensive income	—	—	—	—
40. Financial assets measured at amortized cost	101	10	10	1,992
a) due from banks	*101*	*10*	*10*	*1,992*
b) due from financial companies	—	—	—	—
c) due from customers	—	—	—	—
50. Hedging derivatives	—	—	—	—
60. Value adjustment to generic hedging financial assets (+/-)	—	—	—	—
70. Equity investments	—	—	—	28,493
80. Tangible assets	—	—	—	—
90. Intangible assets	—	—	—	—
of which:				
goodwill	—	—	—	—
100. Tax assets	—	1	—	69
a) current	—	*1*	—	*69*
b) prepaid	—	—	—	—
110. Non-current assets and asset groups held for sale	—	—	—	—
120. Other assets	728	139	66	17
TOTAL ASSETS	**829**	**150**	**76**	**30,571**
LIABILITIES				
10. Financial liabilities measured at amortized cost	—	—	—	12,234
a) due to	—	—	—	*12,234*
b) securities in issue	—	—	—	—
20. Trading financial liabilities	—	—	—	—
30. Financial liabilities designated at fair value	—	—	—	—
40. Hedging derivatives	—	—	—	—
50. Value adjustment to generic hedging financial liabilities (+/-)	—	—	—	—
60. Tax liabilities	—	—	—	—
a) current	—	—	—	—
b) deferred	—	—	—	—
70. Liabilities associated with assets held for sale	—	—	—	—
80. Other liabilities	753	137	66	6
90. Provision for statutory end-of-service payments	—	—	—	—
100. Provisions for risks and charges	—	—	—	—
a) commitments and financial guarantees	—	—	—	—
b) post-employment and similar benefits	—	—	—	—
c) other provisions for risks and charges	—	—	—	—
110. Capital	100	10	10	10
120. Treasury shares (-)	—	—	—	—
130. Equity instruments	—	—	—	—
140. Share premium	—	—	—	9,288
150. Reserves	(24)	3	—	7,205
160. Revaluation reserves	—	—	—	—
170. Profit (loss) for the year (+/-)	—	—	—	1,828
TOTAL LIABILITIES AND NET EQUITY	**829**	**150**	**76**	**30,571**

Other Financial companies (IAS/IFRS)

continued **Table B**

PROFIT AND LOSS ACCOUNT

	MEDIOBANCA COVERED BOND (€'000)	QUARZO S.r.l. (€'000)	QUARZO CQS S.r.l. (€'000)	MBINVAG S.r.l. (€'000)
10. Interest and similar income	—	—	—	—
of which: interest income calculated according to the effective interest method	—	—	—	—
20. Interest and similar charges	—	—	—	—
30. Net interest income	**—**	**—**	**—**	**—**
40. Commission income	—	—	—	—
50. Commission expenses	—	—	—	—
60. Net fee and commission	**—**	**—**	**—**	**—**
70. Dividends and similar income	—	—	—	1,889
80. Net trading income (expense)	—	—	—	—
90. Net hedging income (expense)	—	—	—	—
100. Gains (losses) on disposal/repurchase of:	—	—	—	—
a) financial assets measured at amortized cost	—	—	—	—
b) financial assets measured at fair value through other comprehensive income	—	—	—	—
c) financial liabilities	—	—	—	—
110. Net income from other financial assets and liabilities measured at fair value through profit or loss	—	—	—	—
a) financial assets and liabilities designated at fair value	—	—	—	—
b) other financial assets mandatorily measured at fair value	—	—	—	—
120. Total revenues	**—**	**—**	**—**	**1,889**
130. Net value adjustments (write-backs) for credit risk relating to:	—	—	—	—
a) financial assets measured at amortized cost	—	—	—	—
b) financial assets measured at fair value through other comprehensive income	—	—	—	—
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—
150. Net income from financial operations	**—**	**—**	**—**	**1,889**
160. Administrative expenses:	(66)	(177)	(100)	—
a) personnel costs	—	*(36)*	*(36)*	—
b) other administrative expenses	*(66)*	*(141)*	*(64)*	—
170. Net transfers to provisions for risks and charges	—	—	—	—
a) commitments and guarantees issued	—	—	—	—
b) other net provisions	—	—	—	—
180. Net value adjustments to /write-backs of tangible assets	—	—	—	—
190. Net value adjustments to /write-backs of intangible assets	—	—	—	—
200. Other operating income (expense)	66	177	100	(8)
210. Operating costs	**—**	**—**	**—**	**(8)**
220. Gains (losses) on equity investments	—	—	—	—
230. Net income from fair value measurement of tangible and intangible assets	—	—	—	—
240. Goodwill write-offs	—	—	—	—
250. Gains (losses) on disposal of investments	—	—	—	—
260. Profit (loss) on ordinary activities before tax	**—**	**—**	**—**	**1,881**
270. Income tax for the year on ordinary operations	—	—	—	(53)
280. Profit (loss) on ordinary activities after tax	**—**	**—**	**—**	**1,828**
290. Gains (losses) of ceded operating assets, after tax	—	—	—	—
300. Profit (loss) for the year	**—**	**—**	**—**	**1,828**

BALANCE SHEET

	CMB MONACO S.A.M 31.12.2022 (€'000)
ASSETS	
10. Cash and cash equivalents	164,928
20. Financial assets measured at fair value through profit or loss	—
a) financial assets held for trading	—
b) financial assets designated at fair value	—
c) other financial assets mandatorily measured at fair value	—
30. Financial assets measured at fair value through other comprehensive income	682,876
40. Financial assets measured at amortized cost	7,603,194
a) due from banks	*4,756,333*
b) due from customers	*2,846,861*
70. Equity investments	53,289
80. Tangible assets	85,487
90. Intangible assets	20,924
100. Tax assets	—
a) current	—
b) prepaid	—
110. Non-current assets and asset groups held for sale	—
120. Other assets	28,264
TOTAL ASSETS	**8,638,962**
LIABILITIES	
10. Financial liabilities measured at amortized cost	7,529,005
a) due to banks	*1,410,171*
b) due to customers	*6,118,834*
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. Other liabilities	67,408
90. Provision for statutory end-of-service payments	—
100. Provisions for risks and charges	19,210
a) commitments and financial guarantees	—
b) post-employment and similar benefits	—
c) other provisions for risks and charges	*19,210*
110. Revaluation reserves	—
120. Redeemable shares	—
130. Equity instruments	—
140. Reserves	883,611
150. Share premium	4,573
160. Capital	111,110
170. Treasury shares (-)	—
180. Profit (loss) for the year (+/-)	24,045
TOTAL LIABILITIES AND NET EQUITY	**8,638,962**

PROFIT AND LOSS ACCOUNT

		CMB MONACO S.A.M 31.12.2022 (€'000)
10.	Interest and similar income	102,146
	of which: interest income calculated according to the effective interest method	—
20.	Interest and similar charges	(36,791)
30.	**Net interest income**	**65,355**
40.	Commission income	70,580
50.	Commission expenses	(4,307)
60.	**Net fee and commission**	**66,273**
70.	Dividends and similar income	2,317
80.	Net trading income (expense)	832
90.	Net hedging income (expense)	—
100.	Gains (losses) on disposal/repurchase of:	233
	a) financial assets measured at amortized cost	*233*
	b) financial assets measured at fair value through other comprehensive income	—
	c) financial liabilities	—
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	—
	a) financial assets and liabilities designated at fair value	—
	b) other financial assets mandatorily measured at fair value	—
120.	**Total revenues**	**135,010**
130.	Net value adjustments (write-backs) for credit risk relating to:	(653)
	a) financial assets measured at amortized cost	*(653)*
	b) financial assets measured at fair value through other comprehensive income	—
140.	Gains (losses) from contractual modifications without derecognition	—
150.	**Net income from financial operations**	**134,357**
160.	Administrative expenses:	*(72,047)*
	a) personnel costs	*(46,680)*
	b) other administrative expenses	*(25,367)*
170.	Net transfers to provisions for risks and charges	(8,785)
	a) commitments and guarantees issued	—
	b) other net provisions	*(8,785)*
180.	Net value adjustments to /write-backs of tangible assets	(9,421)
190.	Net value adjustments to /write-backs of intangible assets	(8,845)
200.	Other operating expense / income	(3,927)
210.	**Operating costs**	**(103,025)**
220.	Gains (losses) on equity investments	—
230.	Net income from fair value measurement of tangible and intangible assets	—
240.	Goodwill write-offs	—
250.	Gains (losses) on disposal of investments	—
260.	**Profit (loss) on ordinary operations before tax**	**31,332**
270.	Income tax for the year on ordinary operations	(7,287)
280.	**Profit (loss) on ordinary operations after tax**	**24,045**
290.	Gains (losses) of ceded operating assets, after tax	—
350.	**Profit (loss) for the year**	**24,045**

Financial companies

continued **Table B**

BALANCE SHEET

	MEDIOBANCA SECURITIES LLC ($'000)
ASSETS	
10. Cash and cash equivalents	—
20. Financial assets measured at fair value through profit or loss	—
a) financial assets held for trading	—
b) financial assets designated at fair value	—
c) other financial assets mandatorily measured at fair value	—
30. Financial assets measured at fair value through other comprehensive income	—
40. Financial assets measured at amortized cost	6,907
a) due from banks	*6,907*
b) due from financial companies	—
c) due from customers	—
50. Hedging derivatives	—
60. Value adjustment to generic hedging financial assets (+/-)	—
70. Equity investments	—
80. Tangible assets	63
90. Intangible assets	—
of which:	
goodwill	—
100. Tax assets	157
a) current	—
b) prepaid	*157*
110. Non-current assets and asset groups held for sale	—
120. Other assets	1,283
TOTAL ASSETS	**8,410**
LIABILITIES	
10. Financial liabilities measured at amortized cost	28
a) due to	*28*
b) securities in issue	—
20. Trading financial liabilities	—
30. Financial liabilities designated at fair value	—
40. Hedging derivatives	—
50. Value adjustment to generic hedging financial liabilities (+/-)	—
60. Tax liabilities	—
a) current	—
b) deferred	—
70. Liabilities associated with assets held for sale	—
80. Other liabilities	2,114
90. Provision for statutory end-of-service payments	—
100. Provisions for risks and charges	—
a) commitments and financial guarantees	—
b) post-employment and similar benefits	—
c) other provisions for risks and charges	—
110. Capital	2,250
120. Treasury shares (-)	—
130. Equity instruments	—
140. Share premium	—
150. Reserves	4,019
160. Revaluation reserves	—
180. Profit (loss) for the year (+/-)	(1)
TOTAL LIABILITIES AND NET EQUITY	**8,410**

PROFIT AND LOSS ACCOUNT

	MEDIOBANCA SECURITIES LLC ($'000)
10. Interest and similar income	—
of which: interest income calculated according to the effective interest method	—
20. Interest and similar charges	—
30. Net interest income	**—**
40. Commission income	3,216
50. Commission expenses	—
60. Net fee and commission	**3,216**
70. Dividends and similar income	—
80. Net trading income (expense)	—
90. Net hedging income (expense)	—
100. Gains (losses) on disposal/repurchase of:	—
a) financial assets measured at amortized cost	—
b) financial assets measured at fair value through other comprehensive income	—
c) financial liabilities	—
110. Net income from other financial assets and liabilities measured at fair value through profit or loss	—
a) financial assets and liabilities designated at fair value	—
b) other financial assets mandatorily measured at fair value	—
120. Total revenues	**3,216**
130. Net value adjustments (write-backs) for credit risk relating to:	—
a) financial assets measured at amortized cost	—
b) financial assets measured at fair value through other comprehensive income	—
140. Gains (losses) from contractual modifications without derecognition	—
150. Net income from financial operations	**3,216**
160. Administrative expenses:	(3,870)
a) personnel costs	*(2,490)*
b) other administrative expenses	*(1,380)*
170. Net transfers to provisions for risks and charges	—
a) commitments and guarantees issued	—
b) other net provisions	—
180. Net value adjustments to /write-backs of tangible assets	—
190. Net value adjustments to /write-backs of intangible assets	—
200. Other operating income (expense)	654
210. Operating costs	**(3,216)**
220. Gains (losses) on equity investments	—
230. Net income from fair value measurement of tangible and intangible assets	—
240. Goodwill write-offs	—
250. Gains (losses) on disposal of investments	—
260. Profit (loss) on ordinary activities before tax	**—**
270. Income tax for the year on ordinary operations	(1)
280. Profit (loss) on ordinary activities after tax	**(1)**
290. Gains (losses) of ceded operating assets, after tax	—
350. Profit (loss) for the year	**(1)**

Financial companies

continued **Table B**

BALANCE SHEET

	CMB Asset Management S.A.M. 31.12.2022 (€'000)	CMG MONACO S.A.M. 31.12.2022 (€'000)
ASSETS		
10. Cash and cash equivalents	96	5,214
20. Financial assets measured at fair value through profit or loss	—	—
a) financial assets held for trading	—	—
b) financial assets designated at fair value	—	—
c) other financial assets mandatorily measured at fair value	—	—
30. Financial assets measured at fair value through other comprehensive income	—	389
40. Financial assets measured at amortized cost	—	—
a) due from banks	—	—
b) due from financial companies	—	—
c) due from customers	—	—
50. Hedging derivatives	—	—
60. Value adjustment to generic hedging financial assets (+/-)	—	—
70. Equity investments	—	—
80. Tangible assets	—	—
90. Intangible assets	—	—
of which:		
goodwill	—	—
100. Tax assets	110	689
a) current	*110*	689
b) prepaid	—	—
110. Non-current assets and asset groups held for sale	—	—
120. Other assets	72	2,859
TOTAL ASSETS	**278**	**9,151**
LIABILITIES		
10. Financial liabilities measured 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. Value adjustment to generic hedging financial liabilities (+/-)	—	—
60. Tax liabilities	12	—
a) current	*12*	—
b) deferred	—	—
70. Liabilities associated with assets held for sale	—	—
80. Other liabilities	6	8,493
90. Provision for statutory end-of-service payments	—	—
100. Provisions for risks and charges	—	—
a) commitments and financial guarantees	—	—
b) post-employment and similar benefits	—	—
c) other provisions for risks and charges	—	—
110. Capital	150	600
120. Treasury shares (-)	—	—
130. Equity instruments	—	—
140. Share premium	—	—
150. Reserves	90	93
160. Revaluation reserves	—	—
180. Profit (loss) for the year (+/-)	20	(35)
TOTAL LIABILITIES AND NET EQUITY	**278**	**9,151**

Financial companies

continued **Table B**

PROFIT AND LOSS ACCOUNT

		CMB Asset Management S.A.M. 31.12.2022 (€'000)	CMG MONACO S.A.M. 31.12.2022 (€'000)
10.	Interest and similar income	—	—
	of which: interest income calculated according to the effective interest method	—	—
20.	Interest and similar charges	—	—
30.	**Net interest income**	**—**	**—**
40.	Commission income	60	6,292
50.	Commission expenses	—	—
60.	**Net fee and commission**	**60**	**6,292**
70.	Dividends and similar income	—	—
80.	Net trading income (expense)	—	—
90.	Net hedging income (expense)	—	—
100.	Gains (losses) on disposal/repurchase of:	—	—
	a) financial assets measured at amortized cost	—	—
	b) financial assets measured at fair value through other comprehensive income	—	—
	c) financial liabilities	—	—
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	—	—
	a) financial assets and liabilities designated at fair value	—	—
	b) other financial assets mandatorily measured at fair value	—	—
120.	**Total revenues**	**60**	**6,292**
130.	Net value adjustments (write-backs) for credit risk relating to:	—	—
	a) financial assets measured at amortized cost	—	—
	b) financial assets measured at fair value through other comprehensive income	—	—
140.	Gains (losses) from contractual modifications without derecognition	—	—
150.	**Net income from financial operations**	**60**	**6,292**
160.	Administrative expenses:	(437)	(6,315)
	a) personnel costs	*(30)*	*(2,633)*
	b) other administrative expenses	*(407)*	*(3,682)*
170.	Net transfers to provisions for risks and charges	—	—
	a) commitments and guarantees issued	—	—
	b) other net provisions	—	—
180.	Net value adjustments to /write-backs of tangible assets	—	—
190.	Net value adjustments to /write-backs of intangible assets	—	—
200.	Other operating income (expense)	399	(12)
210.	**Operating costs**	**(38)**	**(6,327)**
220.	Gains (losses) on equity investments	—	—
230.	Net income from fair value measurement of tangible and intangible assets	—	—
240.	Goodwill write-offs	—	—
250.	Gains (losses) on disposal of investments	—	—
260.	**Profit (loss) on ordinary activities before tax**	**22**	**(35)**
270.	Income tax for the year on ordinary operations	(2)	—
280.	**Profit (loss) on ordinary activities after tax**	**20**	**(35)**
290.	Gains (losses) of ceded operating assets, after tax	—	—
350.	**Profit (loss) for the year**	**20**	**(35)**

Financial companies

BALANCE SHEET

	POLUS CAPITAL MANAGEMENT GROUP LTD 31.12.2022 (£'000)	POLUS CAPITAL MANAGEMENT LTD 31.12.2022 (£'000)
ASSETS		
Non-Current Assets		
Intangible assets	70,002	—
Tangible assets	316	—
Equity investments	1,505	—
Total Non-Current Assets	**71,823**	
Current Assets		
Trade Receivables	15,799	9,351
Cash and cash equivalents	23,481	13,480
Other assets	—	—
Total Current Assets	**39,280**	**22,831**
TOTAL ASSETS	**111,103**	**22,831**
LIABILITIES		
Share capital	—	13,200
Share-premium reserve	82,858	—
Legal reserve	—	—
Reserves	1,449	—
Gains (losses) carried forward	4,397	(5,859)
Gain/(loss) for the period	(5,181)	10,132
Total net equity	**83,523**	**17,473**
Trade and tax payables	**13,226**	**4,358**
Financial liabilities	—	1,000
Other liabilities and provisions	14,354	—
Total Current Liabilities	27,580	5,358
TOTAL LIABILITIES AND NET EQUITY	**111,103**	**22,831**

Financial companies

continued **Table B**

PROFIT AND LOSS ACCOUNT

	POLUS CAPITAL MANAGEMENT GROUP LTD 31.12.2022 (£'000)	POLUS CAPITAL MANAGEMENT LTD 31.12.2022 (£'000)
Commission income	9,346	34,876
Dividends and similar income	127	—
Revenues	**9,473**	**34,876**
Administrative expenses	(7,431)	(21,397)
a) personnel costs	*(6,532)*	—
b) other administrative expenses	*(899)*	*(21,397)*
Other operating income (expense)	(21)	(883)
Net trading income (expense)	(8,103)	—
Operating income	**(6,082)**	**12,596**
Interest and similar income	125	53
Interest and similar charges	—	(100)
Profit (loss) before taxes	**(5,957)**	**12,549**
Current income tax for the year	776	(2,417)
Profit (loss) for the period	**(5,181)**	**10,132**

Financial companies

continued **Table B**

BALANCE SHEET

	RAM ACTIVE INVESTMENTS S.A. 31/12/2022 (CHF'000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. 31/12/2022 (CHF'000)
ASSETS		
Non-Current Assets		
Intangible assets	94	1
Tangible assets	974	22
Equity investments	5,829	5
Total Non-Current Assets	**6,897**	**28**
Current Assets		
Trade Receivables	4,130	4,513
Cash and cash equivalents	9,910	3,290
Other assets	1,787	1,504
Total Current Assets	**15,827**	**9,307**
TOTAL ASSETS	**22,724**	**9,335**
LIABILITIES		
Share capital	1,000	782
Retained earnings under articles of association	500	—
Treasury shares	(4,424)	—
Revaluation reserve	—	(34)
Legal reserve	—	120
Reserves	1,021	415
Equity instruments	500	—
Profit (loss) carried forward	25,329	930
Profit (loss) for the period	(4,942)	439
Total net equity	**18,984**	**2,652**
Trade payables	990	1,871
Due to Group companies	—	3,745
Tax liabilities	110	—
Other liabilities	2,640	1,067
Total Current Liabilities	**3,740**	**6,683**
TOTAL LIABILITIES AND NET EQUITY	**22,724**	**9,335**

Financial companies

continued **Table B**

PROFIT AND LOSS ACCOUNT

	RAM ACTIVE INVESTMENTS S.A. 31/12/2022 (CHF'000)	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A. 31/12/2022 (CHF'000)
Revenues	8,658	59,657
Personnel costs	(9,577)	(1,527)
Other administrative expenses	(3,479)	(57,703)
Operating income	**(4,398)**	**427**
Depreciation of tangible assets and other adjustments	(206)	(9)
Interest and similar income	178	—
Interest and similar charges	(384)	(47)
Other non-operating income	23	276
Other non-operating costs	—	(62)
Profit (loss) before taxes	**(4,787)**	**585**
Current income tax for the year	(155)	(146)
Profit (loss) for the period	**(4,942)**	**439**

Financial companies

continued **Table B**

BALANCE SHEET

	Messier et Associés S.A.S. 31/12/2022 (€'000)	Messier et Associés L.L.C. 31/12/2022 (USD'000)
ASSETS		
Non-Current Assets		
Intangible assets	17,050	—
Tangible assets	1,840	—
Equity investments	1,217	—
Total Non-Current Assets	**20,107**	**—**
Current Assets		
Trade Receivables	27,485	—
Cash and cash equivalents	7,659	46
Financial assets held for trading	10,025	—
Other assets	81	229
Total Current Assets	**45,250**	**275**
TOTAL ASSETS	**65,357**	**275**
LIABILITIES		
Share capital	17,782	258
Treasury shares	—	—
Revaluation reserve	—	—
Legal reserve	5	—
Reserves	—	—
Equity instruments	—	—
Profit (loss) carried forward	—	(101)
Profit (loss) for the period	10,170	108
Total net equity	**27,957**	**265**
Due to employees	—	10
Trade receivables (current accounts)	22,395	—
Due to Group companies	—	—
Tax liabilities	11,361	—
Other liabilities	3,644	—
Total Current Liabilities	**37,400**	**10**
TOTAL LIABILITIES AND NET EQUITY	**65,357**	**275**

Financial companies

continued **Table B**

PROFIT AND LOSS ACCOUNT

	Messier et Associés S.A.S. 31/12/2022 (€'000)	Messier et Associés L.L.C. 31/12/2022 (USD'000)
Revenues	43,185	1,583
Personnel costs	(8,582)	(962)
Other administrative expenses	(20,658)	(513)
Operating income	**13,945**	**108**
Depreciation of tangible assets and other adjustments	(296)	—
Interest and similar income	344	—
Interest and similar charges	(167)	—
Foreign exchange gains (losses)	—	—
(Provisions) write-backs	136	—
Gains (losses) on disposal of equity investments	51	—
Other gains (losses)	(358)	—
Profit (loss) before taxes	**13,655**	**108**
Current income tax for the year	(3,485)	—
Profit (loss) for the period	**10,170**	**108**

Non-financial companies

continued **Table B**

BALANCE SHEET

	MEDIOBANCA INNOVATION SERVICES S.C.p.A.	SPAFID TRUST S.r.l.	MEDIOBANCA MANAGEMENT COMPANY S.A.	MB CONTACT SOLUTIONS	COMPASS RENT	COMPASS LINK	CMB REAL ESTATE DEVELOPMENT 31.12.2022
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
ASSETS							
Non-Current Assets							
Intangible assets	22,388	—	—	39	13	25	—
Tangible assets	35,880	—	16	49	141	—	—
Other non-current financial assets	—	—	—	—	—	—	—
Advance tax assets	321	73	—	—	4,630	2	—
Total Non-Current Assets	**58,589**	**73**	**16**	**88**	**4,784**	**27**	**—**
Current Assets							
Inventories	—	—	—	—	—	—	—
Trade Receivables	11,360	542	5,080	350	922	813	68,194
Other receivables	10,395	4	63	38	3,316	76	436
Current tax assets	786	24	—	30	—	—	
Other non-current financial assets	—	—	—	—	—	—	—
Cash and cash equivalents	89	569	8,431	275	844	637	8,248
Total Current Assets	**22,630**	**1,139**	**13,574**	**693**	**5,082**	**1,526**	**76,878**
TOTAL ASSETS	**81,219**	**1,212**	**13,590**	**781**	**9,866**	**1,553**	**76,878**
LIABILITIES							
A) Net equity							
Capital	35,000	500	500	500	400	500	75,150
Reserves	—	—	995	—	3,692	—	—
Share premium reserve	—	—	—	—	—	—	—
Profit (loss) carried forward	255	604	7,554	(111)	(1,686)	(114)	—
Legal reserve	—	70	50	—	—	—	—
Profit (loss) for the period	242	(69)	125	73	(1,545)	212	759
Total net equity	**35,497**	**1,105**	**9,224**	**462**	**861**	**598**	**75,909**
Non-current liabilities							
Provisions for risks and charges	820	—	76	—	11	21	—
Provision for statutory end-of-service payments	1,480	33	—	17	19	—	—
Deferred tax liabilities	556	—	168	—	—	—	—
Other non-current liabilities	—	—	—	—	—	—	—
Total non-current liabilities	**2,856**	**33**	**244**	**17**	**30**	**21**	**—**
Current liabilities							
Due to banks	—	—	—	—	—	—	—
Trade payables	14,190	24	1,100	221	3,439	934	669
Due to parent companies / affiliates	—	—	2,857	33	—	—	—
Current tax liabilities	—	16	—	48	—	—	—
Current financial liabilities	24,323	—	—	—	10	—	—
Other current liabilities	4,353	34	165	—	5,526	—	300
Total Current Liabilities	**42,866**	**74**	**4,122**	**302**	**8,975**	**934**	**969**
TOTAL LIABILITIES AND NET EQUITY	**81,219**	**1,212**	**13,590**	**781**	**9,866**	**1,553**	**76,878**

Non-financial companies

continued **Table B**

PROFIT AND LOSS ACCOUNT

	MEDIOBANCA INNOVATION SERVICES S.C.p.A.	SPAFID TRUST S.r.l.	MEDIOBANCA MANAGEMENT COMPANY S.A.	MB CONTACT SOLUTIONS	COMPASS RENT	COMPASS LINK	CMB REAL ESTATE DEVELOPMENT 31.12.2022
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
Revenues from sales of goods and services	141,188	739	12,738	1,518	2,209	4,843	800
Production costs	(94,671)	(621)	(10,773)	(1,126)	(3,220)	(4,411)	—
Personnel expenses	(15,283)	(211)	(935)	(200)	(1,020)	(110)	(41)
Other operating costs	(12,707)	—	—	—	—	—	—
Sundry operating costs	—	—	(947)	—	(27)	(26)	—
Amortization of intangible assets	(13,803)	—	—	(31)	—	(24)	—
Depreciation of tangible assets	(4,462)	—	—	—	(23)	—	—
Other write-downs	—	—	(6)	—	—	—	—
Write-downs of current receivables	—	—	—	—	(92)	—	—
Operating income	**262**	**(93)**	**77**	**161**	**(2,173)**	**272**	**759**
Financial income	13	2	102	—	—	—	—
Financial expenses	(900)	—	—	—	(2)	—	—
Other income	3,315	—	—	—	—	—	—
Other expenses	(2,662)	(2)	—	(6)	—	—	—
Profit (loss) before taxes	**28**	**(93)**	**179**	**155**	**(2,175)**	**272**	**759**
Tax income (expense)	214	24	(54)	(82)	630	(60)	—
Taxes for the period	214	24	(54)	(60)	624	(60)	—
Deferred and prepaid taxes	—	—	—	(22)	6	—	—
Profit (loss) for the period	**242**	**(69)**	**125**	**73**	**(1,545)**	**212**	**759**

Insurance companies

continued **Table B**

BALANCE SHEET

	COMPASS RE S.A. (€'000)
ASSETS	
A) Amounts due from shareholders by way of unpaid amounts on capital call	**—**
B) Intangible assets	**—**
C) Investments	**286,166**
I) Land and buildings (total)	—
II) Investments in affiliated undertakings and participating interests	—
3) Loans to enterprises	280,666
a) belonging to parent company	*1,000*
e) other	*279,666*
III) Other financial investments	5,500
6) banks deposits	*5,500*
D) Investments for the benefit of insured parties (life)	**—**
E) Sundry receivables	**5,228**
II Receivables arising out of reinsurance operations	5,225
III Other receivables	3
F) Other assets	**928**
II Cash at bank and in hand	928
G) Accruals and deferrals	**11,993**
1. Due to interest	1,886
3. Other accruals and deferrals	10,107
TOTAL ASSETS	**304,315**
LIABILITIES	
A) Net equity	**63,886**
I Share capital	15,000
IV Legal reserve	1,500
VIII Profit (loss) carried forward	19,006
IX Profit (loss) for the period	28,380
B) Subordinated liabilities	**—**
C) Technical reserves	**237,010**
I Non-life business	
1. Premiums reserve	*101,895*
2. Claims reserve	*9,443*
3. Equalization reserve	*125,672*
D) Technical reserves where risk is borne by insured party	**—**
E) Provisions for risks and charges	**34**
2) Tax-related provisions	34
F) Deposits received from reinsurers	**—**
G) Accounts payable and other liabilities	**2,917**
VII Other payables	
3. Due to social security and retirement institutions	*2,917*
H) Accruals and deferrals	**468**
3. Other accruals and deferrals	468
TOTAL LIABILITIES AND NET EQUITY	**304,315**

Insurance companies

continued **Table B**

PROFIT AND LOSS ACCOUNT

	COMPASS RE S.A. (€'000)
I) TECHNICAL ACCOUNT	
Gross premiums for the year	33,820
Change in premium reserves	6,202
Total net premiums for the year	**40,022**
Gains arising from non-technical accounts investments	—
1) TOTAL REVENUES	**40,022**
Claims incurred, after reinsurance (Gross amount)	(7,917)
Change in provisions for claims (Gross amount)	1,460
Acquisition costs	(3,263)
Acquisition costs accrued to future years	(466)
Management and administration expenses	(900)
2) TOTAL COSTS	**(11,086)**
Change in equalization reserve	8,911
Technical-account profit (loss)	**37,847**
II) NON-TECHNICAL ACCOUNT	
Interest income	5,175
Write-backs of investments	2,171
Interest expense	(180)
Value adjustments to investments	—
Losses on the realisation of investments	(6,770)
Non-technical profit (loss)	**396**
Profit (loss) for the period before tax	**38,243**
Current income taxes	(9,578)
Other taxes	(285)
Profit (loss) for the period	**28,380**

Affiliated companies

Table C

BALANCE SHEET

	ASSICURAZIONI GENERALI S.P.A. 31.12.2022 (€'000)
ASSETS	
A) Amounts due from shareholders by way of unpaid amounts on capital call	—
B) Total intangible assets	32,939
C) Investments	
I) Land and buildings (total)	68,146
II) Investments in Group and other undertakings (total)	35,009,512
III) Other financial investments	
1) Shares and stock units	29,419
2) Mutual fund units	1,472,630
3) Bonds and other fixed-income securities	2,257,161
4) Loans	684
6) Deposits with banks	628,859
7) Sundry financial investments	—
Total other financial investments	4,388,753
IV) Deposits with reinsurers	4,266,829
Total investments (C)	43,733,240
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	10,436
Dbis) Reinsurers' share of technical reserves	
I) Non-life business (total)	1,774,275
II) Life business (total)	653,552
Total reinsurers' share of technical reserves (Dbis)	2,427,827
E) Accounts receivable	
I) Amounts due in respect of primary insurances (total)	307,466
II) Amount due in respect of reinsurance transactions (total)	717,598
III) Other accounts receivable	1,367,854
Total accounts receivable (E)	2,392,918
F) Other assets	
I) Tangible assets and inventories (total)	3,147
II) Cash (total)	428,668
IV) Other assets (total)	1,326,645
Total other assets (F)	1,758,460
G) Accrued income and deferred liabilities (total)	118,903
TOTAL ASSETS (A+B+C+D+Dbis+E+F+G)	**50,474,723**

Affiliated companies

continued **Table C**

PROFIT AND LOSS ACCOUNT

	Assicurazioni Generali S.p.A. 31.12.2022 (€'000)
LIABILITIES	
A) Net equity	
I) Share capital or equivalent fund	1,586,834
II-VII) Reserves (total)	13,604,101
IX) Profit (loss) for year	2,820,528
X) Negative reserve for treasury shares in portfolio	576,178
Total net equity (A)	**18,587,641**
B) Subordinated liabilities	7,843,827
C) Technical reserves	
I) Non-life business (total)	5,086,361
II) Life business (total)	4,331,493
Total technical reserves (C)	**9,417,854**
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)	23,506
E) Provisions for risks and charges (total)	167,443
F) Deposits received from reinsurers	806,730
G) Accounts payable and other liabilities	
I) Amounts payable in respect of primary insurances	79,975
II) Amounts payable in respect of reinsurance	482,908
III) Bond issues	2,692,000
IV) Amounts payable to banks and financial institutions	993,778
VI) Loans and other debt	5,320,609
VII) Provision for statutory end-of-service payments	1,314
VIII) Other accounts payable	2,368,221
IX) Other liabilities	1,456,364
Total accounts payable and other liabilities (G)	**13,395,169**
H) Accrued liabilities and deferred income (total)	232,553
TOTAL LIABILITIES AND NET EQUITY (A+B+C+D+E+F+G+H)	**50,474,723**

Affiliated companies

PROFIT AND LOSS ACCOUNTS (non-technical account)

	Assicurazioni Generali S.p.A. 31.12.2022
	(€'000)
1) Underwriting profit (loss) from non-life business	593,281
2) Underwriting profit (loss) from life business	439,509
3) Investment income in non-life business	
a) Income from shares and stock	2,091,286
b) Other investment income (total)	80,574
c) Write-backs in book value of investments	2,140
d) Gains on disposal of investments	69,988
Total investment income in non-life business (3)	2,243,988
4) (+) Portion of investment income transferred from technical accounts of life business	1,160,132
5) Operating and financial expenses in non-life business	
a) Investment management expenses and interest paid	6,798
b) Value adjustments to investments	83,186
c) Loss on disposal of investments	10,776
Total operating and financial expenses in non-life business (5)	100,760
6) (-) Portion of investment income transferred from technical accounts of non-life business	398,898
7) Other income	316,629
8) Other expenditure	1,333,810
9) Profit (loss) on ordinary operations	2,920,071
10) Extraordinary income	16,466
11) Extraordinary expenses	195,142
12) Net extraordinary income (expenses) (10-11)	(178,676)
13) Earnings before tax	2,741,395
14) Taxation for the year	(79,133)
15) Profit (loss) for the year (13-14)	**2,820,528**

Affiliated companies

BALANCE SHEET

	Finanziaria Gruppo Bisazza S.r.l. 31.12.2022 (€’000)
ASSETS	
B) Fixed assets:	
I) Intangible	—
II) Tangible	—
III) Financial	5,528
Total B	**5,528**
C) Current assets:	
II) Receivables:	
Due within 12 months	677
Due over 12 months	—
Total receivables	677
IV) Cash and cash equivalents	60
Total C	**737**
TOTAL ASSETS	**6,265**
LIABILITIES	
A) Net equity:	
I) Share capital	100
II) Share-premium reserve	—
IV) Legal reserve	45
VII) Other reserves	1,498
IX) Profit (loss) for the period	3,915
Total A	**5,558**
D) Payables:	
Due within 12 months	643
Due over 12 months	64
Total payables	707
Total D	**707**
TOTAL LIABILITIES AND NET EQUITY	**6,265**

Affiliated companies

continued **Table C**

PROFIT AND LOSS ACCOUNT (non-technical account)

	Finanziaria Gruppo Bisazza S.r.l. 31.12.2022 (€'000)
A) Revenues:	
Other revenues and gains	—
Total production value (A)	**—**
B) Production costs:	
7) Services-related	48
14) Sundry operating expenses	1
Total production costs (B)	**49**
Difference between production value and production costs (A-B)	**(49)**
C) Financial gains (expenses):	
15) Proceeds from investments	4,000
16) Interest and similar income	—
17) Interest and similar charges	(1)
Total financial gains (expenses) (C)	**3,999**
Profit (loss) before taxes (A - B ± C ± D)	**3,950**
20) Income tax for the year (current, deferred and prepaid)	35
Profit (loss) for the period	**3,915**

Affiliated companies

continued **Table C**

BALANCE SHEET

	Istituto Europeo di Oncologia S.r.l. 31.12.2022 (€'000)
ASSETS	
A) SUBSCRIBED CAPITAL UNPAID	—
B) FIXED ASSETS	
I - INTANGIBLE ASSETS	
3) Industrial patents rights and rights to use intellectual property	—
4) Concessions, licences, trademarks, and similar rights	3,430
6) Work-in-progress and advances	660
7) Other	383
TOTAL INTANGIBLE ASSETS	**4,473**
II - TANGIBLE ASSETS	
1) Land and buildings	23,550
2) Plants and equipment	10,088
3) Industrial and commercial machineries	24,379
4) Other goods	4,244
5) Work-in-progress and advances	36,494
TOTAL TANGIBLE ASSETS	**98,755**
III - FINANCIAL ASSETS	
1) Investments in:	
a) Subsidiary companies	59,078
d-bis) Other	679
Total investments	59,757
2) Receivables	
d-bis) Other	1,064
Total receivables	1,064
3) Other securities	
Total other securities	
TOTAL FINANCIAL ASSETS	**60,821**
TOTAL FIXED ASSETS (B)	**164,049**
C) CURRENT ASSETS	
I – INVENTORIES	
1) Raw-materials, supplies, and consumables	8,579
Goods held for resale	780
TOTAL INVENTORIES	**9,359**
II – RECEIVABLES	
1) From customers	38,141
2) From subsidiary companies	142
3) From affiliated companies	—
5-bis) Tax-related receivables	2,046
5-ter) Deferred tax asset receivables	2,479
5-quater) Other	10,143
TOTAL RECEIVABLES	**52,951**
III - CURRENT FINANCIAL ASSETS	
6) Other securities	—
TOTAL CURRENT FINANCIAL ASSETS	**—**
IV - CASH AND CASH EQUIVALENTS	
1) Bank and postal deposits	55,632
3) Cash in hand	108
TOTAL CASH AND CASH EQUIVALENTS	**55,740**
TOTAL CURRENT ASSETS (C)	**118,050**
D) ACCRUALS AND DEFERRALS	4,358
TOTAL ACCRUALS AND DEFERRALS (D)	**4,358**
TOTAL ASSETS (A + B + C + D)	**286,457**

Affiliated companies

continued **Table C**

BALANCE SHEET

	Istituto Europeo di Oncologia S.r.l. 31.12.2022 (€'000)
LIABILITIES	
A) NET EQUITY	
I - Capital	80,579
IV - Legal reserve	7,710
V - Reserve under the articles of association	—
- Provisions for research and development	48,196
IX - Profit (loss) for the period	3,592
TOTAL NET EQUITY (A)	**140,077**
B) PROVISIONS FOR RISKS AND CHARGES	
- Deferred tax provisions	525
- Provisions for other risks	9,279
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**9,804**
PROVISION FOR STATUTORY END-OF-SERVICE PAYMENTS (C)	**5,371**
C) PAYABLES	
7) Trade payables	60,372
9) Payables to subsidiary companies	12,637
10) Payables to associated companies	—
12) Tax liabilities	3,929
13) Payables to social security and pension institutions	5,002
14) Other payables	19,230
TOTAL PAYABLES (D)	**101,170**
D) ACCRUALS AND DEFERRALS	30,035
TOTAL ACCRUALS AND DEFERRALS (D)	**30,035**
TOTAL LIABILITIES AND NET EQUITY (A+B+C+D+E+F+G+H)	**286,457**

Affiliated companies

continued **Table C**

PROFIT AND LOSS ACCOUNT

	Istituto Europeo di Oncologia S.r.l. 31.12.2022 (€'000)
A) PRODUCTION VALUE	
1) Revenues from sales and services	216,784
5) Other gains:	47,698
- Grants received for research programmes	26,858
- Other proceeds	20,840
TOTAL PRODUCTION VALUE (A)	**264,482**
B) PRODUCTION COSTS	
6) Raw-materials, supplies, consumables and goods for resale	63,091
7) Services	58,881
8) Leasehold goods	6,750
9) Personnel expenses:	95,782
a) Wages and salaries	75,439
b) Social security charges	15,970
c) Provision for statutory end-of-service payments	4,226
e) Other costs	147
10) Depreciation, amortization and write-downs:	13,199
a) Amortization of intangible fixed assets	1,737
b) Depreciation of tangible fixed assets	10,237
d) Write-downs of current financial assets and other liquid assets	1,225
11) Change in inventory of raw-materials, supplies, consumables, and goods for resale (±)	(168)
12) Contributions to provisions	4,978
14) Sundry operating expenses	17,648
TOTAL PRODUCTION COSTS (B)	**260,161**
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A - B)	**4,321**
C) FINANCIAL GAINS (EXPENSES)	
15) Proceeds from investments	
- dividends and other income from other entities	—
16) Other financial gains	
d) gains other than the above	
- interest on current accounts and other deposits	33
17) Interest and similar charges	
- other	(164)
17-bis) Foreign exchange gains and losses (±)	35
TOTAL FINANCIAL GAINS (EXPENSES) (C)	**(96)**
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS	
18) Write-ups of:	
a) equity investments	1,010
19) Write-downs of:	
a) equity investments	(6)
TOTAL ADJUSTMENTS (D)	**1,004**
PROFIT (LOSS) BEFORE TAXES (A - B +/- C +/- D +/- E)	**5,229**
22) Taxes for the period (current, deferred and prepaid)	
- Current taxes	(1,326)
- Deferred and prepaid taxes	(311)
Profit (loss) for the period	**3,592**

Affiliated companies

BALANCE SHEET

	CLI HOLDINGS II LTD 31.12.2022 (£'000)
ASSETS	
Non-Current Assets	
Intangible assets	—
Tangible assets	—
Equity investments	103,367
Total Non-Current Assets	**103,367**
Current Assets	
Trade Receivables	2,637
Cash and cash equivalents	132
Other assets	116
Total Current Assets	**2,885**
TOTAL ASSETS	**106,252**
LIABILITIES	
Share capital	—
Share-premium reserve	—
Legal reserve	—
Reserves	—
Profit (loss) carried forward	2
Profit (loss) for the period	1
Total net equity	**3**
Trade and tax payables	1
Financial liabilities	106,201
Other liabilities and provisions	47
Total Current Liabilities	**106,249**
TOTAL LIABILITIES AND NET EQUITY	**106,252**

Affiliated companies

continued **Table C**

PROFIT AND LOSS ACCOUNT

	CLI HOLDINGS II LTD 31.12.2022
	(£'000)
Commission income	11,936
Dividends and similar income	—
Revenues	**11,936**
Administrative expenses	(94)
a) personnel costs	*(94)*
b) other administrative expenses	—
Other operating income (expense)	—
Net trading income (expense)	—
Net value adjustments to /write-backs of tangible assets	—
Operating income	**11,842**
Interest and similar income	—
Interest and similar charges	(11,840)
Profit (loss) before taxes	**2**
Current income tax for the year	(1)
Profit (loss) for the period	**1**

Affiliated companies

continued **Table C**

BALANCE SHEET

	HEIDI PAY AG 31.12.2022 (CHF'000)
ASSETS	
Non-Current Assets	
Intangible assets	12
Tangible assets	32
Equity investments	188
Total Non-Current Assets	**232**
Current Assets	
Trade Receivables	7,748
Cash and cash equivalents	4,437
Other assets	74
Total Current Assets	**12,259**
TOTAL ASSETS	**12,491**
LIABILITIES	
Share capital	944
Share-premium reserve	9,586
Legal reserve	350
Reserves	(45)
Profit (loss) carried forward	(1,921)
Profit (loss) for the period	(4,701)
Total net equity	**4,213**
Trade and tax payables	872
Financial liabilities	7,406
Other liabilities and provisions	—
Total Current Liabilities	**8,278**
TOTAL LIABILITIES AND NET EQUITY	**12,491**

Affiliated companies

continued **Table C**

PROFIT AND LOSS ACCOUNT

	HEIDI PAY AG 31.12.2022 (CHF'000)
Commission income	475
Dividends and similar income	(294)
Revenues	**181**
Administrative expenses	(4,014)
a) personnel costs	*(3,395)*
b) other administrative expenses	*(619)*
Other operating income (expense)	(502)
Net trading income (expense)	(12)
Net value adjustments to /write-backs of tangible assets	26
Operating income	**(4,321)**
Interest and similar income	—
Interest and similar charges	(370)
Profit (loss) before taxes	**(4,691)**
Current income tax for the year	(10)
Profit (loss) for the period	**(4,701)**

Table D

AUDITING FEES AND FEES FOR MISCELLANEOUS AUDITING SERVICES
(pursuant to Article 149-duodecies of CONSOB Resolution No. 11971 of 14/5/99)

(€'000)

Type of service	**Mediobanca**		**Group companies***	
	EY	**EY network**	**EY**	**EY network**
Auditing	596	27	1,257 ^	980
Certification services (**)	194	–	59	58
Other services	156	–	–	–
of which: observation and analysis of the administrative/accounting internal control system	–	–	–	–
of which: other	*156*	–	–	–
Total	946	27	1,316	1,038

* Group companies consolidated line-by-line.

** Certification services concerning the Parent Company include fees for comfort letters on bond issue programs, activities related to the annual Basel III Pillar 3 public disclosure document and to the NFD.

^ The amount includes CheBanca! entering within the scope of EY auditing, starting from 1° July 2022.

Figures shown above include the ISTAT adjustment, while do not include VAT, expenses and the supervisory fee 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 includes three methodologies for calculating credit risk: the Standard method, the Foundation Internal Rating-Based (F.I.R.B.) method and the Advanced Internal Rating-Based (A.I.R.B.) method. 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. The AT1 category generally includes 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.

Assets Under Administration (AUA): 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.

Assets Under Custody (AUC): 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.

Assets Under Management (AUM): 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.

Backstops: Indicators used to understand whether the financial instrument has experienced a significant increase in credit risk since the date of initial recognition. For the 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. In 2016, this procedure (Directive 2014/59/EU referred to as BRRD) replaced the so-called bail-out procedure (rescue through the use of public resources). 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 wound up under normal insolvency proceedings.

Bank Recovery and Resolution (BRRD) 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.

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 IFRS 9 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 (ß): 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).

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.

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.

Capital Asset Pricing Model (CAPM): 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.

Cash-Generating Unit (CGU): 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).

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.

Collateralized Debt Obligation (CDO): CDOs are fixed-income securities which have a portfolio of bonds, loans and other debt instruments as their collateral.

Compound Annual Growth Rate (CAGR): Annual compound growth rate of an investment over a given period of time.

Collateralized Loan Obligation (CLO): 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.

Common Equity Tier 1 (CET1) ratio: The CET1 ratio is the ratio of a bank's core equity capital to its total risk-weighted assets or RWAs (see definition).

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).

Cost of Risk (CoR): 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.

Capital Requirement Directive (CRD): 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.

Capital Requirement Regulation (CRR/CRR2): 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.

Contractual Service Margin (CSM): Under the new IFRS 17 standard, this item represents gains not yet realized from a group of contracts which will be recognized during the period of the insurance coverage.

Corporate Sustainability Reporting Directive (CSRD): The Corporate Sustainability Reporting Directive is a new EU law that lays down stricter requirements for the preparation of companies' sustainability reports.

It amends the NFRD Directive on disclosure of non-financial information and aims to increase the transparency and comparability of information on the environmental, social and governance (ESG) performance of companies. It provides for the introduction of a specific section within the Report on Operations (Financial Disclosure) dedicated to sustainability and adhering to the EFRAG sustainability principles that will replace the current non-financial reporting.

Cost of risk: This is the ratio between net adjustments to loans (after any write-backs) and average loans to customers (after adjustments). It is one of the indicators of the riskiness of the Bank's assets.

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.

Credit Conversion Factor (CCF): 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).

Credit Default Swap (CDS): 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.

Credit Risk Mitigation (CRM): 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.

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 of IFRS 9). 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.

Credit Value Adjustment (CVA): 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.

Deposit Guarantee Scheme (DGS): 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 the EU level, the third pillar of the European banking union, referred to as EDIS, aimed at creating a single fund (Deposit Insurance Fund, DIF) into which the resources of the various national DGS will flow, is in the process of being created.

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 Flow 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.

Earnings per share (EPS): 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.

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).

Environmental, Social, Governance (ESG): 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.

EU Taxonomy: classification system implemented with Regulation (EU) 2020/852 and annexed delegated acts that establishes the perimeter of economic activities that can be defined as "environmentally sustainable" and defines specific disclosure obligations to all Financial and Non-Financial companies.

EUro Interbank Offered Rate (EURIBOR): 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 OverNight Index Average (EONIA): 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.

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.

European Banking Authority (EBA): 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.

European Financial Reporting Advisory Group (EFRAG): a European private and non-profit organization with the aim of facilitating the creation of a single accounting framework for European companies. Founded in 2002, it advises the European Commission and the European Union on existing and future European accounting standards.

European Securities and Markets Authority (ESMA): 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.

European Single Electronic Format (ESEF): This acronym indicates the name of the new harmonized reporting format across the entire EU.

European Systemic Risk Board (ESRB): 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.

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).

Exposure At Default (EAD): The amount to which the bank is exposed at the point in time upon the default of an obligor.

Extensible Business Reporting Language (XBRL): This is an XML-based language, mainly used for the electronic communication and exchange of accounting and financial information.

Extensible HyperText Markup Language (XHTML): 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.

External Credit Assessment Institution (ECAI): Third-party agency in charge of assessing credit risk.

Fair Value Hedge: Type of hedge provided for by IAS 39 to neutralize exposure to changes in a balance-sheet item's fair value.

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 through Other Comprehensive Income (FVOCI): 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.

Fair Value Through Profit or Loss (FVTPL): 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.

Fair Value Option (FVO): An 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.

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.

Financial Stability Board (FSB): 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.

Financial Reporting Standards (FINREP): 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.

First-Time Adoption (FTA): 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.

Foundation Internal Rating-Based (FIRB) 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.

Fondo Interbancario di Tutela dei Depositi (FITD): 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.

Funding: Sourcing in various forms of the funds required to perform a corporate activity or particular financial transactions.

Funds Transfer Pricing (FTP): 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.

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.

Global Systemically Important Banks (G-SIBs): These are larger banks which as such are subject to stricter or additional requisites and specific methods of supervision.

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.

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, among other things, to primarily invest in listed financial instruments.

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).

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).

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).

Inline eXtensible Business Reporting Language (iXBRL): 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.

Interest Rate Swap (IRS): 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.

Internal Capital Adequacy Assessment Process (ICAAP): 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.

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.

Internal Liquidity Adequacy Assessment Process (ILAAP): 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.

International Accounting Standards Board (IASB): 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.

International Organization of Securities Commission (IOSCO): 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.

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.

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.

Loan To Value (LTV) 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.

London InterBank Offered Rate (LIBOR): 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.

Loss-Given Default (LGD): 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).

Low credit risk exemption: Under para. 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.

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.

Markets In Financial Instruments Directive (MiFID): 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").

Markets in Financial Instruments Directive (MIFID): in the EU contexts, the M IFID Directive (successor to the so-called MIFID II) aims to create a cohesive, integrated and competitive financial market at Community level through various actions to increase information transparency.

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.

Minimum Requirement for own funds and Eligible Liabilities (MREL): 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.

Net Asset Value (NAV): 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.

Net Stable Funding Ratio (NSFR): 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.

Net-Zero Banking Alliance (NZBA): an initiative promoted by the United Nations with the aim of accelerating the sustainable transition of the international banking sector.

Non-Financial Disclosure (NFD): 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.

Non-Performing Loans (NPL): A loan whose collection is uncertain both in terms of expiry and amount of the exposure.

On-Site Inspection (OSI): 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.

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.

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.

Overlay adjustment: The term overlay adjustment indicates a provision outside the IFRS 9 model for the purpose of calculating value adjustments on loans. As per the instructions of accounting standard IFRS 9 and the recommendations of the various competent Authorities (ECB, EBA and IASB), in addition to having to consider historical, current and prospective information, the quantification of expected losses admits the possibility of using post-business model adjustments (referred to as "post-model overlays or adjustments"), if the models are unable to fully reflect the effects of the Covid-19 crisis, and related government support measures.

Over-The-Counter (OTC): 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.

Over Time (OVT) and Point in Time (PIT): 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.

Performance obligation: Definition laid down in IFRS 15, which indicates: "A commitment to deliver:

– A distinct good or service (or a combination of both) to a customer; 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.

Probability of Default (PD): 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.

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.

Principles for Responsible Banking (PRB): The Principles for Responsible Banking launched in September 2019, during the United Nations General Assembly, are six free commitments that propose to integrate socio-environmental issues into the banking sector, incentivizing banks to set sustainable development goals and promoting the measurement of the impacts of banking activities on people and the planet.

Pricing: In a broad sense, pricing generally refers to methods for calculating the yields and/or costs of products and services offered by the Bank. In a narrower sense, it refers to the process of calculating the price of a financial asset.

Principal Adverse Impact (PAI): material adverse effects, or that could be material, on sustainability factors that are caused, aggravated or directly linked to investment decisions and advice carried out by a legal entity.

Products ex. Art.6/Art.8/Art.9: method of classificationof "sustainable" investment products based on the respective articles of the SFRD. In particular, products ex. Art.6 consider only potential ESG risks; the ex. Art.8 those products that promote ESG characteristics; and Article 9, which sets measurable ESG objectives.

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.

Purchase Price Allocation (PPA): 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).

Purchased or Originated Credit-Impaired (POCI) 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.

Regulatory technical standards (RTS): they are contained in Delegated Regulation (EU) 2022/1288 and specify the details of the content and presentation of information relating to the principle "do no significant harm" (so-called DNSH).

Return On Allocated Capital (ROAC): 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.

Return On Equity (ROE): 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).

Return on Tangible Equity (ROTE): 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).

Right-of-Use Asset (under IFRS 16): 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".

Risk Adjustment (RA): Under the new standard IFRS 17, this item represents the remuneration that an entity requires in order to incur the uncertainty about the amount and timing of cash flows arising from non-financial risk during the insurance coverage period.

Risk-Weighted Asset (RWA): 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).

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.

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.

Short term (under IFRS 16): According to para. 5 of IFRS 16, this represents one of the two cases when the lessee can decide not to apply the requirements of the principle itself. The standard states that a lessee can make use of this right if the lease has a term of 12 months or less.

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 €5bn;
- 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 Banks are subject to direct supervision of the ECB (see definition).

Significant Increase in Credit Risk (SICR): 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.

Single Resolution Board (SRB): 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.

Single Resolution Mechanism (SRM): 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.

Società di Gestione del Risparmio (SGR): 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.

Società di Intermediazione Mobiliare (SIM): 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.

Solely Payments of Principal and Interest (SPPI) 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).

Special Purpose Vehicle (SPV): 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.

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.

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.

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”.

Supervisory Review and Evaluation Process (SREP): 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).

*Sustainable finance disclosure regulation (*SFDR*):* regulation on sustainability reporting in the financial services sector that is part of the EU Sustainable Finance Action Plan.

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.

Targeted Long-Term Refinancing Operation (T-LTRO): The T-LTRO is a non-conventional monetary policy action implemented by the European Central Bank (ECB - see definition) in order to tackle the financial crisis. Through this action, long-term liquidity is provided to banks.

Task Force on Climate-related Financial Disclosures (TCFD): body created by the Financial Stability Board (FSB) in 2015, with the aim of formulating a coherent and clear set of recommendations addressed to companies for the disclosure of their climate-related financial information.

Tax Rate: This refers to the effective tax rate, as expressed by the ratio between income tax and profit before tax.

Taxonomy: A classification system for identifying and structuring information. ESEF uses the standard elements of the ESEF / IFRS taxonomy.

Testo Unico Bancario (TUB): The Italian Banking Act, i.e. Italian Legislative Decree 385/93 as amended.

Testo Unico dell'Intermediazione Finanziaria (TUF): The Italian Finance Act, i.e. Italian Legislative Decree 58/98 (also known as the "Draghi" law) as amended.

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).

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).

Total Loss-Absorbing Capacity (TLAC): 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.

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.

Undertakings for Collective Investment in Transferable Securities (UCITS): 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.

Unlikely to Pay (UTP): 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.

Value at Risk (VaR): 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.

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.

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