Basel III pillar 3
Disclosure to the public

Situation as at 30 June 2022

Some declarations contained in this document constitute estimates and forecasts of future events and are based on information available to the Bank at the reporting date. Such forecasts and estimates take into account all information other than *de facto* information, including, *inter alia*, the future financial position of the Bank, its operating results, the strategy, plans and targets. Forecasts and estimates are subject to risks, uncertainties and other events, including those not under the Bank's control, which may cause actual results to differ, even significantly, from related forecasts. In light of these risks and uncertainties, readers and users should not rely excessively on future results reflecting these forecasts and estimates. Save in accordance with the applicable regulatory framework, the Bank does not assume any obligation to update forecasts and estimates, when new and updated information, future events and other facts become available. The quantitative information included with reference to ESG risk has been established on the basis of the best estimates currently available, which will be subject to amendment based on changes in the regulations and/or classification of environmentally sustainable activities by the Mediobanca Group, and on fine-tuning of the calculation methodologies applied to date.

Contents

Introduction 4

References to regulatory disclosure requirements 7

Section 1 – General disclosure requirement 13

1.1 Description of risk governance organization 13

1.2 Adequacy of risk management metrics and consistency of overall risk profile with corporate strategy 25

1.3 Main changes in risk measurement adopted by the Bank during the financial year 28

Section 2 – Scope of application 29

Section 3 – Composition of regulatory capital 38

Section 4 – Capital adequacy 53

Section 5 – Financial leverage 64

Section 6 – Liquidity risk 71

Section 7 – Credit risk 91

7.1 General information 91

7.2 ECAIS 119

7.3 Credit risk: disclosure on portfolios subject to AIRB methods 123

Section 8 – ESG risk 142

Introduction 142

Qualitative information 142

Quantitative information 168

Section 9 – Encumbered assets 183

Section 10 – Counterparty risk 187

10.1 Counterparty risk – Standard method 189

Section 11 – Risk mitigation techniques 199

Section 12 – Securitizations 201

Section 13 – Operational risk 209

Section 14 – Exposures to equities: information on banking book positions 214

Section 15 – Interest rate risk on banking book positions 219

Section 16 – Market risk 221

Section 17 – Concentration risk and large exposures 235

Section 18 – Remunerations and incentivization systems and practices 236

Declaration by Head of Company Financial Reporting 250

Auditor's Report on Basel III Pillar 3 251

Introduction

The regulations on banking supervision have been revised with the issue of Capital Requirements Directive IV and Capital Requirements Regulation (the "CRD IV/CRR/CRR2 Package") enacted in Italy under Bank of Italy circular no. 285 issued in 2013 as amended, to adapt the national Italian regulations to the changes to the European Union banking supervisory framework (including the Commission Delegated Regulation issued on 10 October 2014, to harmonize the diverging interpretations of means for calculating the Leverage Ratio). The body of regulations on prudential supervision and corporate governance for banks has incorporated the changes made by the Basel Committee in its "Global Regulatory Framework for More Resilient Banks and Banking Systems".

Further guidance in the area of Pillar III has been provided by the European Banking Authority (EBA) in several documents:

— Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432(1), 432(2) and 433 of Regulation No (EU) 575/2013 – (EBA GL/2016/11);

— Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013) – (EBA GL/2016/11), to improve and enhance the consistency and comparability of institutions' disclosures to be provided as part of Pillar III starting from 31 December 2017. These guidelines apply to institutions classifiable as G-SII (Globally Systemically Important Institutions) or O-SII (Other Systemically Important Institutions); the regulatory authority has not required them to be applied in full for other significant institutions (SI); however, this structure voluntarily conforms to part 8 of the CRR;

— "Guidelines On the information relating to the liquidity coverage ratio, to supplement the information on the management of liquidity risk pursuant to Article 435 of Regulation (EU) no. 575/2013" (EBA/GL/2017/01 – Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013);

— Guidelines on uniform information pursuant to Article 473 bis of Regulation (EU) no 575/2013 regarding transitional provisions aimed at mitigating the impact of the introduction of IFRS 9 on own funds" (EBA/GL/2018/01 – Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds);

— EBA Guidelines (EBA/GL/2018/10) on disclosure of non-performing and forborne exposures, applied for the first time at 12/31/19;

— EBA Guidelines (EBA/GL/2020/07) on Covid-19 measures, reporting and disclosure following the outbreak of the Covid-19 pandemic, applied for the first time at 30/6/20. The objective of the

Guidelines is to ensure an appropriate understanding of institutions' risk profiles. The three templates instituted in these Guidelines have therefore been added to the Group's Disclosure to the Public in the section on "Credit Risk: credit quality";

- On 24 January 2022, the EBA published specific technical standards for large entities whose shares have been admitted to trading on a regulated market in any EU Member State on ESG risk disclosures to be included in their Pillar 3 reporting ESG Risk (Final draft implementing technical standards on prudential disclosures on ESG risks in accordance with Article 449-*bis* of CRR II – EBA/ITS/2022/01). Such disclosures, in accordance with CRR II (Article 449-*bis*) must be incorporated into the annual Pillar III disclosure starting from 2022 and on a half-yearly basis thereafter. The contents of such disclosures involve qualitative information on environmental, social and governance risks, quantitative information on climate change transition risk, quantitative information on climate change physical risk, and quantitative information and KPIs regarding the climate change mitigation measures implemented, including the Green Asset Ratio. A phase-in period has been allowed for the quantitative disclosures, hence in this report only the mandatory templates stipulated for the first annual publication have been included (templates 1, 2, 4, 5, and 10).

With the publication of Regulation (EU) No. 876/2019 (CRR II), the EBA has introduced a series of significant changes to the regulatory framework, applicable from 28 June 2021. These changes, regarding part VIII of the CRR, have the objective of harmonizing the regular disclosure to be provided to the market. To this end, instructions have been provided to market operators in in Commission Implementing Regulation (EU) 2021/637 regarding the mapping between the information to be published starting from the reference date of 30 June 2021 and the information contained in the supervisory reporting.[1]

According to the provisions of CRR II, banks are to publish the required information at least annually; the entities themselves are responsible for assessing whether or not the information requested needs to be published more often. The guidelines set out a minimum content consistent with the significance of the reporting entity, with reference in particular to the capital ratios, composition and adequacy of capital, leverage ratio, exposure to risks and the general characteristics of the systems adopted to identify, measure and manage the risks.

The prudential regulation continues to be structured according to three "pillars":

- "Pillar I" introduces a capital requirement to cover the risks which are typical of banking and financial activity, and provides for the use of alternative methodologies to calculate the capital required;

1 The most recent update to the mapping tool provided by the regulator on 23 May 2022 has been used to complete the templates as at 30 June 2022.

- "Pillar II" requires banks to put in place system and process for controlling capital adequacy (ICAAP) liquidity adequacy (ILAAP), both present and future;
- "Pillar III" introduces obligations in terms of disclosure to the public to allow market operators to make a more accurate assessment of banks' solidity and exposure to risks.

This document published by the Mediobanca Group (the "Group") has been drawn up by the parent company Mediobanca on a consolidated basis with reference to the prudential area of consolidation, including information regarding capital adequacy, exposure to risks and the general characteristics of the systems instituted in order to identify, measure and manage such risks. Disclosure of the Leverage ratio is also provided.

Much of the information in the document has been excerpted from the Group's consolidated financial statements for the twelve months ended 30 June 2022, as well as the consolidated supervisory reporting. Also used in the preparation of this document were items in common with the capital adequacy process (i.e. the ICAAP and ILAAP reports). The contents are also consistent with the "Annual Statement on Corporate Governance and Ownership Structure", and with the reporting used by the senior management and Board of Directors in their risk assessment and management.

Figures are in €'000, unless otherwise specified.

As this document constitutes disclosure to the public, it also contains a declaration by the Head of Company Financial Reporting, as required by Article 154-bis(2) of the Italian Consolidated Finance Act, to the effect that the accounting information contained in this document conforms to the documents, account ledgers and book entries of the company.

In view of the increasing relevance of the disclosure, Mediobanca has decided voluntarily to submit its annual Pillar III Basel III disclosure for the year ended 30 June 2022 to limited assurance by its external auditors. The audit firm's report is attached to this document. The Pillar III disclosure to the public is approved by the Board of Directors and the document is published on the Bank's website at www.mediobanca.com.

References to regulatory disclosure requirements

The tables below provide an overview of where to find the information being disclosed to the market, as required by the EU regulations in force, in particular CRR II part VIII and Regulation (EU) No. 637/2021.

References to information required by CRR II

CRR II Article	Reference to Pillar III section	Reference to other statutory information at 06/30/22
435 – Risk management policies and objectives	Section 1 - General disclosure requirement	Financial statements at 06/30/22: Notes to the accounts - section E: information on risks and related hedging policies
436 – Scope of application	Section 2 - Scope of application	Financial statements at 06/30/22: Notes to the accounts - section A: Accounting policies
437 – Own funds	Section 3 - Composition of regulatory capital	Financial statements at 06/30/22: Notes to the accounts - section F: Information on consolidated capital
438 – Capital requirements	Section 4 - Capital adequacy	Financial statements at 06/30/22: Notes to the accounts - section F: Information on consolidated capital
439 – Exposure to counterparty credit risk	Section 9.1 – Counterparty risk: Standard method Section 9.2 – Counterparty risk: AIRB method	Financial statements at 06/30/22: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
440 – Countercyclical capital buffers	Section 4 – Capital adequacy	N/A
441 – Indicators of global systemic importance	N/A	N/A
442 – Credit risk adjustments	Section 7.1 - Credit risk: General information	Financial statements at 06/30/22: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.1: Credit risk)
443 – Encumbered assets	Section 8 – Encumbered assets	N/A

CRR II Article	Reference to Pillar III section	Reference to other statutory information at 06/30/22
444 – Use of ECAIS	Section 7.2 – Credit risk: use of ECAIS	N/A
445 – Exposure to market risk	Section 16 – Market risk	Financial statements at 06/30/22: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
446 – Operational risk	Section 13 – Operational risk	Financial statements at 06/30/22: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.4: Operational risks)
447 – Exposures in equities not included in the trading book	Section 14 - Exposures to equities: information on banking book positions	N/A
448 – Exposure to interest rate risk on positions not included in the trading book	Section 15 - Interest rate risk on banking book positions	Financial statements at 06/30/22: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
449 – Exposure to securitization positions	Section 12 - Securitizations	Financial statements at 06/30/22: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.1, Credit risk)
449bis – Disclosure on environmental, social and governance risks	Section 8 – ESG risks	Financial statements at 06/30/22: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risks
450 – Remuneration policy	Section 18 – Remunerations and incentivization systems and practices	Staff remuneration and incentivization systems and practices (annual disclosure disclosed in the website www.mediobanca.com, section "Governance: Remuneration")
451- Financial leverage	Section 5 – Financial leverage	Financial statements at 06/30/22: Notes to the accounts - section F: Information on consolidated capital
452 – Use of the IRB method for credit risk	Section 7.3 Credit risk: AIRB methodology, risk assets	Financial statements at 06/30/22: Notes to the accounts - section E: information on risks and related hedging policies (Section 1.1: Credit risk)

CRR II Article	Reference to Pillar III section	Reference to other statutory information at 06/30/22
453 – Use of credit risk mitigation techniques	Section 11 - Risk mitigation techniques	Financial statements at 06/30/22: Notes to the accounts - section E: information on risks and related hedging policies (Section 1.1: Credit risk)
454 – Use of the Advanced Measurement Approaches to operational risk	N/A	N/A
455 – Use of Internal Market Risk models	N/A	N/A
471 – Exemption from deduction of equity holdings in insurance companies from Common Equity Tier 1 items	Section 3 – Composition of regulatory capital	Financial statements at 06/30/22: Notes to the accounts - section F: Information on consolidated capital (Section 2: Own funds and supervisory capital requirements for banks)

References to EBA requisites

(Regulation (EU) 637/2021, EBA/GL/2020/07, EBA/GL/2020/12), EBA/ITS/2021/07, and EBA/ITS/2022/21)

Regulation (EU) 637/2021, EBA/GL/2020/07, EBA/GL/2020/12, EBA/ITS/2021/07 and EBA/ITS/2022/01		**Pillar III as at 06/30/22**	
Tables	**Type of disclosure**	**Section (qualitative/quantitative disclosure)**	**Tables (additional quantitative disclosure)**
EU OVA * EU OVB* EU OVC*	Qualitative	Section 1 - General disclosure requirement	
EU LI1* EU LI2* EU LI3* EU LIA* EU LIB*	Qualitative/ quantitative	Section 2 - Scope of application	
EU CC1 EU CC2 EU CCA	Qualitative/ quantitative	Section 3 - Composition of regulatory capital	Table 3.1 Table 3.2 Table 3.3
EU KM1	Quantitative	Section 4 - Capital adequacy	
IFRS 9-FL	Qualitative/ quantitative		
EU OV1	Quantitative		
EU INS1* EU INS2* (N/A)	Quantitative		
EU CCyB1 EU CCyB2	Quantitative		
EU LR1 EU LR2 EU LR3 EU LRA*	Qualitative/ quantitative	Section 5 - Financial leverage	
EU LIQ1 EU LIQ2 EU LIQA* EU LIQB*	Qualitative/ quantitative	Section 6 – Liquidity risk	

Regulation (EU) 637/2021, EBA/GL/2020/07, EBA/GL/2020/12, EBA/ITS/2021/07, and EBA/ITS/2022/01		Pillar III as at 06/30/22	
Tables	**Type of disclosure**	**Section (qualitative/quantitative disclosure)**	**Tables (additional quantitative disclosure)**
EU CRA* EU CRB* EU CR1 EU CR1-A EU CR2 EU CR2a (N/A)** EU CQ1 EU CQ2 (N/A)** EU CQ3* EU CQ4 EU CQ5 EU CQ6 (N/A)** EU CQ7 EU CQ8 (N/A)** Table 1 Table 2 Table 3 EU CR10 (N/A)	Qualitative/ quantitative	Section 7.1 - Credit risk: General information and credit quality templates	
EU CR4 EU CR5	Quantitative	Section 7.2 - Credit risk: ECAIS	
EU CRC* EU CR6 EU CR6-A* EU CR7 EU CR7-A EU CR8 EU CR9-EU CR9.1* EU CRE*	Qualitative/ quantitative	Section 7.3 – Credit risk: disclosure on portfolios subject to AIRB method	Table 7.3.1
Table 1 Table 2 Table 3 Template 1 Template 2 Template 4 Template 5 Template 10	Qualitative/ quantitative	Section 8 – ESG risks	
EU AE1* EU AE2* EU AE3* EU AE4*	Qualitative/ quantitative	Section 9 – Encumbered assets	
EU CCR1 EU CCR2 EU CCR3 EU CCR4 EU CCR5 EU CCR6 EU CCR7 (N/A)	Qualitative/ quantitative	Section 10 – Counterparty risk	

EU CCR8 EU CCRA*			
Regulation (EU) 637/2021, EBA/GL/2020/07, EBA/GL/2020/12, EBA/ITS/2021/07, and EBA/ITS/2022/01		**Pillar III as at 06/30/22**	
Tables	**Type of disclosure**	**Section (qualitative/quantitative disclosure)**	**Tables (additional quantitative disclosure)**
EU CR3 EU CRC*	Qualitative/ quantitative	Section 11 – Risk mitigation techniques	
EU-SEC1 EU-SEC2 EU-SEC3 EU-SEC4 EU-SEC5 (N/A) EU-SECA*	Qualitative/ quantitative	Section 12 – Securitizations	
EU-OR1	Quantitative	Section 13 – Operational risk	
		Section 14 – Exposures to equities: information on banking book positions	Table 14.1 Table 14.2
EU IRRBBA EU IRRBB1	Qualitative/ quantitative	Section 15 - Interest rate risk on banking book positions	Table 14.1
EU MR1 EU MRA* EU MRB (N/A) EU MR2-A (N/A) EU MR2-B (N/A) EU MR3 (N/A) EU MR4 (N/A) EU PV1	Qualitative/ quantitative	Section 16 – Market risk	Table 16.1 Table 16.2 Table 16.3
EU REMA* EU REM1* EU REM2* EU REM3* EU REM4* EU REM5*	Qualitative/ quantitative	Section 18 - Remunerations and incentivization systems and practices	

* Annual tables.
** Not applicable to the Mediobanca Group as at 30 June 2022 due to NPL ratio < 5%.
*** Not applicable to the Mediobanca Group as at 30 June 2022 due to the absence of EBA compliant moratoria outstanding.

Section 1 – General disclosure requirement

Qualitative information

1.1 Description of risk governance organization

The Mediobanca Group has equipped itself with a risk governance and control system which is structured across a variety of organizational units involved in the process, with a view to ensuring that all relevant risks to which the Group is or might be exposed are managed effectively, and at the same time guarantee 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 Scheme 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 Risks Committee assists the Board of Directors in performing duties of monitoring and instruction in respect of the internal controls, risk management, and accounting and IT systems. The Statutory Audit Committee supervises the risk management and control system as defined by the RAF and the internal controls system generally, assessing the effectiveness of the structures and units involved in the process and co-ordinating them.

Within the framework of the risk governance system implemented by Mediobanca S.p.A., the following managerial committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: the Group Risk Management committee, which is tasked with addressing all risks and carrying out preliminary analysis for all proposals addressed to the Risks Committee and Board of Directors, and has powers of approval for market risks; the Lending and Underwriting Committee, which has powers of approval for credit, counterparty and issuer risk; Group ALM committee for approving the funding plan, monitoring the Group's ALM risk-taking and management policy (treasury and funding) and approving the methodologies for determining the internal fund transfer rate; the Investments committee for equity investments owned and banking book equities; the New Operations committee, for prior analysis of new operations and the approval of entry to new sectors, new products and the related pricing models; the Non-Financial Risks committee, which is tasked with addressing, monitoring mitigating non-

financial risks, including IT risk, fraud risk, outsourcing risk, legal risks, tax risks and reputational risks; the Group Wealth Investments committee, for defining market views and monitoring their track record; the Private & Premier Investments committee, for defining strategic and tactical asset allocation, and for selecting investment houses, funds and other financial instruments; and the Conduct Committee, which is tasked with addressing, governing and approving resolutions regarding the Group's conduct risks.

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 and future, in conformity with the regulatory requirements in force as well as the Bank's own operating choices identified in the RAF, monitoring risks, and ascertaining that the various limits established for the various business lines are complied with.

Risk Management is organized around local teams based at the various Group companies, in accordance with the principle of proportionality, under the co-ordination of the Risk Management unit at parent company Mediobanca S.p.A. (the "Group Risk Management Unit"), which also performs specific activities for the parent company scope of risk, in the same way that the local teams do for their own companies. The Group Risk Management Unit, which reports directly to the Chief Executive Officer under the Group Chief Risk Officer's leadership, consists of the following sub-units: i) Supervisory Relations & Risk Governance, which handles relations with the supervisory authorities; ii) Enterprise Risk Management, which is responsible for integrated Group processes (ICAAP, RAF, Recovery Plan, support for planning activities); iii) Quantitative Risk Methodologies, which is responsible for developing quantitative methodologies to measure and manage credit, market and counterparty risks; iv) Credit Risk Management, responsible for credit risk analysis, assigning internal ratings to counterparties and the loss-given default indicator in the event of insolvency; v) Market Risk Management and Transformation, which monitors market and counterparty risk and is responsible for developing, coordinating, rationalizing and ensuring the consistency of IT development activities within Risk Management; vi) Asset and Liquidity Risk Management, which monitors liquidity and interest rate risks on the banking book; vii) Non-Financial Risk Management, which is responsible for governing operational risks and for risks related to the distribution of investment products and services to clients; viii) Group Internal Validation, which defines the methodologies, processes, instruments and reporting for use in internal validation activities, and is responsible for validating the Group's risk measurement systems.

Establishment of risk appetite and process for managing relevant risks

In the process of defining its Risk Appetite Framework ("RAF"), Mediobanca has established the level of risk (overall and by individual type) which it intends to assume in order to pursue its own strategic objectives, and identified the metrics to be monitored and the relevant tolerance thresholds and risk limits. The RAF is the framework which sets the risks due to the company strategy (translating mission and strategy into qualitative and quantitative risk variables) in relation with the risk objectives of its 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 bedded 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 in operating terms to bring the risk back within the set objective.

To define the RAF, based on the strategic positioning and risk profile which the Group has set itself the objective of achieving, the risk appetite statement is structured into metrics and risk thresholds, which are identified with reference to the six framework risk pillars, in line with best international practice: capital adequacy; liquidity; profitability; external risk metrics; bank-specific factors; and non-financial risks. The Board of Directors has a proactive role in defining the RAF, guaranteeing that the expected risk profile is consistent with the strategic plan, budget, ICAAP and recovery plan, and structured into adequate and effective metrics and limits. For each pillar analysed, the risk assumed is set against a system of objectives and limits representative of the regulatory restrictions and the Group's general attitude towards risk, as defined in accordance with the strategic planning, ICAAP and risk management processes.

In addition to identifying and setting risk appetite parameters, Mediobanca also governs the mechanisms regulating the governance and processes for establishing and implementing the RAF, in terms of updating/revising it, monitoring, and escalating reporting to the Committees and

corporate bodies. Based on its operations and the markets in which it operates, the Mediobanca Group has identified the relevant risks to be submitted to specific assessment in the course of the reporting for the ICAAP (Internal Capital Adequacy Assessment Process), in accordance with the Bank of Italy instructions contained in circular no. 285 issued on 17 December 2013, "Supervisory instructions for banks" as amended, appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario. As required by the provisions of the Capital Requirements Directive IV ("CRD IV"), the Group prepares an Internal Liquidity Adequacy Assessment Process document (ILAAP), describing the set of policies, processes and instruments put in place to govern liquidity and funding risks. The Group's objective is to maintain a level of liquidity that enables it to meet the payment obligations, ordinary and extraordinary, which it has taken on 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.

Financial leverage risk

The leverage ratio, which is calculated as the ratio between an entity's CET1 equity and its aggregate borrowings, measures the extent to which capital is able to cover its total exposures (including cash exposures net of any deductions from CET equity and off-balance-sheet exposures, taking into account the Credit Conversion Factors applied). The objective of the indicator is to ensure that the level of indebtedness remains low compared to the amount of own funds available. The ratio measures the degree of leverage accurately by managing the risk of excessive financial leverage. The minimum regulatory limit introduced by CRR II (in line with the guidance previously issued by the Basel Committee) is 3%.

The ratio is monitored on a regular basis by the Group, as part of its quarterly reporting requirements, at both individual and consolidated level (COREP), and is one of the metrics which the Bank has identified in its Risk Appetite Framework, specifying warning and limit levels for different areas as part of its risk appetite quantification activity.

Further information on financial leverage risk is shown in Section 5.

Liquidity risk

Liquidity risk is the risk of the Group being unable to meet its own ordinary and extraordinary payment obligations or incurring significantly higher costs in order to meet these commitments.

The internal liquidity adequacy assessment process (ILAAP) has been adopted in order to identify, measure and monitor liquidity risk, guaranteeing that the difference between inflows and outflows of cash is sustainable for the Group and sufficient to deal with any periods of stress, whether short- or medium-/long-term. The liquidity reserves are therefore to be seen as an instrument for managing and mitigating the risk associated with such differences.

The Group's liquidity governance process is centralized at Mediobanca S.p.A. The other Group Legal Entities are involved in the liquidity management process via the local units which operate within the limits set by the guidelines issued at parent company level.

Further information on liquidity risk is shown in Section 6.

Credit risk

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 of 26 June 2013 – the "CRR"), the Group has compiled a roll-out plan for the gradual adoption of the internal models for the various credit exposures (the "Roll-Out Plan"). During the year under review, Compass completed the execution stage of a project to develop its own rating system for Consumer Finance Exposures, submitting the relevant application package to the supervisory authority, whose checks should be completed within the next few months. MBFacta also intends to send its own application for its corporate exposures in factoring business; while the Corporate model for Mediobanca and Mediobanca International is in the process of being reviewed by the authorities.

With regard to exposures for which the standardized methodology for calculating regulatory capital is still used, the Group has in any case instituted internal rating models for credit risk used for management purposes.

Further information on credit risk is shown in Section 7.

ESG risk

To order to further enhance the integration of risks linked to ESG factors into the risk management and mitigation framework, the main impacts have been identified and their respective components allocated to the traditional risk categories (credit risk, market risk and operational risk), with reference in particular to climate change risk (transition and physical). Transition risk is defined as an institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower carbon and more environmentally sustainable economy; while physical risk is defined as the risk of incurring losses due to the consequences of more frequent and intense extreme weather events (acute risk) or to gradual climate changes such as global warming, water stress and soil degradation (chronic risk).

Further information on ESG risk, including the phase-in details provided by the reference regulations, is provided in Section 8.[2] It should be noted that the quantitative information included in this section is provided on a best efforts basis and represents the best estimates possible at this time. However, these will be subject to amendment in the future, based on changes in the regulations and/or classification of environmentally sustainable activities by the Mediobanca Group, and on fine-tuning of the calculation methodologies applied so far.

Encumbered assets

The asset encumbrance ratio is the ratio between the share of assets committed and/or used and total assets. The definition of assets includes not only those on the balance sheet but also financial instruments received as collateral and eligible for reuse. The objective of the asset encumbrance ratio is to provide disclosure to the public and to creditors on the ranking of the assets committed by the Bank and therefore unavailable, and also to provide an indication of the Bank's future funding capacities in easy and convenient fashion through secured funding.

Further information on asset encumbrance is shown Section 9.

Counterparty risk

Counterparty risk generated by market transactions with clients or institutional counterparties is measured in terms of potential future exposure.

2 Section 8 has not been analysed or reviewed by the external auditors, in part because the disclosure requirement in this area is being introduced gradually.

In order to determine the capital requirement for counterpart risk and the CVA, i.e. adjustment to the intermediate market value of the portfolio of operations with a given counterparty, in order to calculate the Exposure at Default for each individual counterparty, the Group has applied the new methodology introduced by CRR II , the "Standardized Approach for Counterparty Credit Risk" (SA - CCR), provided for in Articles 271ff of CRR II, which came into force on 30 June 2021, and at the same time have also applied the exemption from the obligation to calculate the CVA for exposures to corporate counterparties, in accordance with the provisions of Article 382 of the CRR, in order to mitigate the impact of the introduction of the new methodology.

To determine the capital requirement for trading in repos and securities financing transactions, the comprehensive method provided for in Article 401 of the CRR is used, with application of the regulatory haircuts.

For management purposes, as far as regards derivatives and short-term loan collateralization products (repos and securities lending), risk monitoring is based on determining the maximum potential exposure (assuming a 95% confidence level) for all the time steps up to 30 years. The scope of application regards all groups of counterparties which have relations with Mediobanca, taking into account the presence of netting agreements (e.g. ISDA, GMSLA or GMRA) and collateralization agreements (e.g. CSA), plus exposures deriving from interbank market transactions. For these three types of operations there are different exposure limits split by counterparty and/or group subject to internal analysis and approval by the Lending and Underwriting Committee.

For derivatives transactions, as required by IFRS 13, the fair value incorporates the effects of the counterparty's credit risk (CVA) and Mediobanca's credit risk (DVA) based on the future exposure profile of the aggregate of such contracts outstanding.

Further information on counterparty risk is shown in Section 10.

Operational risk

Operating risk is the risk of incurring losses as a result of the inadequacy or malfunctioning of procedures, staff and IT systems, human error or external events.

To manage operational risk, Mediobanca has adopted the Basic Indicator Approach (BIA) in order to calculate the capital requirement for covering operating risk, applying a margin of 15% to the three-year average for the relevant indicator.

Operational risks are managed, in Mediobanca and the main Group companies, by a specific Operational risk management team within the Risk Management unit.

The processes of identifying, assessing, collecting and analysing loss data and mitigating

operational risks are defined and implemented on the basis of the Operational risk management policy adopted at Group level and applied in accordance with the principle of proportionality in Mediobanca S.p.A. and the individual Group companies.

Further information on operational risk is shown in Section 13.

Interest rate risk on the banking book

This is defined as the investment/financing risk deriving from potential changes to interest rates on the banking book.

The Mediobanca Group monitors and manages interest rate risk through sensitivity testing of net interest income and economic value carried out on a monthly basis. The former quantifies the impact of parallel and simultaneous shocks in the interest rate curve on current earnings. In this testing, the asset stocks are maintained constant, renewing the items falling due with the same financial characteristics and assuming a time horizon of twelve months.

Conversely, the sensitivity of economic value measures the impact of future flows on the current value in the worst case scenario of those contemplated in the Basel Committee guidelines (BCBS) and the EBA Guidelines (EBA/GL/2018/02).

All the scenarios present a floor set by the Basel Committee guidelines (BCBS) at minus 1% on the demand maturity with linear progression up to 0% at the twenty-year maturity.

For both sensitivities, the balance-sheet items have been treated based on their contractual profile, apart from 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). The average behavioural life of the deposits held on retail customers' current accounts is estimated at around 2.1 years, with a repayment schedule that amortizes completely over a time horizon of ten years.

To determine the value of the discounted cash flows, various benchmark curves have been used in order to discount and then determine the future interest 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.

Interest rate risk management is organized centrally at Mediobanca S.p.A., which defines the Group's strategy and the guidelines with which the Group's legal entities must comply. The objective is to manage the Group's interest rate risk centrally, with a view to optimizing the balance

sheet's risk/return profile through on-balance sheet (business policy) and off-balance-sheet (derivatives) transactions through the following:

- Transfer of risks to the ALM governance centre by the individual Group companies and the various business units of Mediobanca S.p.A;
- Risk hedging strategies using financial instruments;
- Risk hedging strategies by closing mismatches between asset and liability items (natural hedges).

Further information on interest rate risk is shown in Section 15.

Market risks

In order to calculate the capital requirement for market risk on the trading book, the Group applies the standard methodology provided by Articles 102-4 of the CRR.

This methodology entails the use of a "building block" approach, and the aggregate capital requirement is equal to the sum of the capital requirements of each of the individual risk factors to which the portfolio is exposed, each of which is calculated using specific methodologies provided for by the prudential regulations. The risk factors contemplated are equity risk (divided into a general component for adverse market trends and specific risk component for each individual issuer), credit risk in relation to debt instruments, interest rate risk, gamma risk (curvature) and vega risk (volatility) to capture the price risk in trading in options, the risk for trading in UCITS and exchange rate risk.

Regarding investments in securities deriving from securitizations, the requirement is determined on the basis of the same regulations as for the banking book.

As stated previously, in calculating the interest rate risk on the trading book, the Group applies the "duration based approach", introduced as from FY 2020-21 in order to be aligned with the operating metrics which the most recent regulatory initiatives for calculating market risk (CRR II, Basel III and FRTB) tend to prefer. This approach enables the risk generated by changes in interest rates to the trading book, as the methodology is more dependent on sensitivity measures. The regulatory requirements are specified in Article 340 of the CRR in particular.

The operating exposure to market risks generated by the positions held as part of the trading book is measured and monitored, and the earnings results from trading are calculated, on a daily basis principally through use of the following indicators:

- Sensitivity – mainly Delta and Vega – to small changes in the principal risk factors (such as 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 portfolios;
- 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%.

Trading exposures are monitored daily through VaR and sensitivity, to ensure that the operating limits approved to reflect the risk appetite established by the Bank for its trading book, are complied with. In the case of VaR they also serve to assess the model's resilience through back-testing. The expected shortfall on the set of positions subject to VaR calculation is also calculated, 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 rest of the trading book) on the main risk factors, to show the impact which more substantial movements in the main market variables might have, such as 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 addition to VaR and sensitivity, in order to capture risks not fully measured by these indicators more effectively. 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 book.

Further information on market risk is shown in Section 16.

Concentration risk

Concentration risk is defined as the risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("single name concentration risk") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk). In particular, with reference to concentration risk versus individual counterparties or groups of related counterparties, the limit of 25% of Tier 1 capital introduced by CRR II starting from 30 June 2021 is still comfortably respected, having regard *inter alia* also to future estimates of the exposure and net of the investment in Assicurazioni Generali, which is deducted for the share exceeding this limit. As with capital adequacy, compliance with the concentration limit is also monitored at all times, both at Group

level and individually for the separate Group legal entities. In particular, when new transactions are approved, the attention of the approving body is always brought to the impact of the proposed deal on the aggregate regulatory exposure to the group to which the client belongs, ensuring that the concentration limit is met at all times.

Other risks

As part of the process of assessing the current and future capital required for the company (ICAAP), the Group has identified, in addition to the ones described previously (credit and counterparty risk, market risk, interest rate risk, liquidity and operational risk), the following types of risk to which it is exposed:

— 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 HTCS 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 external laws and regulations or self-imposed regulations;

— IT and cyber risk, defined as the risk of incurring losses in terms of earnings, reputation and market share in connection with use of the company's IT system (hardware, software and networks) or otherwise deriving from cyber-attacks;

— Reputational risk, due to reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities.

Risks are monitored and managed via the respective internal units (Risk Management, Chief Financial Office, Compliance and Group Audit units) and by specific management committees.

1.2 Adequacy of risk management metrics and consistency of overall risk profile with corporate strategy

In accordance with the provisions of Article 435, Section 1, letters e) and f) of Regulation (EU) no. 575/2013 ("CRR/CRR II"), a summary is provided below of the considerations regarding the adequacy of the risk management measures adopted and consistency between the Group's overall risk profile and its strategies.

Risk management objectives and policies

In accordance with the provisions of Article 435, Section 1, letter e) and Article 435, Section 1, letter f), of Regulation (EU) no. 575/2013, on 23 September 2021, the Board of Directors of Mediobanca, having reviewed the Risks Committees' report and taken due account of the reports prepared by the control units, found that the structure of the internal controls and risk management system was adequate and in line with the Group's profile and strategy.

On 22 June 2022, the BoD approved the revised version of the Group Policy on RAF Risk Appetite Framework) definition, which defines its general principles, organizational model and structuring process. In the Framework, in view of the Strategic Plan and the maximum risk capacity, the Group indicates the level and types of risk which the Bank intends to assume, defining objectives, tolerance thresholds and operating limits in normal operating and stressed conditions. The Group has identified the following general principles as key elements in defining the RAF:

- Maintaining a high standing on markets, guaranteeing capitalization, solvency and liquidity conditions;
- Sustainable risk, profitability and business development objectives;
- Promoting responsible corporate business based on ESG criteria;
- Full knowledge of risks assumed and to be assumed;
- Understanding of risk measures adopted, so as to promote application and efficient management of them, by embedding a "culture of risk" at all company levels;
- Compliance with external regulations.

The following guidelines in particular have been defined:

- Maintain a solid capital base with a strong CET1 component;

- Maintain a strong liquidity profile, ensuring that potential cash inflows and outflows are appropriately balanced in both the short- and medium-/long term, even in stressed conditions;
- Preserve long-term profitability consistent with the Group's business profile, by limiting portfolio concentration, maintaining high asset quality, gradually reducing the equity component, and limiting changes to capital due to changes in interest rates in stressed situations;
- Maintain a low risk profile in terms of exposure to factors relating to climate risk;
- Safeguard the Group's reputational capital by minimizing risks of inadequate business conduct.

The general principles which go to make up the RAF are then translated into appropriate quantitative and/or qualitative indicators that are able to represent the Group's target risk profile more specifically. This is done by defining thresholds representing the risk level considered to be acceptable and consistent with the objectives in terms of earnings.

Thresholds are established for the risk profiles purely for purposes of reporting to the Board of Directors (known as "early warning" indicators), and also in order to identify excess limits relative to the objectives set ("risk appetite limits"). In general, the process of fine-tuning the metrics is driven by stress analysis conducted to ensure that the Group's operations remain within the maximum risk capacity set even in particularly adverse conditions and scenarios.

Quarterly monitoring of indicators shows that all risk appetite limits defined in the Group framework for FY 2021-22 have been met.

For FY 2022-23, the definition of these limits was approved by the Board of Directors at a meeting held on 22 June 2022, and integrated through specific metrics intended to limit the exposure to transactions classified as highly leveraged, to factors linked to climate risk (transition and physical risk), and to events relating to IT incidents and cyber-attacks.

The specific set of parameters monitored includes the following:

- With reference to capital adequacy, the CET1 Ratio (minimum limit of 9.5%, compared with a ratio at end-June 2022 of 15.7%) and the regulatory Leverage Ratio (minimum limit of 4% compared with a ratio at end-June 2022 of 8.4%);

- In terms of liquidity, a short-term Liquidity Coverage Ratio (LCR) with a minimum limit of 120%, compared with a ratio at end-June 2022 of 159%), and a Net Stable Funding Ratio (NSFR) with a minimum regulatory limit of 100%, compared with a ratio at end-June 2022 of 115%;

- With reference to Bank-specific factors, the VaR on positions held in the trading book, non-performing assets held by the Group, the cost of risk for the main client segments, concentration versus the leading client groups, the amount of the expected loss on leveraged lending, exposure of the loan book to sectors classified as being at high environmental risk (transition and physical), exposure to equities of corporate clients and to government securities held in the banking book, plus to assets classified as illiquid;

- In the areas of conduct and operational risks, the overall number of serious issues noted by the Compliance unit for each business line, and the ratio between operating losses and total income. Apart from the operating losses indicator, early warning triggers are also established in terms of incidents relating to IT and cyber risk, and the number of complaints relative to the number of clients specific to the Consumer Banking and Wealth Management divisions.

1.3 Main changes in risk measurement adopted by the Bank during the financial year

During the year under review, no changes have been made to the regulations that entail material impacts on the Group's capital ratios. Updates have been made to the regulations as is customary, and clarifications have been provided by the regulator (both via the official, Q&A channel and via more targeted communications by the JST. Of particular relevance to the Mediobanca Group in this respect is one EBA clarification regarding Article 471, which has entailed revision of the prudential treatment of the Group's investment in Assicurazioni Generali, without, however, impacting on the capital ratios (for further details, please see section 3.1, Prudential treatment of investments in insurance companies).

The Group has not taken up the option to extend the phase-in regime for the higher adjustments under IFRS 9, the sterilization of valuation reserves for government securities, or the exclusion of certain exposures to central banks for purposes of calculating the leverage ratio.[3]

The regulation requiring NPEs acquired to be weighted at 100% as opposed to the current 150% if the provisioning level exceeds 20% (under Article 127 of the CRR) will apply as from the next financial year (starting from 30 September 2022). The recent change to the regulations ensures that the prudential framework does not create disincentives for banks to sell bad debts.[4]

3 Regulation (EU) 2020/873 amending Regulations (EU) No. 575/2013 and (EU) No. 2019/876 as regards certain adjustments in response to the COVID-19 pandemic (the "CRR Quick Fix").
4 Commission Delegated Regulation (EU) No. 2022/954 of 12 May 2022 amending the regulatory technical standards laid down in Delegated Regulation (EU) No. 183/2014 as regards the specification of the calculation of specific and general credit risk adjustments.

Section 2 – Scope of application

Qualitative information

The disclosure obligations in connection with this document are the responsibility of Mediobanca – Banca di Credito Finanziario S.p.A., parent company of the Mediobanca Banking Group, registered as a banking group, to which the data contained in this document refer.

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 consolidated its subsidiaries using the line-by-line method, while its associates and other companies subject to joint arrangements are consolidated using the equity method.

The line-by-line method by which subsidiaries are consolidated means that the carrying amount of the parent's investment and its share of the subsidiary's equity after minorities 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 subsidiary is recorded as goodwill. Intra-group balances, transactions, income and expenses are eliminated upon consolidation.

For equity-accounted companies, any differences in the carrying amount of the investment and the investee company's net equity are reflected in the book value of the investment, the fairness of which is reviewed when the financial statements are prepared, or if aspects reflecting possible reductions of value emerge. The profit made or loss incurred by the investee company is recorded under a specific heading in the profit and loss account.

For purposes of supervisory reporting, equity investments consolidated line-by-line which are not included in the prudential scope of reporting are deducted from regulatory capital; as for the Group's investment in Assicurazioni Generali, which is equity-accounted, following authorization by the ECB, the temporary regime introduced by Article 471 of Regulation (EU) no. 575/2013 as amended ("CRR II", the effectiveness of which has recently been extended until 31 December 2024)[5] is applied, which allows own funds instruments issued by insurance companies to be weighted at 370%, rather than deducted from CET equity, while complying with the concentration limit set (otherwise known as the "Danish Compromise").

5 Application of Article 471 is limited to the book value recorded in December 2012 and compliance with the concentration limit towards the insurance group.

Template EU LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (1/2)

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Assets							
10. Cash and cash equivalents	8,578,844	8,557,002	8,557,002	—	—	—	—
20. Financial assets at fair value through profit or loss	10,681,019	10,681,019	1,150,084	3,320,604	261,808	5,948,523	—
30. Financial assets at fair value through other comprehensive income	4,133,685	4,133,685	3,858,095	—	275,590	—	—
40. Financial assets at amortised cost	60,105,275	59,831,203	55,650,447	3,435,560	745,196	—	—
50. Hedging derivatives	872,431	872,431	—	872,431	—	—	—
60. Change in value of macro-hedged financial assets	—	—	—	—	—	—	—
70. Equity investments	3,157,866	3,320,864	2,114,175	—	—	—	1,206,689
80. Reinsurers' share of technical reserves	—	—	—	—	—	—	—
90. Property, plant and equipment	511,828	510,932	510,932	—	—	—	—
100. Intangible assets	838,413	838,401	40,676	—	—	—	797,725
of which:							
goodwill	616,791	616,791	—	—	—	—	616,791
110. Tax assets	808,257	807,939	807,939	—	—	—	—
120. Non-current assets and disposal groups classified as held for sale	191	191	191	—	—	—	—
130. Other assets	880,611	860,841	860,841	—	—	—	—
Total assets	**90,568,420**	**90,414,508**	**73,550,383**	**7,628,595**	**1,282,594**	**5,948,523**	**2,004,413**

Template EU LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (2/2)

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Liabilities							
10. Financial liabilities at amortised cost	66,715,625	66,722,035	—	—	—	—	66,722,035
20. Financial liabilities held for trading	9,206,705	9,206,705	—	5,477,079	—	3,729,626	—
30. Financial liabilities designated at fair value	641,664	641,664	—	—	—	—	641,664
40. Hedging derivatives	1,361,863	1,361,863	—	1,361,863	—	—	—
50. Change in value of macro-hedged financial liabilities	—	—	—	—	—	—	—
60. Tax liabilities	659,787	620,950	—	—	—	—	620,950
70. Liabilities included in disposal groups classified as held for sale	—	—	—	—	—	—	—
80. Other liabilities	955,196	952,725	—	—	—	—	952,725
90. Provision for employee severance pay	21,969	21,956	—	—	—	—	21,956
100. Provisions for risks and charges	137,768	137,768	—	—	—	—	137,768
110. Technical reserves	119,001	—	—	—	—	—	—
120. Valuation reserves	433,592	433,592	—	—	—	—	433,592
130. Redeemable shares	—	—	—	—	—	—	—
140. Equity	—	—	—	—	—	—	—
150. Reserves	6,908,263	6,908,263	—	—	—	—	6,908,263
160.Share premium accounts	2,195,606	2,195,606	—	—	—	—	2,195,606
170. Share capital	443,640	443,640	—	—	—	—	443,640
180. Treasury shares (-)	(240,807)	(240,807)	—	—	—	—	(240,807)
190. Minority shareholders' equity (+/-)	101,571	101,571	—	—	—	—	101,571
200. Profit (Loss) for the period	906,977	906,977	—	—	—	—	906,977
Total liabilities and shareholders' equity	**90,568,420**	**90,414,508**		**6,838,942**	**—**	**3,729,626**	**79,845,940**

Table EU LI1 shows, for reporting date 30 June 2022, the reconciliation of the accounting consolidated balance-sheet data[6] (published financial statements) and the regulatory balance-sheet data with a breakdown of the balance-sheet items between different categories of regulatory risk.

The differences between the accounting and regulatory scope of consolidation are due to the deconsolidation of the companies no longer forming part of the Banking Group and their being equity-consolidated in the prudential scope. Companies Compass RE, Compass Rent and MB Contact Solutions are excluded from the scope of prudential consolidation.

6 Balance sheet structure as per Bank of Italy circular no. 262/05 as amended.

Template EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	**88,410,095**	**73,550,383**	**1,282,594**	**7,628,595**	**5,948,523**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	**13,843,367**	**—**	**—**	**10,113,741**	**3,729,626**
3	**Total net amount under the regulatory scope of consolidation**	**80,258,068**	**73,550,383**	**1,282,594**	**3,294,739**	**2,130,352**
4	**Off-balance-sheet amounts**	**17,721,331**	**15,057,874**	**—**	**2,663,457**	
5	*Differences in valuations*	131,734	2,396,844	(163,505)	(2,101,605)	
6	*Differences due to different netting rules, other than those already included in row 2*	4,531,574	—	—	4,531,574	
7	*Differences due to consideration of provisions*	(56,269)	(56,269)	—	—	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	(11,003,984)	(6,088,101)	(692,845)	(4,223,038)	
9	*Differences due to credit conversion factors*	(6,561,105)	(6,561,105)	—	—	
10	*Differences due to Securitisation with risk transfer*	—	—	—	—	
11	*Other differences*	209,192	(778,066)	(304)	987,562	
12	**Exposure amounts considered for regulatory purposes**	**83,100,188**	**77,521,560**	**425,939**	**5,152,689**	**—**

Table EU LI2 shows the reconciliation of the total amount based on the regulatory scope of consolidation (balance-sheet values) and the value of the exposure subject to capital requirements, for each type of risk.

The main differences in the carrying values determined based on the regulatory scope of consolidation and the amounts of the exposures determined for regulatory purposes, for credit risk in particular, are attributable to the following causes:

- Differences due to different methodology used to calculate the provisions (scaling factor);
- Differences due to the use of eligible risk mitigation techniques according to the CRR;
- Differences due to application of the Credit Conversion Factor (CCF) on off-balance-sheet positions.

The differences for counterparty risk which explain the differences between the balance-sheet values and the regulatory values (EAD), are mainly attributable to the use of PFE (Potential Future Exposure) for derivative financial instruments, to the expanded scope, to application of regulatory haircuts to the market value of securities used or received as collateral in Securities Finance Transactions, and to use of eligible risk mitigation techniques permitted by the CRR, including offsetting asset and liability positions in cases where effective and validated netting arrangements are in place with a single counterparty.

Template EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity) (1/3)

	a	b	c	d	e	f	g	h
ID	Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Credit institution
			Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
1	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	*Parent Company*						*Credit institution*
2	SPAFID S.P.A	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
3	SPAFID CONNECT S.P.A.	*Full consolidation*	*x*					*Non-financial corporations*
4	MEDIOBANCA INNOVATION SERVICES - S.C.P.A.	*Full consolidation*	*x*					*Non-financial corporations*
5	CMB MONACO S.A.M.	*Full consolidation*	*x*					*Credit institution*
6	CMG MONACO S.A.M.	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
7	CMB ASSET MANAGEMENT S.A.M.	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
8	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.	*Full consolidation*	*x*					*Credit institution*
9	COMPASS BANCA S.P.A.	*Full consolidation*	*x*					*Credit institution*
10	CHEBANCA! S.P.A.	*Full consolidation*	*x*					*Credit institution*
11	MBCREDIT SOLUTIONS S.P.A.	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
12	SELMABIPIEMME LEASING S.P.A.	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
13	MB FUNDING LUXEMBOURG S.A.	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
14	MEDIOBANCA SECURITIES USA LLC	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
15	MB FACTA S.P.A.	*Full consolidation*	*x*					*Financial corporations other than credit institutions*
16	QUARZO S.R.L.	*Full consolidation*	*x*					*Financial corporations other than credit institutions*

Template EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity) (2/3)

	a	b	c	d	e	f	g	h
ID	Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Credit institution
			Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
17	QUARZO CQS S.R.L.	*Full consolidation*	x					*Financial corporations other than credit institutions*
18	MEDIOBANCA COVERED BOND S.R.L.	*Full consolidation*	x					*Financial corporations other than credit institutions*
19	COMPASS RE (LUXEMBOURG) S.A.	*Full consolidation*			x			*Financial corporations other than credit institutions*
20	MEDIOBANCA INTERNATIONAL IMMOBILIERE S. A R.L.	*Full consolidation*	x					*Financial corporations other than credit institutions*
21	CAIRN CAPITAL GROUP LIMITED	*Full consolidation*	x					*Financial corporations other than credit institutions*
22	CAIRN CAPITAL LIMITED	*Full consolidation*	x					*Financial corporations other than credit institutions*
23	CAIRN CAPITAL NORTH AMERICA INC.	*Full consolidation*	x					*Financial corporations other than credit institutions*
24	CAIRN CAPITAL INVESTMENTS LIMITED (non operativa)	*Full consolidation*	x					*Financial corporations other than credit institutions*
25	CAIRN INVESTMENT MANAGERS LIMITED (non operativa)	*Full consolidation*	x					*Financial corporations other than credit institutions*
26	Bybrook Capital Management Limited	*Full consolidation*	x					*Financial corporations other than credit institutions*
27	Bybrook Capital LLP	*Full consolidation*	x					*Financial corporations other than credit institutions*
28	Bybrook Capital Services (UK) Limited	*Full consolidation*	x					*Financial corporations other than credit institutions*
29	Bybrook Capital Burton Partnership (GP) Limited	*Full consolidation*	x					*Financial corporations other than credit institutions*
30	Bybrook Capital (GP) LLC	*Full consolidation*	x					*Financial corporations other than credit institutions*

Template EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity) (3/3)

	a	b	c	d	e	f	g	h
ID	Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Credit institution
			Full consolidation	Proportional consolidatio n	Equity method	Neither consolidated nor deducted	Deducted	
31	Bybrook Capital (US) LP	*Full consolidation*	x					*Financial corporations other than credit institutions*
32	SPAFID FAMILY OFFICE SIM	*Full consolidation*	x					*Financial corporations other than credit institutions*
33	SPAFID TRUST S.R.L.	*Full consolidation*	x					*Financial corporations other than credit institutions*
34	MEDIOBANCA MANAGEMENT COMPANY S.A.	*Full consolidation*	x					*Financial corporations other than credit institutions*
35	MEDIOBANCA SGR S.P.A.	*Full consolidation*	x					*Financial corporations other than credit institutions*
36	RAM ACTIVE INVESTMENTS S.A.	*Full consolidation*	x					*Financial corporations other than credit institutions*
37	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.	*Full consolidation*	x					*Financial corporations other than credit institutions*
38	MESSIER ET ASSOCIES S.A.S.	*Full consolidation*	x					*Financial corporations other than credit institutions*
39	MESSIER ET ASSOCIES L.L.C.	*Full consolidation*	x					*Financial corporations other than credit institutions*
40	MBCONTACT SOLUTIONS S.R.L.	*Full consolidation*			x			*Non-financial corporations*
41	COMPASS RENT S.R.L.	*Full consolidation*			x			*Non-financial corporations*
42	COMPASS LINK S.R.L.	*Full consolidation*	x					*Financial corporations other than credit institutions*
43	RAM ACTIVE INVESTMENTS LIMITED (UK) (non operativa)	*Full consolidation*			x			*Financial corporations other than credit institutions*
44	CMB REAL ESTATE DEVELOPMENT S.A.M.	*Full consolidation*	x					*Financial corporations other than credit institutions*
45	REVALEA S.P.A.*	*Full consolidation*			x			*Financial corporations other than credit institutions*

* Company set up on 19 April 2022, 100%-owned by Compass Banca, not yet operative pending receipt of the relevant authorizations.

Section 3 – Composition of regulatory capital

Qualitative information

The Mediobanca Group has always been distinguished by its strong capital strength, with ratios consistently above the regulatory thresholds, as shown by the excellent results of the 2021 EU-wide stress test carried out on the Group by the European Banking Authority (EBA), by the comfortable margin identified by the Internal Capital Adequacy Assessment Process (ICAAP), and by the assessment performed by the supervisory authority as part of the SREP process.

The SREP 2021 Decision came into force with effect from 1 March 2022. It provides for an additional Pillar 2 requirement of 1.58%; Mediobanca will therefore be required to hold a minimum CET1 ratio of 7.90% on a consolidated basis, including 2.50% by way of capital conservation buffer and 0.89% as the additional Pillar 2 requirement ("P2R"), i.e. 56.25% of 1.58%; the minimum requirement for Tier 1 will be 9.70% and the Total SREP Capital Requirement ("TSCR")[7] will be 12.09%. The increase of 33 bps includes the adoption of Calendar Provisioning for the stock in place at 31 March 2018, for regulatory purposes only.

Common Equity Tier 1 (CET1) capital consists of the share attributable to the Group and to minority shareholders of capital paid up and reserves, including the profit for the year (€907m) net of the proposed dividend (€629.2m), equal to a DPS of €0.75. The FVOCI financial assets reserve totalled €391.9m, €268.9m of which deriving from Assicurazioni Generali being equity-accounted.

The deductions regard:

— Treasury shares as to €240.8m, or 3% of the Bank's share capital, relating to repurchases made as part of the share buyback scheme involving a total of 25,900,000 shares which ended in June 2022;

— Intangible assets as to €180.9m and goodwill as to €616.8m, an increase compared to 30 June 2022 due to the Bybrook acquisition being completed during the year (€141m and €602.4m respectively);

— Prudential changes to the valuation of financial instruments (AVA and DVA) amounting to €68.6m, a decrease compared to last year (€80.3m) mainly due to the trend in gains and losses on liabilities due to the evolution of the entity's credit quality (Debt Valuation Adjustment, which went from €19.9m to €8m);

7 The requirements include the countercyclical capital buffer of 0.01%..

— Significant investments in financial companies for a total of €1,206.7m, all of which relates to the investment in Assicurazioni Generali.

No Additional Tier 1 (AT1) instruments have been issued.

Tier 2 capital includes subordinated liabilities, down from €1,167.3m to €911.8m, due to amortization for the period (€255.4m) given that no new issues were made during the period. No subordinated tier 2 issue benefits from the grand-fathering permitted under Articles 483ff of the CRR.

Tier 2 also includes the buffer which results from the writedowns to book value being higher than the prudential expected losses calculated using the advanced models. The surplus here was €97.4m; but the value included in the calculation, €68.3m, is virtually in line with end-June last year (€66.7m), being able to fully include the amount corresponding to the regulatory limit which is 0.6% of the amounts of the risk-weighted exposures calculated using advanced models; cf. Article 159 of the CRR).

Quantitative information

Template EU CC1 - Composition of regulatory own funds (1/7

		06/30/2022		06/30/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	2,639,246	160.Share premium accounts 170. Share capital	2,639,246	160.Share premium accounts 170. Share capital
	of which: ordinary shares	2,639,246		2,639,246	
2	Retained earnings	6,908,259	150. Reserves	6,901,877	150. Reserves
3	Accumulated other comprehensive income (and other reserves)	433,591	120. Valuation reserves	931,230	120. Valuation reserves
EU-3a	Funds for general banking risk	—		—	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	—		—	
5	Minority interests (amount allowed in consolidated CET1)	40,671	190. Minority shareholders' equity (+/-)	35,433	190. Minority shareholders' equity (+/-)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	280,490	200. Profit (Loss) for the period	240,035	200. Profit (Loss) for the period
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**10,302,257**		**10,747,822**	

Template EU CC1 - Composition of regulatory own funds (2/7)

		06/30/2022		06/30/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(60,533)		(60,372)	
8	Intangible assets (net of related tax liability) (negative amount)	(797,737)	100. Intangible assets – 70. Liabilities included in disposal groups classified as held for sale (*)	(743,320)	100. Intangible assets – 70. Liabilities included in disposal groups classified as held for sale (*)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(1,243)	110. Tax assets	-	110. Tax assets
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(132,368)		32,346	
12	Negative amounts resulting from the calculation of expected loss amounts	—		—	
13	Any increase in equity that results from securitised assets (negative amount)	—		—	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—		—	
15	Defined-benefit pension fund assets (negative amount)	—		—	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(240,807)	180. Treasury shares (-)	(267,111)	180. Treasury shares (-)
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—		—	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—		—	

Template EU CC1 - Composition of regulatory own funds (3/7)

		06/30/2022		06/30/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: regulatory adjustments				
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(2,483,873)	70. Equity investments	(3,089,354)	70. Equity investments
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	—		—	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	—		—	
EU-20c	of which: securitisation positions (negative amount)	—		—	
EU-20d	of which: free deliveries (negative amount)	—		—	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	—	110. Tax assets	—	110. Tax assets
22	Amount exceeding the 17,65% threshold (negative amount)	(96,222)		(102,415)	
23	*of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	(81,598)	70. Equity investments	(92,122)	70. Equity investments
25	*of which: deferred tax assets arising from temporary differences*	(14,624)	110. Tax assets	(10,293)	110. Tax assets
EU-25a	Losses for the current financial year (negative amount)	-	200. Profit (Loss) for the period	-	200. Profit (Loss) for the period
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	—		—	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	—		—	
27a	Other regulatory adjusments	1,404,859		1,171,804	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(2,407,924)**		**(3,058,422)**	
29	**Common Equity Tier 1 (CET1) capital**	**7,894,334**		**7,689,399**	

Template EU CC1 - Composition of regulatory own funds (4/7)

		06/30/2022		06/30/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	—		—	
31	*of which: classified as equity under applicable accounting standards*	—		—	
32	*of which: classified as liabilities under applicable accounting standards*	—		—	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	—		—	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	—		—	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	—		—	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	—	190. Minority shareholders' equity (+/-)	—	190. Minority shareholders' equity (+/-)
35	*of which: instruments issued by subsidiaries subject to phase out*	—		—	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**—**		**—**	
	Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	—		—	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—		—	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—		—	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—		—	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	—		—	
42a	Other regulatory adjustments to AT1 capital	—		—	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	—		—	
44	**Additional Tier 1 (AT1) capital**	**—**		**—**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**7,894,334**		**7,689,399**	

Template EU CC1 - Composition of regulatory own funds (5/7)

		06/30/2022		06/30/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	911,822	10. Financial liabilities at amortised cost	1,167,258	10. Financial liabilities at amortised cost
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	—		—	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	—		—	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	—		—	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	—	190. Minority shareholders' equity (+/-)	—	190. Minority shareholders' equity (+/-)
49	*of which: instruments issued by subsidiaries subject to phase out*	—		—	
50	Credit risk adjustments	68,343		66,688	
51	**Tier 2 (T2) capital before regulatory adjustments**	**980,165**		**1,233,946**	
	Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	—		—	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—		—	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—		—	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(69)		(4,167)	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	—		—	
EU-56b	Other regulatory adjusments to T2 capital	—		—	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(69)**		**(4,167)**	
58	**Tier 2 (T2) capital**	**980,096**		**1,229,779**	
59	**Total capital (TC = T1 + T2)**	**8,874,429**		**8,919,178**	
60	**Total risk exposure amount**	**50,377,953**		**47,159,255**	

Template EU CC1 - Composition of regulatory own funds (6/7)

		06/30/2022		06/30/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and requirements including buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.6702 %		16.3052 %	
62	Tier 1 (as a percentage of total risk exposure amount)	15.6702 %		16.3052 %	
63	Total capital (as a percentage of total risk exposure amount)	17.6157 %		18.9129 %	
64	Institution CET1 overall capital requirements	7.8982 %		7.9479%	
65	*of which: capital conservation buffer requirement*	*2.5000 %*		*2.5000 %*	
66	*of which: countercyclical buffer requirement*	*0.0105 %*		*0.0104 %*	
67	*of which: systemic risk buffer requirement*	—		—	
EU-67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	—		—	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	*0.8888 %*		*0.9375%*	
68	**Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)**	**8.0357 %**		**8.5916%**	
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	604,741		655,231	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	(2,244,907)		(156,183)	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	162,386		108,261	

Template EU CC1 - Composition of regulatory own funds (7/7)

		06/30/2022		06/30/2021	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	—		475,994	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	397,593		368,696	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	97,420		106,770	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	68,343		66,688	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	—		—	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	—		—	
82	Current cap on AT1 instruments subject to phase out arrangements	—		—	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—		—	
84	Current cap on T2 instruments subject to phase out arrangements	—		—	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—		—	

Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements (1/2)

	06/30/2022		
	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements			
10. Cash and cash equivalents	8,579	8,557	
20. Financial assets at fair value through profit or loss	10,681	10,681	
30. Financial assets at fair value through other comprehensive income	4,134	4,134	
40. Financial assets at amortised cost	60,105	59,831	
50. Hedging derivatives	872	872	
60. Change in value of macro-hedged financial assets	—	—	
70. Equity investments	3,158	3,321	19, 23
80. Reinsurers' share of technical reserves	—	—	
90. Property, plant and equipment	512	511	
100. Intangible assets	838	838	8
of which: goodwill	617	617	
110. Tax assets	808	808	10, 21, 25
120. Non-current assets and disposal groups classified as held for sale	—	—	
130. Other assets	881	861	
Total assets	**90,568**	**90,415**	

Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements (2/2)

	06/30/2022		
	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements			
10. Financial liabilities at amortised cost	66,716	66,722	46
20. Financial liabilities held for trading	9,207	9,207	
30. Financial liabilities designated at fair value	642	642	
40. Hedging derivatives	1,362	1,362	
50. Change in value of macro-hedged financial liabilities	—	—	
60. Tax liabilities	660	621	8
70. Liabilities included in disposal groups classified as held for sale	—	—	
80. Other liabilities	955	953	
90. Provision for employee severance pay	22	22	
100. Provisions for risks and charges	138	138	
110. Technical reserves	119	—	
120. Valuation reserves	434	434	3
130. Redeemable shares	—	—	
140. Equity	—	—	
150. Reserves	6,908	6,908	2
160.Share premium accounts	2,196	2,196	1
170. Share capital	444	444	1
180. Treasury shares (-)	(241)	(241)	16
190. Minority shareholders' equity (+/-)	102	102	5,34,48
200. Profit (Loss) for the period	907	907	5a,25a
Total liabilities and shareholders' equity	**90,568**	**90,415**	

Table 3.1 Prudential treatment of investments in insurance companies

The table below shows the prudential treatment of the Assicurazioni Generali investment based on Article 471 of the CRR, which allows investments in insurance companies that do not exceed 15% of the investee company's share capital to be weighted at 370% (rather than deducted from CET1), provided there are adequate risk controls.

The authorization received from the ECB to apply Article 471 is still subject to compliance with the concentration limit,[8] i.e. the 370% weighting applies only to the share of the investment which is not deducted, as it does not exceed the concentration limit. The remainder exceeding this limit is deducted from regulatory capital.

In view of EBA 2020_5664 Q&A, the prudential treatment of the equity investment in Assicurazioni Generali was amended, with no impact on the capital ratios. According to the most recent EBA guidelines, Article 471 rules out the adoption of Article 48 of CRR, so the entire portion not deducted must be weighted at 370%, rather than partially at 250%. Hence, the equity investment in Assicurazioni Generali no longer falls within the aggregate investments to be measured against the threshold pursuant to Article 48. The resulting increase in terms of higher RWAs will therefore be entirely offset by the lower deductions of the other significant investments. The change has no impact on the ratio on a fully-loaded basis.

	06/30/2022		06/30/2021	
	Exposure	RWA	Exposure	RWA
Common Equity Tier 1 instruments of financial sector entities in which the institution has a significant investment	**3,069,391**		**3,663,067**	
of which deducted from own funds	1,206,689		1,787,700	
of which not deducted from own funds	1,862,703	6,892,000	1,875,367	6,938,858
of which 370%	1,862,703	6,892,000	1,033,007	3,822,125
of which 250%	—	—	842,360	2,105,900

8 Concentration limit equal to 25% of CET1 capital rather than eligible capital.

Table 3.2 – List of subordinated issues included in the Regulatory Capital

Security issued	ISIN	Currency	06/30/2022		06/30/2021	
			Nominal value	Calculated value	Nominal value	Calculated value
MB Subordinato 1.957% 2029	XS1579416741	EUR	50,000	48,501	50,000	48,502
MB SUBORDINATO 2.3% 2030	XS2262077675	EUR	249,250	241,368	249,250	241,327
MB SUBORDINATO 3.75% 2026	IT0005188351	EUR	299,031	231,023	299,031	289,440
MB SUBORDINATO TV con min 3% 2025	IT0005127508	EUR	499,271	312,889	499,271	411,280
MB SUBORDINATO5,75% 2023	IT0004917842	EUR	499,909	78,041	499,909	176,708
Total subordinated debt securities			**1,597,461**	**911,822**	**1,597,461**	**1,167,258**

Table 3.3 – Description of equity instruments (1/2)

		Common Equity Tier 1 instruments	Tier 2 capital instruments	
			IT0004917842	IT0005127508
1	Issuer	Mediobanca S.p.a.	Mediobanca S.p.a.	Mediobanca S.p.a.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0000062957	IT0004917842	IT0005127508
3	Governing law(s) of the instrument	Whole instrument - Italian law	Whole instrument - Italian law	Whole instrument - Italian law
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	CET1	Tier2	Tier2
5	Post-transitional CRR rules	CET1	Tier2	Tier2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares - Art.28 CRR	Bond - Art.62 CRR	Bond - Art.62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	443,617	78,041 Purchases and depreciation	312,889 Purchases and depreciation
9	Nominal amount of instrument	N/A	500,000	500,000
9a	Issue price	N/A	100,000	100,000
9b	Redemption price	N/A	100,000	100,000
10	Accounting classification	Equity	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	N/A	18/04/2013	10/09/2015
12	Perpetual or dated	N/A	Dated	Dated
13	Original maturity date	N/A	18/04/2023	10/09/2025
14	Issuer call subject to prior supervisory approval	N/A	NO	NO
15	Optional call date, contingent call dates and redemption amount	N/A	—	—
16	Subsequent call dates, if applicable	N/A	—	—
	Coupons / dividends	N/A	—	—
17	Fixed or floating dividend/coupon	N/A	Fixed	Floating
18	Coupon rate and any related index	N/A	5.75% yearly	3mEuribor+2.25% with a floor of 3.00%
19	Existence of a dividend stopper	NO	NO	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	NO	NO
22	Noncumulative or cumulative	N/A	Non cumulative	Non cumulative
23	Convertible or non-convertible	N/A	Non convertible	Non convertible
30	Write-down features	N/A	NO	NO
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Senior	Senior
36	Non-compliant transitioned features	N/A	NO	NO

Table 3.3 – Description of the equity instruments (2/2)

		Tier 2 capital instruments		
		XS1579416741	IT0005188351	XS2262077675
1	Issuer	Mediobanca S.p.a.	Mediobanca S.p.a.	Mediobanca S.p.a.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1579416741	IT0005188351	XS2262077675
3	Governing law(s) of the instrument	Whole instrument - English law	Whole instrument - Italian law	Whole instrument - Italian law
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	*Tier2*	*Tier2*	*Tier2*
5	Post-transitional CRR rules	*Tier2*	*Tier2*	*Tier2*
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Bond - Art.62 CRR	Bond - Art.62 CRR	Bond - Art.62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	48,501	231,023 Purchases and depreciation	241,368 Purchases and depreciation
9	Nominal amount of instrument	50,000	300,000	250,000
9a	Issue price	100,000	99,000	99,478
9b	Redemption price	100,000	100,000	100,000
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	22/03/2017	16/06/2016	23/11/2020
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	22/03/2029	16/06/2026	23/11/2030
14	Issuer call subject to prior supervisory approval	NO	NO	YES
15	Optional call date, contingent call dates and redemption amount	—	—	23/11/2025 a 100
16	Subsequent call dates, if applicable	—	—	—
	Coupons / dividends	—	—	—
17	Fixed or floating dividend/coupon	Fixed and then Floating	Fixed	Fixed till reset, then Floating
18	Coupon rate and any related index	y1, y2, y3: fix rate 3.5%; then: Euribor 6 months + 235 bps floored @ zero	3.75% yearly	y1, y2, y3, y4, y5 fix rate 2.3% then Mid Swap 5y + 280bps
19	Existence of a dividend stopper	NO	NO	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NO	NO	NO
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible
30	Write-down features	NO	NO	NO
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior	Senior
36	Non-compliant transitioned features	NO	NO	NO

Section 4 – Capital adequacy

Qualitative information

The Group pays particular attention to monitoring its own capital adequacy ratios, to ensure that its capital is commensurate with its risk propensity as well as with regulatory requirements.

As part of the ICAAP process, the Group assesses its own capital adequacy by considering its capital requirements deriving from exposure to the significant pillar 1 and 2 risks to which the Group is or could be exposed in the conduct of its own current and future business. Sensitivity analyses or stress tests are also carried out to assess the impact of particularly adverse economic conditions on the Group's capital requirements deriving from its exposure to the principal risks (stress testing), in order to appraise its capital resources even in extreme conditions.[9]

This capital adequacy assessment takes the form of the ICAAP report which is produced annually and sent to the European Central Bank, along with the resolutions and reports in which the governing bodies express their opinions on related matters according to their respective roles and responsibilities.

Capital adequacy in respect of pillar 1 risks is also monitored by the Chief Financial Office by checking the capital ratios in accordance with the rules established by the Capital Requirements Regulation (CRR/CRR2) - Circular 285.

9 The most recent stress testing exercise confirmed the Group's solidity, with an adverse impact on CET1 fully loaded of 478 bps, aligned with the majority of EU banks and among the lowest among Italian banks.

Quantitative information

Template EU KM1 - Key metrics template (1/2)

		a	b
		06/30/2022	03/31/2022
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	7,894,334	7,525,655
2	Tier 1 capital	7,894,334	7,525,655
3	Total capital	8,874,429	8,569,605
Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	50,377,953	49,624,684
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.6702 %	15.1651 %
6	Tier 1 ratio (%)	15.6702 %	15.1651 %
7	Total capital ratio (%)	17.6157 %	17.2688 %
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.5800 %	1.5800 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.8888 %	0.8888 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.1850 %	1.1850 %
EU 7d	Total SREP own funds requirements (%)	9.5800 %	9.5800 %
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5000 %	2.5000 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	—	—
9	Institution specific countercyclical capital buffer (%)	0.0105 %	0.0091 %
EU 9a	Systemic risk buffer (%)	—	—
10	Global Systemically Important Institution buffer (%)	—	—
EU 10a	Other Systemically Important Institution buffer	—	—
11	Combined buffer requirement (%)	2.5105 %	2.5091 %
EU 11a	Overall capital requirements (%)	12.0895 %	12.0891 %
12	CET1 available after meeting the total SREP own funds requirements (%)	8.0357 %	7.2673%
Leverage ratio			
13	Leverage ratio total exposure measure	94,489,799	89,759,946
14	Leverage ratio	8.3547 %	8.3842 %
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	—	—
EU 14b	of which: to be made up of CET1 capital (percentage points)	—	—
EU 14c	Total SREP leverage ratio requirements (%)	3.0000 %	3.0000 %
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	—	—
EU 14e	Overall leverage ratio requirement (%)	3.0000 %	3.0000 %
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	7,321,186	7,220,701
EU 16a	Cash outflows - Total weighted value	8,540,162	8,198,835
EU 16b	Cash inflows - Total weighted value	3,709,129	3,471,268
16	Total net cash outflows (adjusted value)	4,831,033	4,727,567
17	Liquidity coverage ratio (%)	151.8353%	153.1799%
Net Stable Funding Ratio			
18	Total available stable funding	64,024,588	62,705,795
19	Total required stable funding	55,422,760	56,454,021
20	NSFR ratio (%)	115.5204%	111.0741%

Template EU KM1 - Key metrics template (2/2)

		c	d	e
		12/31/2021	09/30/2021	06/30/2021
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	7,352,372	7,507,232	7,689,399
2	Tier 1 capital	7,352,372	7,507,232	7,689,399
3	Total capital	8,457,911	8,674,905	8,919,178
Risk-weighted exposure (amounts)				
4	Total risk-weighted exposure amount	47,842,189	47,148,454	47,159,255
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	15.3680 %	15.9225 %	16.3052 %
6	Tier 1 ratio (%)	15.3680 %	15.9225 %	16.3052 %
7	Total capital ratio (%)	17.6788 %	18.3991 %	18.9129 %
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.2500 %	1.2500 %	1.2500 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.7031 %	0.7031 %	0.7031 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.9375 %	0.9375 %	0.9375 %
EU 7d	Total SREP own funds requirements (%)	9.2500 %	9.2500 %	9.2500 %
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.5000 %	2.5000 %	2.5000 %
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	—	—	—
9	Institution specific countercyclical capital buffer (%)	0.0094 %	0.0100 %	0.0104 %
EU 9a	Systemic risk buffer (%)	—	—	—
10	Global Systemically Important Institution buffer (%)	—	—	—
EU 10a	Other Systemically Important Institution buffer	—	—	—
11	Combined buffer requirement (%)	2.5094 %	2.5100 %	2.5104 %
EU 11a	Overall capital requirements (%)	11.7594 %	11.7600 %	11.7604 %
12	CET1 available after meeting the total SREP own funds requirements (%)	7.6554%	8.2095%	8.5917%
Leverage ratio				
13	Leverage ratio total exposure measure	89,138,495	87,829,183	84,821,871
14	Leverage ratio	8.2483 %	8.5475 %	9.0654 %
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)				
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	—	—	—
EU 14b	of which: to be made up of CET1 capital (percentage points)	—	—	—
EU 14c	Total SREP leverage ratio requirements (%)	3.0000 %	3.0000 %	3.0000 %
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)				
EU 14d	Leverage ratio buffer requirement (%)	—	—	—
EU 14e	Overall leverage ratio requirement (%)	3.0000 %	3.0000 %	3.0000 %
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	7,630,084	7,789,733	7,947,418
EU 16a	Cash outflows - Total weighted value	8,067,987	7,802,478	7,622,987
EU 16b	Cash inflows - Total weighted value	3,104,536	2,807,188	2,609,975
16	Total net cash outflows (adjusted value)	4,963,451	4,995,290	5,013,012
17	Liquidity coverage ratio (%)	154.0314%	156.0654%	158.6875%
Net Stable Funding Ratio				
18	Total available stable funding	61,997,597	62,404,959	61,490,296
19	Total required stable funding	56,529,805	53,942,377	52,893,174
20	NSFR ratio (%)	109.6724%	115.6882%	116.2537%

Temp. EU IFRS 9 – FL – Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR (1/2)

		06/30/2022	03/31/2022	12/31/2021	09/30/2021	06/30/2021
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	7,894,334	7,525,655	7,352,372	7,507,232	7,689,399
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,840,726	7,472,048	7,298,272	7,453,131	7,613,541
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	7,894,334	7,525,655	7,352,372	7,507,232	7,689,399
3	Tier 1 capital	7,894,334	7,525,655	7,352,372	7,507,232	7,689,399
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,840,726	7,472,048	7,298,272	7,453,131	7,613,541
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	7,894,334	7,525,655	7,352,372	7,507,232	7,689,399
5	Total capital	8,874,429	8,569,605	8,457,911	8,674,905	8,919,178
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,820,822	8,515,997	8,403,810	8,620,804	8,843,320
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8,874,429	8,569,605	8,457,911	8,674,905	8,919,178
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	50,377,953	49,624,684	47,842,189	47,148,454	47,159,255
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	50,328,366	49,575,098	47,790,779	47,097,040	47,086,846
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.6702 %	15.1651 %	15.3680 %	15.9225 %	16.3052 %
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.5791 %	15.0722 %	15.2713 %	15.8251 %	16.1691 %

Temp. EU IFRS 9 – FL – Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR (2/2)

		06/30/2022	03/31/2022	12/31/2021	09/30/2021	06/30/2021
	Capital ratios					
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15.6702 %	15.1651 %	15.3680 %	15.9225 %	16.3052 %
11	Tier 1 (as a percentage of risk exposure amount)	15.6702 %	15.1651 %	15.3680 %	15.9225 %	16.3052 %
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.5791 %	15.0722 %	15.2713 %	15.8251 %	16.1691 %
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15.6702 %	15.1651 %	15.3680 %	15.9225 %	16.3052 %
13	Total capital (as a percentage of risk exposure amount)	17.6157 %	17.2688 %	17.6788 %	18.3991 %	18.9129 %
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.5265 %	17.1780 %	17.5846 %	18.3043 %	18.7809 %
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17.6157 %	17.2688 %	17.6788 %	18.3991 %	18.9129 %
	Leverage ratio					
15	Leverage ratio total exposure measure	94,489,799	89,759,946	89,138,495	87,829,183	84,821,871
16	Leverage ratio	8.3547 %	8.3842 %	8.2483 %	8.5475 %	9.0654 %
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.2980 %	8.3245 %	8.1876 %	8.4860 %	8.9759 %
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8.3547 %	8.3842 %	8.2483 %	8.5475 %	9.0654 %

As at 30 June 2022 il Common Equity Ratio – the Group's Common Equity Ratio, calculated as tier 1 capital as a percentage of total risk-weighted assets, amounted to 15.67%, approx. 60 bps lower than last year (16.31%), due to the share buyback scheme.[10] Retained earnings for the year (adding 59bps) financed the organic growth (which accounted for 58 bps) and the Bybrook acquisition (which cost 13 bps).

The material growth in RWAs (from €47.2bn to €50.4bn) was divided equally between the new prudential treatment for the investment in Assicurazioni Generali (€1.4bn) and the increase in loans: CIB (up €700m), Consumer Banking (up €900m) and Private Banking (up €400m). The total capital ratio fell from 18.9% to 17.6%, the higher decrease compared to the CET1 ratio being due to prudential amortization of the Tier 2 instruments.

The ratios fully loaded, without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (which accounted for 108 bps, equal to €1,360.0m), and with full application of the IFRS 9 effect (accounting for 10 bps, or €53.6m), were 14.50% (CET1 ratio) and 16.69% (total capital ratio), lower than at end-June 2021 (15.1% and 17.9% respectively).

10 The share buyback scheme was launched after the 22,581,461 treasury shares owned by the Bank were cancelled in November 2022. Of the treasury shares held as at 30 June 2022, a total of 16.5 million will be cancelled.

Template EU OV1 – Overview on risk-weighted exposures (RWA)

		RWA		Capital requirements
		a	b	c
		06/30/2022	03/31/2022	06/30/2022
1	Credit risk (excluding CCR)	41,925,277	40,843,433	3,354,022
2	of which the standardised approach	30,788,013	29,676,256	2,463,041
3	of which the foundation IRB (FIRB) approach	—	—	—
4	of which: slotting approach	—	—	—
EU 4a	of which: equities under the simple riskweighted approach	—	—	—
5	of which the advanced IRB (AIRB) approach	11,137,263	11,167,177	890,981
6	Counterparty credit risk - CCR	1,649,014	1,909,703	131,921
7	of which the standardised approach	658,037	694,634	52,643
8	of which internal model method (IMM)	—	—	—
EU 8a	of which exposures to a CCP	4,623	15,781	370
EU 8b	of which credit valuation adjustment - CVA	373,402	298,536	29,872
9	of which other CCR	612,952	900,751	49,036
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	103,507	264,600	8,281
17	of which SEC-IRBA approach	—	—	—
18	of which SEC-ERBA (including IAA)	31,440	33,216	2,515
19	of which SEC-SA approach	72,067	231,385	5,765
EU 19a	of which 1250%	—	—	—
20	Position, foreign exchange and commodities risks (Market risk)	2,430,969	2,483,992	194,477
21	of which the standardised approach	2,430,969	2,483,992	194,477
22	of which IMA	—	—	—
EU 22a	Large exposures	—	—	—
23	Operational risk	4,269,186	4,122,956	341,535
EU 23a	of which basic indicator approach	4,269,186	4,122,956	341,535
EU 23b	of which standardised approach	—	—	—
EU 23c	of which advanced measurement approach	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	1,207,374	1,335,773	96,590
29	**Total**	**50,377,953**	**49,624,684**	**4,030,236**

* The data shown in this row has been included on a purely indicative basis, as the amount shown here is also included in row 1 of this table, in which institutions are invited to provide information on credit risk.

Template EU INS1 – Insurance participations

		06/30/2022	
		a	b
		Exposure value	Risk-weighted exposure amount
1	Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	1,862,703	6,892,000

Template EU INS2 – Financial conglomerates information on own funds and capital adequacy ratio

The Mediobanca Group has nothing to report for template EU INS2.

Template EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (1/2)

	A	b	c	d	e	f
	Exposures in the banking book		Exposures in the trading book		Exposures in securitisation	Total exposure value
	Exposure value under SA approach	Exposure value under AIRB approach	Sum of long and short positions	Exposure value under internal models		
Italy	24,486,686	20,381,762	302,343	—	328,531	45,499,323
United Arab Emirates	18,665	4,641	—	—	—	23,306
Australia	26,950	—	—	—	—	26,950
Austria	4,485	46,180	114	—	—	50,780
Belgium	22,951	72,101	134	—	—	95,186
Bulgaria	153	—	—	—	—	153
Canada	14,193	75,101	776	—	—	90,069
China	5,415	—	—	—	—	5,415
Denmark	12,890	22,023	128	—	—	35,041
Finland	1,023	—	91	—	—	1,114
France	515,419	2,020,000	69,733	—	—	2,605,153
Germany	377,099	718,028	13,108	—	—	1,108,235
Japan	966	—	27	—	—	993
Greece	948	—	—	—	—	948
Hong kong	5,041	58,322	—	—	—	63,363
Ireland	440,791	128,137	62,083	—	—	631,012
Iceland	—	27,500	—	—	—	27,500
Cayman Islands	847	—	1,350	—	—	2,198
Virgin islands, british	45,042	72,243	—	—	—	117,285
Liechtenstein	10,247	75,000	—	—	—	85,247
Luxembourg	323,773	804,451	8,061	—	—	1,136,284
Mexico	86,804	10,241	—	—	—	97,044
Monaco	809,179	70,441	643	—	—	880,263
Norway	8,170	—	10	—	—	8,180
Netherlands	47,122	981,854	13,688	—	—	1,042,663
Portugal	7,519	160,228	—	—	—	167,747
United kingdom	2,007,864	751,226	43,553	—	—	2,802,644
Romania	48,791	—	—	—	—	48,791
Russian federation	35,516	—	—	—	—	35,516
Singapore	2	12,223	—	—	—	12,225
Spain	434,024	1,418,123	221,282	—	—	2,073,429
Sweden	13,740	72,774	4	—	—	86,519
Switzerland	368,127	78,097	3,516	—	—	449,741
Turkey	17,302	17,564	—	—	—	34,865
United states	264,044	1,732,266	588,404	—	—	2,584,713
Other Countries	363,960	160,948	184	—	—	525,092
Total	**30,825,749**	**29,971,474**	**1,329,233**	**—**	**328,531**	**62,454,988**

Template EU CCyB1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (2/2)

	g	h	i	j	k	l	m
	Own funds requirement				Risk-weighted exposure amounts	Weighting factors of own fund requirement	Countercyclical coefficient
	of which: generic credit exposures	of which: credit exposures of the trading book	of which: securitisation positions in the banking book	Total			
Italy	2,539,858	46,603	8,281	2,594,742	32,434,271	76.7679%	0.0000%
United Arab Emirates	1,751	—	—	1,751	21,893	0.0518%	0.0000%
Australia	2,024	—	—	2,024	25,297	0.0599%	0.0000%
Austria	1,037	9	—	1,046	13,076	0.0310%	0.0000%
Belgium	5,181	11	—	5,192	64,895	0.1536%	0.0000%
Bulgaria	10	—	—	10	122	0.0003%	0.5000%
Canada	5,696	62	—	5,758	71,976	0.1704%	0.0000%
China	433	—	—	433	5,415	0.0128%	0.0000%
Denmark	1,539	10	—	1,549	19,364	0.0458%	0.0000%
Finland	81	7	—	88	1,106	0.0026%	0.0000%
France	109,948	578	—	110,526	1,381,577	3.2700%	0.0000%
Germany	55,850	678	—	56,528	706,603	1.6724%	0.0000%
Japan	77	2	—	79	992	0.0024%	0.0000%
Greece	58	—	—	58	726	0.0017%	0.0000%
Hong kong	1,053	—	—	1,053	13,160	0.0312%	1.0000%
Ireland	32,201	2,632	—	34,833	435,407	1.0306%	0.0000%
Iceland	2,142	—	—	2,142	26,780	0.0634%	0.0000%
Cayman Islands	67	108	—	175	2,194	0.0052%	0.0000%
Virgin islands, british	3,782	—	—	3,782	47,279	0.1119%	0.0000%
Liechtenstein	1,903	—	—	1,903	23,785	0.0563%	0.0000%
Luxembourg	62,881	645	—	63,526	794,069	1.8795%	0.5000%
Mexico	4,858	—	—	4,858	60,721	0.1437%	0.0000%
Monaco	37,710	—	—	37,710	471,370	1.1157%	0.0000%
Norway	730	1	—	731	9,134	0.0216%	1.5000%
Netherlands	45,240	1,024	—	46,263	578,293	1.3688%	0.0000%
Portugal	6,656	—	—	6,656	83,194	0.1969%	0.0000%
United kingdom	127,231	1,162	—	128,393	1,604,914	3.7986%	0.0000%
Romania	3,006	—	—	3,006	37,572	0.0889%	0.0000%
Russian federation	2,259	—	—	2,259	28,235	0.0668%	0.0000%
Singapore	263	—	—	263	3,294	0.0078%	0.0000%
Spain	82,182	989	—	83,172	1,039,647	2.4607%	0.0000%
Sweden	4,307	—	—	4,307	53,837	0.1274%	0.0000%
Switzerland	31,816	124	—	31,940	399,247	0.9450%	0.0000%
Turkey	2,503	—	—	2,503	31,289	0.0741%	0.0000%
United states	98,906	1,439	—	100,345	1,254,312	2.9688%	0.0000%
Other Countries	40,365	15	—	40,380	504,749	1.1952%	0.0000%
Total	**3,315,603**	**56,100**	**8,281**	**3,379,984**	**42,249,794**	**100.0000%**	

Template EU CCyB2 – Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount (RWA)	50,377,953
2	Specific countercyclical coefficient of the institution	0.0105 %
3	**Specific countercyclical capital buffer requirement of the institution**	**5,290**

Section 5 – Financial leverage

Qualitative information

In January 2015, the Basel Committee introduced the leverage ratio as an indicator to keep down borrowings and reduce excessive recourse financial leverage in the banking sector. The indicator is calculated from the ratio between regulatory Tier 1 capital and the Group's overall aggregate exposure. In particular it includes assets net of any deductions from Tier 1, the off-balance-sheet exposures with application of the credit conversion factors (CCF), and specific treatment for operations in derivatives and securities finance transactions, which entail netting against the liability where eligible as part of Credit Risk Mitigation for CRM operations, a specific regulatory add-on for the potential future exposures in derivatives, plus application of the regulatory haircut for securities finance transactions. As the European Banking Authority (EBA) has held that a financial leverage ratio calibrated at 3% represents a credible mechanism for any type of credit institution, as from 30 June 2021, with the introduction of CRR II, this ratio has become a binding minimum limit.

The ratio is calculated on a quarterly basis, point-in-time at the end of the three months, on an individual and consolidated basis, is subject to monitoring, and is one of the reference metrics in the Risk Appetite Framework for managing risks and preserving the Group's capital adequacy. Purely for information purposes, with CRR II coming into force, disclosure must also be made of the average values of exposures in Secured Financial Transactions, as part of prudential reporting, without impacting on the ratio which continues to be calculated as a point-in-time reading.

In particular, CRR/CRR II defines the means by which the ratio is to be calculated, stipulating in particular that:

— Exposures to transactions in derivative contracts must be valued using the Standardized Approach for measuring Counterparty Credit Risk exposures (SA-CCR), obtained from the sum between net market value, if positive, and potential future exposure, with the possibility if certain conditions are met of deducting the margin of change in cash from the value of the exposure; for credit derivatives sold, the ratio can be measured on the basis of the gross notional amount rather than at fair value, with the possibility of deducting the changes in fair value recorded through the profit and loss account from the notional amount (as negative components); protection sold can also be offset by protection acquired if given criteria are respected;

— In secured financing transactions real guarantees received cannot be used to reduce the value of the exposure for such transactions, whereas cash receivables and payables deriving from such transactions can be netted if certain very strict criteria are met, and providing the

transaction are with the same counterparty and make reference to the same netting agreement;

- The other off-balance-sheet exposures reflect the credit conversion factors;
- The other exposures are recognized at the book value remaining following application of the specific loan loss provisions, supplementary value adjustments and other reductions to own funds in respect of the asset item.

Quantitative information

The tables below show the readings for the Mediobanca Group leverage ratio as at 30 June 2022, stated in accordance with the principles set forth in CRR/CRR II.

Template EU LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		06/30/2022	12/31/2021	06/30/2021
		a	b	c
		Applicable amount		
1	Total assets as per published financial statements	90,414,506	89,096,474	82,598,698
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(180,983)	(111,622)	(117,772)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	—	—	—
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	—	—	—
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	—	—	—
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	—	—	—
7	Adjustment for eligible cash pooling transactions	—	—	—
8	Adjustments for derivative financial instruments	(1,478,101)	(2,016,288)	(2,466,952)
9	Adjustment for securities financing transactions (SFTs)	540,689	(604,399)	1,176,408
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	7,035,436	5,624,597	5,657,866
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	—	—	—
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	(78,305)	(178,217)	—
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	—	—	(1,370)
12	Other adjustments	(1,763,443)	(2,672,049)	(2,025,007)
13	**Total exposure measure**	**94,489,799**	**89,138,495**	**84,821,871**

Template EU LR2 - LRCom: Leverage ratio common disclosure (1/3)

		CRR leverage ratio exposures		
		a	b	c
		06/30/2022	12/31/2021	06/30/2021
	On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	82,109,348	77,632,562	72,723,059
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	8,965	9,264	—
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	—	—	(600)
4	Adjustment for securities received under securities financing transactions that are recognised as an asset	—	—	—
5	(General credit risk adjustments to on-balance sheet items)	—	—	—
6	(Asset amounts deducted in determining Tier 1 capital)	—	—	—
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**82,118,313**	**77,641,826**	**72,722,459**
	Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	1,441,560	1,008,295	907,979
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	11,308	3	—
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1,256,941	1,273,185	977,287
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	4,800	5,101	3,830
EU-9b	Exposure determined under Original Exposure Method	325	397	471
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	—	—	—
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	—	—	—
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	—	—	—
11	Adjusted effective notional amount of written credit derivatives	2,199,753	2,214,448	2,014,321
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(2,199,753)	(2,214,448)	(2,014,321)
13	**Total derivatives exposures**	**2,714,934**	**2,286,980**	**1,889,567**

Template EU LR2 - LRCom: Leverage ratio common disclosure (2/3)

		CRR leverage ratio exposures		
		06/30/2022	12/31/2021	06/30/2021
		a	b	c
	Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	2,628,037	4,547,307	3,406,921
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(2,227,262)	(3,323,070)	(1,458,457)
16	Counterparty credit risk exposure for SFT assets	2,767,950	2,718,671	2,634,865
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	—	—	—
17	Agent transaction exposures	—	—	—
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	—	—	—
18	**Total securities financing transaction exposures**	**3,168,726**	**3,942,908**	**4,583,329**
	Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	15,253,365	12,725,910	10,979,581
20	(Adjustments for conversion to credit equivalent amounts)	(8,510,366)	(7,130,768)	(5,321,715)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	—	—	—
22	**Off-balance sheet exposures**	**6,742,999**	**5,595,142**	**5,657,866**
	Excluded exposures			
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	(78,305)	(178,217)	—
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	—	—	(1,370)
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	—	—	—
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	—	—	—
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	—	—	—
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	(176,867)	(150,145)	(29,979)
EU-22g	(Excluded excess collateral deposited at triparty agents)	—	—	—
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	—	—	—
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	—	—	—
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	—	—	—
EU-22k	**(Total exempted exposures)**	**(255,173)**	**(328,362)**	**(31,349)**

Template EU LR2 – LRCom: Leverage ratio common disclosure (3/3)

		CRR leverage ratio exposures		
		06/30/2022	12/31/2021	06/30/2021
		a	b	c
	Capital and total exposure measure			
23	**Tier 1 capital**	**7,894,334**	**7,352,372**	**7,689,399**
24	**Total exposure measure**	**94,489,799**	**89,138,495**	**84,821,871**
	Leverage ratio			
25	Leverage ratio	8.3547 %	8.2483 %	9.0653%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.3547 %	8.2483 %	9.0653%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.3547 %	8.2483 %	9.0653%
26	Regulatory minimum leverage ratio requirement (%)	3.0000 %	3.0000 %	3.0000%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	—	—	—
EU-26b	of which: to be made up of CET1 capital	—	—	—
27	Leverage ratio buffer requirement (%)	—	—	—
EU-27a	Overall leverage ratio requirement (%)	3.0000 %	3.0000 %	3.0000%
	Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	transitional	transitional	transitional
	Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	1,205,827	1,153,771	2,195,212
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	400,775	1,224,238	1,948,464
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	95,294,851	89,068,029	85,068,619
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	95,294,851	89,068,029	85,068,619
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.2841 %	8.2548 %	9.0391%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.2841 %	8.2548 %	9.0391%

The leverage ratio as at 30 June 2022, calculated in accordance with the provisions of Commission Delegated Regulation 62/2015, and those for defining the measurement of capital (Tier 1 capital with Danish Compromise), was 8.4%. The reduction compared to 30 June 2021 (9.7%) is due to the increase in the Bank of Italy reserve, to which the exemption does not apply. However, the leverage ratio is still comfortably able the minimum regulatory limit of 3%.

Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		06/30/2022	12/31/2021	06/30/2021
		a	b	c
		CRR leverage ratio exposures		
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**81,902,733**	**76,274,734**	**70,866,775**
EU-2	Trading book exposures	6,533,642	7,946,554	7,261,606
EU-3	Banking book exposures, of which:	75,369,091	68,328,180	63,605,169
EU-4	Covered bonds	75,230	76,768	75,723
EU-5	Exposures treated as sovereigns	13,967,962	9,156,916	7,979,667
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	353,148	149,862	159,067
EU-7	Institutions	3,249,572	2,394,048	2,861,606
EU-8	Secured by mortgages of immovable properties	12,435,934	12,154,451	11,931,889
EU-9	Retail exposures	14,834,395	14,426,764	13,975,575
EU-10	Corporates	23,025,184	22,657,332	20,452,654
EU-11	Exposures in default	751,921	912,986	968,315
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	6,675,746	6,399,052	5,200,672

Section 6 – Liquidity risk

Qualitative information

Liquidity risk is defined as the risk of not being able to meet one's own commitments to pay due both to an inability to raise funds on the market ("funding liquidity risk") and to being able to sell one's own assets ("market liquidity risk") due to the maturity transformation phenomenon.

An adequate liquidity and funding risk management system is fundamental to ensure the stability of the Mediobanca Group and the financial system in general, given that a single bank's difficulties would affect the system as a whole. Fundamental in this connection is the application of liquidity risk management strategies and processes that include suitable diversification of sources and/or counterparties and adequate distribution of loans and applications of funds over time. The risk governance and 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). In accordance with this objective, the Group Liquidity Risk Management Policy (the "Policy") approved by the Board of Directors of Mediobanca S.p.A. defines the target in terms of the level of liquidity reserves, high-quality liquid assets, and highly liquid assets to be maintained in order to cover the cash flows anticipated in the short and medium/long term.

The general principles, on which the internal liquidity risk governance and management system defined by the Policy, to which all Group companies are required to adhere, are listed below:

— The strategic guidelines, business and financial plans and budgets are defined and approved by the Board of Directors of Mediobanca S.p.A., and constitute, at Group level, the reference framework and restrictions for operations by the units responsible for liquidity and funding risks;

— The policies are revised on the basis of developments in the company's activity and risk profile, as well as the external scenario, and are clearly documented and shared within the Group as a whole;

— All roles and responsibilities for the units and areas involved in the liquidity management and governance process are defined and documented clearly;

— The organizational unit responsible for liquidity governance acts promptly within set, documented limits and the unit responsible for control operates autonomously and independently of the former;

- The liquidity risk management and control process is subdivided in accordance with the Group's organizational structure, and is reviewed regularly to ensure it remains effective over time;
- The metrics used are based on cash inflow and outflow projections for all the main on- and off-balance-sheet items using a prudential approach. The metrics required by the regulator are based on given assumptions decided at the regulatory level;
- Risk management is carried out from both current and future perspectives, and entails the application of different scenarios, including stressed;
- The Bank is required to maintain a sufficient amount of liquid instruments over time, in accordance with the liquidity risk tolerance threshold set at Group level, which can never be lower than the minimum level set at regulatory level;
- A contingency funding plan is defined clearly and accurately, which states the strategies for intervening in order to raise sources of finance in the event of liquidity tensions;
- Commercial, credit and financial policies are co-ordinated in order to maintain a balanced structural liquidity profile at Group level, taking multiple risk elements into account;
- Reporting flows within the individual companies and the Group as a whole are standardized from a qualitative and quantitative standpoint and also in terms of frequency, to enable liquidity and funding risk to be monitored and measured according to a process which is adequate and optimal in relation to the complexity of the Bank's operations;
- The funds transfer pricing system is established by a unit which is separate from the business teams, and reflects the holistic cost/benefit of liquidity via a consolidated framework.

To ensure that liquidity risk management is integrated and consistent at Group level, the parent company's Board of Directors is assigned the role of body responsible for management and strategic supervision under Bank of Italy Circular no. 285, and as such is responsible for:

- Maintaining a level of liquidity consistent with the tolerance threshold for exposure to risk;
- Defining strategic guidelines, governance policies and management processes for the specific risk profile.

The Group Risk Management Committee is responsible for adopting liquidity risk measurement models, whereas Group ALM defines at Group level the asset and liability structure and related risk of mismatch between them taken on, directing operations in line with the commercial and financial objectives set in the budget and the Group's Risk Appetite Framework.

The parent company units responsible for ensuring that the Policy is applied accurately are:

- Group Financial Office, which is responsible at Group level for managing liquidity, funding, collateral and the funds transfer pricing system;
- Group Risk Management which, in accordance with the principles of separation and independence, is responsible for the Group's second-level integrated control for current and future risks, in accordance with the Group's regulations and governance strategies.

The Group Audit Unit is responsible for appraising the functioning and reliability of the controls system for liquidity risk management and for reviewing adequacy and compliance with the requisites established by the regulations. The results of the checks carried out are submitted to the governing bodies once a year.

The liquidity governance model adopted by the Group is centralized at parent company level which, via the Group Treasury and Group Risk Management units, is responsible for governing liquidity and the risk related to it. The two units mentioned are responsible for:

- Governing Group liquidity in at centralized level, engaging in ongoing dialogue with the Group Legal Entities;
- Structuring and updating the Policy;
- Defining, managing and revising the funding plan;
- Monitoring liquidity risk at centralized or local level, including over intra-day time horizons and with high frequencies.

In order to maximize the advantages deriving from synergistic co-operation between the two parent company units referred to above and the local teams, management has decided to adopt adequate and shared monitoring and simulation systems for monitoring simulating the main liquidity governance indicators.

The Group's objective is twofold: on the one hand, to meet the supervisory authority's requirements by maintaining a satisfactory level of liquidity to meet its ordinary and extraordinary payment obligations; and on the other, to maximize results while at the same time minimizing costs by not incurring losses. Therefore, in order to ensure that earnings results and efficient Group liquidity management are achieved, the following activities have been centralized at Group Treasury:

- Managing directly the liquidity of Mediobanca S.p.A., with responsibility for co-ordinating the liquidity management of the Group companies within the limits of the powers delegated to it;
- Managing the liquidity reserves, guaranteeing consistency with the company's objectives and the regulatory requirements;
- Managing the compulsory reserve for the banks that form part of the Group;
- Co-ordinating the Group companies' funding operations, defining their financial planning;

- Governing the liquidity transfer process within the Group and the internal funds transfer pricing system;
- Managing and monitoring the exposure to liquidity risk at centralized level, and in a "business as usual" scenario, ensuring accurate reporting is provided to the senior management and governing bodies;
- Accessing the refinancing measures (ordinary and extraordinary) prepared by the European central banking system, and performing the role of borrower of last resort for the Group companies.

The Group Risk Management unit considers the following principles to be fundamental for adequate liquidity risk management:

- Ensure the adequacy of the Group's liquidity reserves and solvency both in business as usual and stress conditions;
- Adopt a governance model for risk events (Contingency Funding Plan);
- Ensure diversification of funding sources in terms of instruments, markets, maturities and fund providers;
- Ensure that monitoring and assessment whether or not the exposure to liquidity and funding risk are measurable from both a current and forward-looking perspective, including measurement of regulatory metrics in stress scenarios (regulatory perspective) and across time horizons both short-term (including intraday) and medium-/long-term;
- Guarantee that the stress testing framework is robust and updated at all times.

The liquidity risk mitigation measurements and instruments are formalized in the Policy referred to, which also defines the methodological structure both for short-term and structural liquidity indicators.

The short-term liquidity indicators address the need to ensure adequate and balanced levels of cash inflows and outflows with certain or expected expiries (adopting a prudential approach) within a 12-month time horizon (including intraday). Intraday liquidity risk is the risk of a mismatch in terms of timing within a single day between payments made by the Group and those received by the Group from 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 performs careful monitoring on an ongoing basis, and has implemented a system of indicators to check the availability of reserves at the start of the day and their capacity to cover possible situations of stress that could involve other market counterparties or the value of the assets used in the risk mitigation.

From an earnings perspective, the metric adopted for monitoring over time horizons longer than intra-day is the net liquidity position, obtained from the sum of the Counterbalancing Capacity (defined as the cash, securities and receivables eligible for refinancing with the ECB) 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, of systemic stress (one month), and of combined stress (45 days), which functions as an early warning system in cases where the limit is approached in normal conditions. The short-term liquidity monitoring is supplemented by stress testing which assumes three different scenarios (specific, systemic, and combined) defined in the Policy and described in Part E of the Notes to the Accounts.

From a regulatory perspective, the monitoring metric adopted for the short term is the Liquidity Coverage Ratio (LCR) which serves to strengthen the short-term liquidity risk profile by ensuring that adequate High-Quality Liquidity Assets (HQLA) are held which not subject to restrictions of any kind and therefore can be freely traded and converted immediately into liquidity that can be used to meet cash obligations within 30 days in an acute liquidity stress scenario.

The Policy also establishes that liquidity risk is monitored over a medium-/long-term time horizon by adopting gap analysis, which, from an earnings perspective, serves 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 as well. The operating methods adopted involve analysing the maturity profiles for both assets and liabilities over the medium and long term checking that assets with durations which are longer than the relevant gap are adequately financed by liabilities which also have durations longer than the gap concerned.

From a regulatory perspective, the monitoring metric adopted for the medium/long term is the Net Stable Funding Ratio NSFR). This indicator measures the Group's ability to hold funding which is sufficient in both qualitative and quantitative terms to cover its lending exposures over a time horizon of one year, assuming specific stress conditions established by the regulations in force, which stipulate a minimum compulsory requirement that must be complied with.

Given the nature of the NSFR indicator, the specific rules to be used for the calculation, and the regulatory and management limits set, funding activity is planned and fine-tuned to ensure that its contribution to the ratios is optimized: by giving priority to funding in the form of debt securities over the medium/long term, or through Wealth Management deposits (in particular those generated by CheBanca! given the retail nature of its clientele).

Alongside the processes described above, a crisis event governance model has also been instituted, known as the Contingency Funding Plan (described in the Policy) which is approved by the Board of Directors.

The objective of 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 reporting criteria, intended 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 reporting and a series of specific indicators.

In order to identify a "contingency" state in 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 from situations which are specific to the Banking Group itself. The EWI system allows the reference operating scenario to be identified (known as stress or crisis states). Monitoring and internal communication processes are adopted to manage and resolve each state. These processes are consistent with those provided for in the Recovery Plan. The Contingency Plan identifies the actions to be taken to ensure the continuity of the Bank and to restore the liquidity position to within internal limits.

The risk governance principles expressed by Group Risk Management are based on a robust stress framework. The stress testing is intended to anticipate possible states of crisis, that may have repercussions for the Group's liquidity position. Reference is made to Part E of the Notes of the Accounts for details on stress testing and how the tests are used.

Based on the information provided thus far, while the Policy outlines the liquidity risk internal control and management system from a strategic and methodological standpoint, and represents the intentions of the Board of Directors which approve it, the ILAAP process, introduced pursuant to Article 86 of Directive 2013/36/EU, imposes the obligation to carry out a self-assessment of the adequacy of this system and the liquidity profile that derives from it. The governing bodies of the Mediobanca Group approved the Liquidity Adequacy Statement (LAS), as part of the ILAAP, in the course of 2021. The Statement presents the main evidence to emerge from the self-assessment of the liquidity position, taking into account both quantitative factors, as expressed through the key indicators, and qualitative factors, stating the adequacy of its liquidity risk management and liquidity position. It also highlighted the resilience of both the rules governing liquidity risk and the procedures that can be activated in the event of adverse stress scenarios actually materializing. Based on qualitative and quantitative analysis, performed also in stress scenarios, the competent authority has been informed that the current and future liquidity position is consistent with the strategies, risk tolerance and business model established by the governing bodies.

Quantitative information

At 30 June 2022 eligible reserves held at the European Central Bank totalled €14.7bn, €7.4bn of which in securities exchangeable for cash by the ECB; the balance of the collateral established at the European Central Bank amounted to approx. €13.6bn, €5.3bn available in cash but not used. Approx. 61% of the Group's available liquidity reserves consist of HQLA, in part due to temporary payments of excess liquidity in the form of free deposits at the ECB. The increase in available cash and liquid assets compared to last year has been driven primarily by funding activity, through the Retail and Private Banking channel and funds raised through the ECB, which has led to abundant liquidity being used in both lending activities (factoring, Private Banking, Consumer Finance, and Retail Banking), and also, as mentioned previously, in liquid reserves, the latter added to the Counterbalancing Capacity.

Scope of consolidation (consolidated)	Unencumbered (net of haircuts)	
Currency and units (million Euro)	06/30/2021	06/30/2022
TOTAL GROUP LIQUIDITY RESERVES	**11,246**	**14,698**
Total high-quality liquid assets (HQLA)	**6,767**	**9,027**
Cash and deposits held with central banks (HQLA)	2,247	7,316
Highly liquid securities (HQLA)	4,520	1,711
of which:		
Level 1	*4,515*	*1,711*
Level 2	*5*	—
Other eligible reserves	**4,479**	**5,670**

During the year under review, the indicators which representing the earnings perspective in the short term have shown that the Group has maintained an adequate level of liquidity on a stable basis. Stress testing has been carried out on a regular basis, to assess the impact of adverse events deriving from single-name, systemic and combined stress on the liquidity position and the adequacy of the liquidity reserves, on which regular reporting has been made to the Group's governing bodies, to brief them on any situations of vulnerability and to issue the guidelines for managing them in a timely manner through the appropriate corrective actions.

Moving onto the regulatory perspective, the European Union introduced a minimum short-term coverage requirement, the Liquidity Coverage Ratio (the "LCR"), under Commission Delegated Regulation (EU) No. 2015/61, as supplemented/amended (minimum level 100% since 1 January 2018). The following table shows the quantitative information on the Group's Liquidity Coverage Ratio (LCR), measured in accordance with the EU regulations (CRR and CRD IV) and subject to monthly reporting to the competent supervisory authority (this indicator includes the prudential

estimate of "additional liquidity outflows for other products and services" in accordance with Article 23 of Commission Delegated Regulation (EU) No. 2015/61. The data shown is calculated as the simple average of the month-end readings recorded in the twelve months prior to the end of each quarter.

Template EU LIQ1: LCR quantitative information (1/2)

Currency and units (XXX million)		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	06/30/2022	03/31/2022	12/31/2021	09/30/2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	**Total high-quality liquid assets (HQLA)**				
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	20,488	20,132	19,780	19,451
3	*Stable deposits*	12,402	12,335	12,213	12,047
4	*Less stable deposits*	8,064	7,767	7,538	7,372
5	Unsecured wholesale funding	6,715	6,212	5,853	5,465
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	6,347	5,938	5,614	5,160
8	Unsecured debt	368	273	240	305
9	Secured wholesale funding				
10	Additional requirements	8,979	8,715	8,375	8,037
11	Outflows related to derivative exposures and other collateral requirements	335	354	363	378
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	8,644	8,361	8,011	7,659
14	Other contractual funding	2,192	2,293	2,467	2,389
15	Other contingent funding obligations	4,424	4,204	4,011	3,747
16	**TOTAL CASH OUTFLOWS**				
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	3,487	3,522	3,523	3,309
18	Inflows from fully performing exposures	1,921	1,830	1,714	1,634
19	Other cash inflows	1,902	1,777	1,618	1,525
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	**TOTAL CASH INFLOWS**	**7,310**	**7,129**	**6,855**	**6,468**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	7,251	7,078	6,836	6,449
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER				
22	TOTAL NET CASH OUTFLOWS				
23	LIQUIDITY COVERAGE RATIO (%)				

Template EU LIQ1: LCR quantitative information (2/2)

Currency and units (XXX million)		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	06/30/2022	03/31/2022	12/31/2021	09/30/2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	**Total high-quality liquid assets (HQLA)**	**7,321**	**7,221**	**7,630**	**7,790**
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	1,663	1,623	1,588	1,554
3	*Stable deposits*	620	617	611	602
4	*Less stable deposits*	1,043	1,007	977	952
5	Unsecured wholesale funding	3,574	3,368	3,228	3,083
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	3,206	3,095	2,988	2,778
8	Unsecured debt	368	273	240	305
9	Secured wholesale funding	617	562	557	506
10	Additional requirements	1,813	1,856	1,904	1,917
11	Outflows related to derivative exposures and other collateral requirements	285	287	291	302
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	1,528	1,569	1,613	1,615
14	Other contractual funding	542	470	454	385
15	Other contingent funding obligations	332	319	337	358
16	**TOTAL CASH OUTFLOWS**	**8,540**	**8,199**	**8,068**	**7,802**
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	1,286	1,197	1,055	883
18	Inflows from fully performing exposures	1,418	1,342	1,244	1,194
19	Other cash inflows	1,005	933	805	730
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	—	—	—	—
EU-19b	(Excess inflows from a related specialised credit institution)	—	—	—	—
20	**TOTAL CASH INFLOWS**	**3,709**	**3,471**	**3,105**	**2,807**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	3,709	3,471	3,105	2,807
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER	7,321	7,221	7,630	7,790
22	TOTAL NET CASH OUTFLOWS	4,831	4,728	4,963	4,995
23	LIQUIDITY COVERAGE RATIO (%)	151.8353%	153.1799%	154.0314%	156.0654%

The factors which have driven the trend in the liquidity coverage ratio may be subdivided into: drivers with significant influence on the amount of HQLAs, cash inflows and cash outflows. The trend in HQLAs is impacted by the amount of Level 1 assets (Article 10 of Commission Delegated Regulation (EU) No. 2015/61, the most important aggregate among which is made up of the free reserves held with the European Central Bank, to which temporary payments of excess liquidity have been made. Among the inflows/outflows, cash movements linked to secured operations always have a material and variable impact over time, which is due to the fact that operations of this kind are used as the main risk mitigation and control instrument by Group Treasury. The stress scenario envisaged by Commission Delegated Regulation (EU) No 2015/61 and the Group's business model, which too distinguishes between retail and institutional forms of funding, show a greater impact on outflows from wholesale funding, which in this operating scenario is considered to be less stable than retail funding. The outflows from credit lines should also be noted, which too are a consequence of the Group's business model.

The LCR has remained stable at an average value of approx. 152% in the past twelve months, in line with the regulatory limits and risk appetite expressed by the governing bodies. The annual average result is in line with the target internal value and risk appetite expressed by the governing bodies. This stability has been achieved through careful management by Group Treasury. Group Treasury manages a portfolio consisting of HQLAs made up of reserves held with the ECB and high-quality debt securities and equities. The division, as mentioned previously, carries out active and centralized management of these portfolios, directed by internal estimate tools. From a forward-looking perspective, an estimate is defined of the capital required to cover the liquidity, and, using primarily securities financing transactions to use or gather high-quality assets, the estimated value is brought back towards the internal target.

Although the portfolio of highly liquid assets is the main instrument used to control and stabilize the ratio, Group Treasury also has other tools which it uses for this purposes. These include diversifying funding sources and liquidity reserves, both of which are fundamental. The Policy also provides for regular monitoring of concentration analysis both for funding (by counterparty/product/duration/currency) and liquidity reserves (by issuer/counterparty).

The adequacy of the structure and cost of funding, which is defined from a forward-looking perspective through the Funding Plan, is assured through ongoing diversification. The Group's main sources of funding are: (i) deposits from the domestic retail market, (ii) funding from institutional clients, split between collateralized (secured financing transactions, covered bonds and ABS) and non-collateralized (debt securities, CD/CP, and deposits from institutional clients); and (iii) refinancing operations with the Eurosystem. As for the liquidity reserves, we have already shown the effectiveness deriving from maintaining them at an adequate level. The average level of high quality liquid assets (Level 1) immediately available to the Group amounted to €6.9bn for the

twelve months, and primarily consists of the available liquid reserves held with the European Central Bank, which together represent on average approx. 94 % of the HQLAs.

This figure includes:

- A share covering potential outflows that might result from exposures in derivatives and the collateral calls that might potentially derive from them. The Mediobanca Group executes derivative contracts (both with central counterparties and OTC) sensitive to different risk factors. Changes in market conditions, influencing potential future exposures to such derivative contracts, could introduce commitments in terms of liquidity which would require collateral to be paid in cash or other financial instruments in the event of adverse market movements occurring. The Historical Look Back Approach is adopted in order to quantify any increases in the collateral required;
- A share of the HQLAs is maintained in USD, to meet potential risks related to currency conversion. In order to manage and monitor possible misalignments between different currencies, the Group carries out regular checks to assess if the liabilities held in a given foreign currency are equal to or higher than 5% of the total liabilities. Breach of this limit set by Regulation (EU) No 575/2013, for a given currency implies that the currency concerned is "significant" and obliges the entity to calculate the LCR in that currency. As at 30 June 2022 the Mediobanca Group had two such "significant" currencies at consolidated level, namely the Euro (EUR) and the US Dollar (USD). Monitoring of possible currency misalignments between liquid assets and net cash outflows shows that the Group is easily capable of managing any such imbalances, partly through holding HQLA in USD, and in part as a result of its ability to tap the FX market easily in order to transform excess liquidity in EURO into USD.

The LCR is not the only regulatory short-term indicator used, as it is unable to measure the intraday liquidity risk that is manifested when a bank does not have sufficient funds available to meet its payment and settlement obligations falling due in the course of the same trading day. The Bank therefore monitors this risk using the instruments specified by the Basel Committee on Banking Supervision (BCBS – "Monitoring tools for intraday liquidity management", April 2013). Apart from through ongoing monitoring, to cover this risk the Policy provides for a minimum level of liquidity reserves to be available at the start of the day, and requires that these reserves' composition must be such as to ensure they can be used in the final hours of the business day as well. As from 2021, Article 428(b) of Regulation (EU) No. 2019/876 introduced the minimum requirement for the Net Stable Funding Ratio (NSFR) of 100%. As provided by the instructions contained in Regulation (EU) No. 637/2021, applicable as from 28 June 2021, the quarter-end data for each of the four quarters in the reference reporting periods are shown in template EU LIQ2.

During the twelve months under review, this indicator, which also represents an earnings perspective in the medium/long term, shows that the Group has maintained a more than adequate structural liquidity profile for the period.

Template EU LIQ2: Net Stable Funding Ratio (1/2)

	(in currency amount)	06/30/2022				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	Capital items and instruments	10,020,779	—	—	1,098,459	11,119,238
2	*Own funds*	*10,020,779*	—	—	*902,124*	*10,922,902*
3	*Other capital instruments*		—	—	*196,335*	*196,335*
4	Retail deposits		21,001,683	134,670	491,980	20,133,310
5	*Stable deposits*		*12,371,276*	*962*	*868*	*11,754,494*
6	*Less stable deposits*		*8,630,407*	*133,709*	*491,112*	*8,378,816*
7	Wholesale funding:		16,162,710	2,714,456	26,058,493	31,489,419
8	*Operational deposits*		—	—	—	—
9	*Other wholesale funding*		*16,162,710*	*2,714,456*	*26,058,493*	*31,489,419*
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	2,594,111	3,912,115	—	1,282,622	1,282,622
12	*NSFR derivative liabilities*	*2,594,111*				
13	*All other liabilities and capital instruments not included in the above categories*		*3,912,115*	—	*1,282,622*	*1,282,622*
14	**Total available stable funding (ASF)**					**64,024,588**

Template EU LIQ2: Net Stable Funding Ratio (2/2)

	(in currency amount)	06/30/2022				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					669,312
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	5,934,266	5,044,126
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		12,012,372	4,591,263	41,086,366	43,175,539
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		*1,628,784*	*151,916*	*487,480*	*571,434*
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*2,512,780*	*201,997*	*3,470,691*	*3,775,985*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*4,633,205*	*3,184,365*	*24,354,091*	*31,723,824*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		—	—	—	*5,379,618*
22	*Performing residential mortgages, of which:*		*325,586*	*442,175*	*5,829,220*	—
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*325,586*	*442,175*	*5,829,220*	—
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*2,912,017*	*610,811*	*6,944,884*	*7,104,295*
25	Interdependent assets		—	—	—	—
26	Other assets:		5,956,277	79,960	4,046,564	6,064,722
27	*Physical traded commodities*				—	—
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*889,764*	—	*126,596*	*863,906*
29	*NSFR derivative assets*		—			—
30	*NSFR derivative liabilities before deduction of variation margin posted*		*3,586,711*			*179,336*
31	*All other assets not included in the above categories*		*1,479,802*	*79,960*	*3,919,968*	*5,021,480*
32	Off-balance sheet items		1,262,413	546,991	7,459,835	469,060
33	**Total RSF**					**55,422,760**
34	**Net Stable Funding Ratio (%)**					**115.5204%**

Template EU LIQ2: Net Stable Funding Ratio (1/2) – 03/31/2022

	(in currency amount)	03/31/2022				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	Capital items and instruments	10,402,635	—	—	1,598,951	12,001,586
2	*Own funds*	*10,402,635*	—	—	*1,043,950*	*11,446,584*
3	*Other capital instruments*		—	—	*555,001*	*555,001*
4	Retail deposits		21,065,195	46,013	380,605	20,006,780
5	*Stable deposits*		*12,521,327*	*425*	*627*	*11,896,291*
6	*Less stable deposits*		*8,543,868*	*45,588*	*379,978*	*8,110,489*
7	Wholesale funding:		15,143,145	2,241,053	24,547,397	28,748,937
8	*Operational deposits*		—	—	—	—
9	*Other wholesale funding*		*15,143,145*	*2,241,053*	*24,547,397*	*28,748,937*
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	2,546,783	3,669,526	—	1,948,492	1,948,492
12	*NSFR derivative liabilities*	*2,546,783*				
13	*All other liabilities and capital instruments not included in the above categories*		*3,669,526*	—	*1,948,492*	*1,948,492*
14	**Total available stable funding (ASF)**					**62,705,795**

Template EU LIQ2: Net Stable Funding Ratio (2/2) – 03/31/2022

	(in currency amount)	03/31/2022				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					721,613
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	5,337,144	4,536,573
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		12,430,375	5,095,698	42,106,943	43,901,182
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		*1,701,008*	*204,781*	*487,480*	*598,033*
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*4,257,639*	*629,493*	*3,396,448*	*4,000,025*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*4,267,472*	*3,561,683*	*24,264,751*	*31,701,328*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		—	—	—	*5,572,893*
22	*Performing residential mortgages, of which:*		*318,019*	*327,703*	*5,953,351*	—
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*318,019*	*327,703*	*5,953,351*	—
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*1,886,237*	*372,037*	*8,004,912*	*7,601,797*
25	Interdependent assets		—	—	—	—
26	Other assets:		5,743,223	83,656	4,837,679	6,831,272
27	*Physical traded commodities*				—	—
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*891,704*	—	*132,809*	*870,836*
29	*NSFR derivative assets*		—			—
30	*NSFR derivative liabilities before deduction of variation margin posted*		*3,439,798*			*171,990*
31	*All other assets not included in the above categories*		*1,411,721*	*83,656*	*4,704,870*	*5,788,446*
32	Off-balance sheet items		*1,119,119*	*362,658*	*7,585,405*	*463,381*
33	**Total RSF**					**56,454,021**
34	**Net Stable Funding Ratio (%)**					**111.0741%**

Template EU LIQ2: Net Stable Funding Ratio (1/2) – 12/31/2021

	(in currency amount)	12/31/2021				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	Capital items and instruments	10,391,402	—	—	1,598,777	11,990,179
2	*Own funds*	*10,391,402*	—	—	*1,105,539*	*11,496,941*
3	*Other capital instruments*		—	—	*493,238*	*493,238*
4	Retail deposits		20,220,716	37,610	379,745	19,231,786
5	*Stable deposits*		*12,390,680*	*282*	*726*	*11,772,140*
6	*Less stable deposits*		*7,830,036*	*37,328*	*379,019*	*7,459,647*
7	Wholesale funding:		16,003,472	2,660,103	24,319,540	28,602,827
8	*Operational deposits*		—	—	—	—
9	*Other wholesale funding*		*16,003,472*	*2,660,103*	*24,319,540*	*28,602,827*
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	2,025,671	3,797,215	—	2,172,805	2,172,805
12	*NSFR derivative liabilities*	*2,025,671*				
13	*All other liabilities and capital instruments not included in the above categories*		*3,797,215*	—	*2,172,805*	*2,172,805*
14	**Total available stable funding (ASF)**					**61,997,597**

Template EU LIQ2: Net Stable Funding Ratio (2/2) – 12/31/2021

	(in currency amount)	12/31/2021				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					732,523
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	5,338,976	4,538,130
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		13,416,231	4,851,340	41,525,092	43,762,949
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		*1,699,638*	*230,447*	*487,480*	*614,633*
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*4,528,818*	*655,804*	*2,851,495*	*3,939,968*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*4,421,956*	*3,109,064*	*24,305,928*	*31,382,707*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		—	—	—	*5,284,008*
22	*Performing residential mortgages, of which:*		*334,269*	*303,670*	*5,670,913*	—
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*334,269*	*303,670*	*5,670,913*	—
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*2,431,549*	*552,355*	*8,209,275*	*7,825,641*
25	Interdependent assets		—	—	—	—
26	Other assets:		5,441,125	87,609	5,330,597	7,048,445
27	*Physical traded commodities*				—	—
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*667,951*	—	*125,176*	*674,159*
29	*NSFR derivative assets*		—			—
30	*NSFR derivative liabilities before deduction of variation margin posted*		*3,075,580*			*153,779*
31	*All other assets not included in the above categories*		*1,697,593*	*87,609*	*5,205,420*	*6,220,507*
32	Off-balance sheet items		1,117,889	336,107	7,306,660	447,758
33	**Total RSF**					**56,529,805**
34	**Net Stable Funding Ratio (%)**					**109.6724%**

Template EU LIQ2: Net Stable Funding Ratio (1/2) – 09/30/2021

	(in currency amount)	09/30/2021				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	Capital items and instruments	10,444,447	—	—	1,597,139	12,041,586
2	*Own funds*	*10,444,447*	—	—	*1,170,134*	*11,614,581*
3	*Other capital instruments*		—	—	*427,005*	*427,005*
4	Retail deposits		20,214,944	116,663	361,057	19,277,564
5	*Stable deposits*		*12,359,721*	*1,495*	*569*	*11,743,724*
6	*Less stable deposits*		*7,855,223*	*115,168*	*360,487*	*7,533,839*
7	Wholesale funding:		10,079,576	3,834,257	24,351,581	28,537,443
8	*Operational deposits*		—	—	—	—
9	*Other wholesale funding*		*10,079,576*	*3,834,257*	*24,351,581*	*28,537,443*
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	1,735,169	4,347,109	—	2,548,366	2,548,366
12	*NSFR derivative liabilities*	*1,735,169*				
13	*All other liabilities and capital instruments not included in the above categories*		*4,347,109*	—	*2,548,366*	*2,548,366*
14	**Total available stable funding (ASF)**					**62,404,959**

Template EU LIQ2: Net Stable Funding Ratio (2/2) – 09/30/2021

	(in currency amount)	09/30/2021				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					678,072
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	5,340,160	4,539,136
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		11,637,221	4,385,276	39,044,777	41,252,741
18	*Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut*		*2,187,089*	*138,224*	*487,480*	*626,913*
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*2,976,767*	*621,942*	*3,844,828*	*4,440,965*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*4,250,402*	*2,974,855*	*22,182,183*	*29,375,014*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		—	—	—	*5,139,933*
22	*Performing residential mortgages, of which:*		*329,536*	*324,322*	*5,464,211*	—
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*329,536*	*324,322*	*5,464,211*	—
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*1,893,427*	*325,932*	*7,066,074*	*6,809,849*
25	Interdependent assets		—	—	—	—
26	Other assets:		4,853,511	81,378	5,251,012	7,036,289
27	*Physical traded commodities*				—	—
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*618,348*	—	*141,053*	*645,491*
29	*NSFR derivative assets*		—			—
30	*NSFR derivative liabilities before deduction of variation margin posted*		*2,752,379*			*137,619*
31	*All other assets not included in the above categories*		*1,482,784*	*81,378*	*5,109,959*	*6,253,180*
32	Off-balance sheet items		1,119,665	209,329	7,223,869	436,139
33	**Total RSF**					**53,942,377**
34	**Net Stable Funding Ratio (%)**					**115.6882%**

As at 30 June 2022, the NSFR stood at 115.5%, much higher than the regulatory limit of 100%, albeit slightly below the level reported twelve months previously (116.3%).

The slight reduction is due to growth in securities lending (part of which is not highly liquid), in loans (mainly in Wholesale Banking), and in Consumer Banking. Conversely, the increase in stable funding (driven by the increased use of the TLTRO facilities and the substantial rise in Wealth Management and Retail Banking funds) was partly offset by the reduced percentage accounted for by the debt security component. This reduction was due to the natural decrease in the residual duration of the outstanding instrument. It should be noted that the NSFR is strongly impacted by both the debt security component, the TLTRO facilities, and the residual duration of both. The "loss of value" of the TLTRO funds for NSFR purposes, the average duration of which will decrease to less than one year initially and then six months thereafter, has raised a major issue in structuring the funding plan, including with a view to managing and planning the indicator.

Section 7 – Credit risk

7.1 General information

Qualitative information

The Banking Group[11] (or, the "Group") is distinguished by its prudent approach to risk, which is reflected in the fact that its NPL levels are among the lowest seen in the Italian national and European panorama.[12] Its management of non-performing loans also helps to keep the level of them on the books low, including the use of different options typically available, such as disposals (of both individual assets and portfolios), collateral enforcement activity, and negotiating restructuring agreements.

The Group uses a single definition for all the following instances: "default" as defined by the regulations on regulatory capital requisites; "non-performing", used for the supervisory reporting statistics; and Stage 3, or "credit-impaired", assets as defined by the accounting standards in force. In so doing, account has been taken of the provisions contained in the following documents: EBA Guidelines on the application of the definition of default (EBA/GL/2016/07), Commission Delegated Regulation (EU) 2018/171 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 purposes of the calculation);
- Cases in which the credit obligation has been sold, leading to material losses in relation to the credit risk;
- Distressed restructuring, i.e. restructuring the debt of a borrower who is in or is about to encounter difficulties in meeting their own financial obligations, that imply a significantly reduced financial obligation;

11 The following subsidiaries of Group companies are excluded from the prudential scope of application: Compass RE (reinsurance business), Ricerche e Studi, Compass Rent and MB Contact Solutions (other companies).
12 As at 30 June 2022 the Mediobanca Group had a Finrep Gross NPL ratio of 2.6%, well below the materiality level of 5%, an improvement on end-June 2021 (3.4%), and below the Italian average (source: EBA Risk Dashboard 1Q 2022 (AQT_3.2)).

- Cases of bankruptcy 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, exceeding 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 structured according to the individual Group companies which, depending on the specific monitoring processes adopted, may choose to deploy methods for recording non-performing positions that have not yet reached 90 days overdue, or based on automatic algorithms. Equally, the accounting treatment used for non-performing loans depends on the specific characteristics of the individual companies' businesses, based on individual analysis or identification of clusters of similar positions.

At the monitoring stage the possibility of writeoffs is also considered in cases where part or all of the credit cannot be recovered. Such positions are written off even before legal action to recover the financial asset has been completed, and does not necessarily entail waiving legal entitlement to recover the credit.

The regulators have intervened on several occasions in recent years, to ensure that NPL portfolios are managed accurately, by encouraging the financial sector to minimize their stocks and accelerate credit recovery activities. On 26 April 2019 the European Parliament published its update to Regulation EU No. 575/2013 (CRR) in the *Official Journal*, which included new rules to be applied to NPL coverage (known as "Calendar Provisioning") starting from loans granted after the date on which the new Regulation was issued. Under the Calendar Provisioning mechanism, non-performing loans must be written off in full at pre-established deadlines for supervisory reporting purposes.

Financial assets may be subject to contractual amendments based primarily on two different needs: to maintain a mutually satisfactory commercial relationship with clients, or to re-establish/improve the credit standing of a customer in financial difficulty, or about to become so, to help them meet the commitments they have entered into.

The former case, defined here as a commercial renegotiation, recurs at the point where the client might look to end the relationship, as a result of its own high credit standing 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 with a view to maintaining the relationship with the client by improving the commercial terms offered, without having to forfeit a satisfactory return on the risk

taken and in compliance with the general strategic objectives set (e.g. in terms of target customers).

The second case, which corresponds to the notion of forbearance measure, is detected in accordance with the specific regulations when contractual amendments are made, refinancing arrangements entered into, or when clauses provided for in the contract are exercised by the client.

For an exposure to be classified as forborne, the Group assesses whether or not such concessions (typically rescheduling expiry dates, suspending payments, refinancings or waivers to covenants) occur as a result of a situation of difficulty which can be traced to the accumulation, actual or potential (in the latter case if the 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 (e.g. whether the borrower has been made unemployed, cases of serious illness and/or divorce and separation). In line with the recommendations made by the European Central Bank in its Letter to Significant Institutions on 4 December 2020, assessment of the borrower's financial difficulties takes into account cases where market conditions have changed significantly in a way that could impact upon the borrower's ability to repay.

7.1.1 Description of methodologies used to calculate loan loss provisions

Under IFRS 9 "Financial Instruments", assets which are not recognized in the financial statements at fair value on a recurring basis (financial assets and liabilities recognized at amortized cost and off-balance-sheet exposures) must be tested for impairment based on expected losses.

The internal rating models are the baseline instrument for establishing the risk parameters to be used in calculating expected losses, subject to the regulatory indicators in particular 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 from the product of the PD, LGD and EAD metrics. The calculation is based on the outstanding duration of the instruments for which there has been a significant increase in credit risk ("Stage 2") or which show objective signs of impairment ("Stage 3"), and on a time horizon of twelve months for the instruments not included in the previous two categories ("Stage 1"). For off-balance-sheet exposures, credit conversion factors are used to calculate the expected losses, derived from application of the internal models; 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. As required by IFRS 9, a change in forward-looking twelve-month PD is used as the benchmark quantitative metric for identifying positions to be classified as Stage 2. The Group verifies that twelve-month PD is a reasonable proxy of increases in risk on a lifetime basis, and monitors the validity of this assumption over time. The change in PD selected to determine reclassification to Stage 2, and the qualitative elements observed, are specific to each Group company.

Both non-performing exposures and exposures for which the difficulties recorded 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, the minimum periods of time that an exposure can be assigned "forborne" status stipulated in the regulations in force on supervisory statistical reporting are reflected in the prudent transitions between Stages 1, 2 and 3. For instance, when concessions have been made in respect of exposures at Stage 2, the exposures in question cannot return to Stage 1 in less than two years, in line with the minimum duration 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 be returned to Stage 1 in less than three years, in line with the requirement for "non-performing forborne exposure" to retain this status for at least one year, followed (unless the non-performing status requires to be prolonged) by the minimum duration of two years 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, the monitoring to detect any new needs for exposures to transition back to Stages 2 or 3 is no different from the monitoring reserved to exposures which have not moved from Stage 1. Nonetheless, "forborne" exposures that have returned from Stage 3 to Stage 2 are subject to enhanced monitoring, for which, if there is a delay of more than thirty days in payment or if a new forbearance measure is applied, the exposure concerned returns immediately to Stage 3 on prudential grounds.

The provisioning reflects the sum of the expected credit losses (over a time horizon of twelve months, or using a lifetime approach,[13] depending on which stage it is classified in), discounted at the effective interest rate. The expected loss is the result of the combined valuation of three scenarios, one baseline and two alternative scenarios. The scenarios, determined at Group level, are revised at least once every six months. In particular, the Group defines the estimates for the scenarios, compiling the earnings variables by customizing an external macroeconomic model.

In particular, the current macroeconomic scenario reflects two important aspects that impact on the estimated provisioning at Group level:

— A natural reduction in the strong growth phase due to the recovery from the Covid-19 pandemic, accelerated by the simultaneous increase in inflationary pressures;

— The war in Ukraine, which among other things has generated major tensions in the energy and raw materials markets.

In view of the uncertainties caused by developments in the Ukraine conflict, the Group has defined alternative scenarios based on different underlying assumptions. In particular, in addition to the baseline scenario defined as "Inflation", two alternative scenarios have been identified, "Hard Landing" and "Stagflation", both of which are more conservative and based on differing expectations regarding the duration of the conflict in Ukraine and the development of the inflation scenario.

The weightings of the scenarios used to determine the ECLs have been set at 50% for the baseline scenario and 25% for the alternative scenarios; these levels have been established on a judgemental basis, as they are linked to the probability of occurrence for assumptions external to the macroeconomic system itself, which as such are impossible to quantify analytically on the basis of historical analysis.

In view of the uncertainties related to the situation regarding the pandemic, based on the appearance of new variants of the virus and the possibility of infection rates rising again accordingly, the Mediobanca Group has decided, in line with the policy adopted in recent years, to retain the additional provisions, or overlays, set aside in amounts higher than the estimated impairment charges deriving from application of the models. Such amounts have been determined based on specific aspects that are impossible to value using models.[14]

In order to calculate the ECLs, sensitivity analysis has also been carried out for alternative macroeconomic scenarios, in order to measure how forward-looking factors can influence the

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13 The lifetime approach considers the exposure's contractual expiry wherever possible. For products which have no contractual expiry date, such as credit cards, bills of exchange, uncommitted credit lines, current accounts or overdrafts on current account), the calculation is made based on a time horizon of twelve months.
14 The approach adopted is consistent with the guidance which the ECB has provided to banks in the course of recent months, for example in its letter dated 1 April 2020 ("IFRS 9 in the context of the coronavirus (COVID-19) pandemic") and its letter dated 4 December 2020 ("Identification and measurement of credit risk in the contex of the coronavirus (COVID-19) pandemic").

expected losses in different scenarios based on consistent estimates of how different macroeconomic factors are likely to develop. This is because the potentially infinite number of interrelations between individual microeconomic factors means that sensitivity analysis of expected losses based on a single macroeconomic factor are relatively insignificant.

In particular, the impact of applying risk parameters obtained by adopting three alternative scenarios used in the weighted calculation of the ECL has been estimated. The analysis covered the performing exposures in the Group's largest portfolios: the Wholesale loan book of Mediobanca S.p.A. and Mediobanca International, the Mediobanca Private Banking portfolio, the CheBanca! mortgage loan book, consumer credit in Compass, factoring for MBFACTA, leasing for SelmaBipiemme, plus the CMB Monaco portfolio. The impact deriving from adoption of the base Inflation scenario (probability of occurrence 100%) results in an €23.4m reduction in ECL (4.8% of the ECL pre-overlay and 3.2% post-overlay). By contrast, adoption of the Hard-Landing scenario (probability of occurrence 100%) results in an increase in the ECL of approx. €10.0m (2.0% of the ECL pre-overlay and 1.4% of the ECL post-overlay). Adoption of the Stagflation scenario (probability of occurrence 100%), meanwhile, generates an increase in the ECL of approx. €31.7m (6.5% of the ECL pre-overlay and 4.4% of the ECL post-overlay). Of these impacts, roughly 65% is attributable to Consumer Banking, and just over 25% to the Wholesale Banking portfolio (with slightly different percentages in the three scenarios). The analysis shows that the use of overlays adequately neutralizes the effects of possible volatility in the macroeconomic scenario.

7.1.2 Details by business segment

Corporate lending

The Group's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. At the analysis stage, all relevant documentation is obtained in order to appraise the borrower's credit standing and define the appropriate remuneration for the risk being assumed. The analysis also includes an assessment of the duration and amount of the loans being applied for, the provision of appropriate guarantees, and the use of covenants in order to prevent deteriorations in the counterparty's credit rating.

With reference to the correct application of Credit Risk Mitigation techniques, specific activities are implemented to define and meet all the requirements to ensure that the collateral and financial guarantees have the maximum mitigating effects on the exposures.

For the assumption of credit risk, all counterparties are analysed and assigned an internal rating, assigned by the Risk Management unit on the basis of internal models which takes into account the specific quantitative and qualitative characteristics of the counterparty concerned. Proposed transactions are also subject to the application of LGD models where appropriate.

Loans originated by the business divisions are assessed by the Risk Management unit and regulated in accordance with the powers deliberated and the policy for managing most significant transactions, through the 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 limits 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 for the performing portfolio. For individual provisioning, valuations based on discounted cash flows and balance-sheet multiples are applied to businesses which constitute going concerns, while asset valuations are used for companies in liquidation. For provisioning in respect of performing loans, the PD parameters are obtained starting from through-the-cycle matrices used to develop the internal rating model, which are then converted to point-in-time versions. The LGD readings are calculated based on the modelling used for the regulatory calculation, with the downturn effect removed. The forward-looking component of the models is factored in by applying the macroeconomic scenarios defined internally to the risk indicators.

In terms of monitoring the performance of individual credit exposures, Mediobanca has adopted an early warning methodology to identify a list of counterparties (known as the "watchlist") requiring in depth analysis on account of their potential or manifest 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" for watchlist purposes. All forborne positions are subject to specific monitoring, and revisions to the classification of single names are also possible, based on internal decisions supported by individual analysis.

Leasing

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. Sub-standard accounts 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 inter alia the value of the assets resulting from regularly updated expert valuations, revised downwards on a prudential basis, and/or 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. The LGD estimates for the exposures differ according to type of product (vehicle leasing, core goods, yachts and property), and are subjected to the same macroeconomic scenarios defined internally to obtain forward-looking data.

In terms of criteria for reclassification of leases to Stage 2, in addition to the positions identified using the quantitative criterion of an increase in the PD, the evidence obtained from the Parent Company's watchlist for corporate clients is used as qualitative information.

Consumer credit

Consumer credit operations are performed primarily by Compass Banca, 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, for increasing

combinations of amount and expected loss, approval is required by the relevant bodies at headquarters, in accordance with the authorization levels established by the Board of Directors.

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, or legal recovery action. After six unpaid instalments (or four unpaid instalments in particular cases, such as credit cards), accounts are held to be officially in default, and 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 the PD and LGD parameters and for purposes of calculating the lifetime losses, through-the-cycle transition matrices are used. The matrices have been calculated separately by product type, according to the specific internal management process involved (e.g. credit cards, special purpose loans, low-risk personal loans, high-risk personal loans, small tickets and salary-backed finance to public entities, private individuals or pensioners). Once the parameters unaffected by recent historical evidence have been obtained, the forward-looking component is factored in using specific macroeconomic models based on scenarios internal to the Group and recent trends in internal default rates.

In consumer credit, in addition to the quantitative criterion based on changes in the PD, specific quality indicators are used to classify exposures as Stage 2, such as the existence of suspension measures, the existence of other non-performing accounts for the same borrower, and evidence of irregularities in payment in the recent past.

Positions for which moratoria have been granted in connection with Covid-19 or imposed by law (as in the case of flood damage) form an exception to the general rule whereby the existence of suspension measures would automatically lead to a position being classified as Stage 2. For such positions, a quantitative criterion has been introduced instead, namely a change in the PD (SICR), applied to all exposures that have undergone a change in their rating compared to origination; as from the start of this financial year, there are no new positions with suspensions due to Covid-19 moratoria, so all new suspensions will be classified directly as Stage 2.[15]

The Compass PD rating model is highly sensitive to the absence of payments (either due to non-payment or suspensions during the last 12 months), leading to an increase in the PD and hence a

15 Where contractual amendments have been made in relation to a loan loss or for which the conditions for a distressed restructuring to be identified under the EBA Guidelines (EBA-GL-2016-17) apply, the more conservative classification criteria are applied and the position is classified as Stage 3.

significant migration to Stage 2 also for suspensions regardless of their nature and without distinction in terms of SICR criteria between suspension types.

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 due statistical analysis of the accounts being sold, and takes into consideration the projected recoveries, costs and 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 Mediobanca S.p.A. as part of its corporate business, the parameters set in the parent company's process apply. The evidence obtained from the parent company's watchlist for corporate clients is also used as qualitative information for allocation to Stage 2, which includes counterparties classified as "amber" or "red".

NPL business

This business is performed by MBCredit Solutions, which operates on the NPLs market, acquiring non-performing loans on a no recourse basis at a price well below the nominal value. Credit risk is managed by a series of consolidated regulations, structures and instruments in line with the Group policies. The company pursues the objective of splitting up the client portfolio according to selective criteria which are consistent with the objectives in terms of capital and risk/return indicated to it by Mediobanca S.p.A.

The purchase price for the 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

margins. At each annual or interim reporting date the amounts expected to be collected for each individual position are compared systematically with the amounts actually collected. If losses are anticipated at the operating stages, the collection is adjusted downwards on an individual basis. If there is objective evidence of possible losses of value due to the future cash flows being overestimated, the flows are recalculated and adjustments charged as difference between the scheduled value at the valuation date (amortized cost) and the discounted value of the cash flows expected, which are calculated by applying the original effective interest rate. The estimated cash flows take account of the expected collection times, the assumed realizable value of any guarantees, and the costs which it is considered will have to be incurred in order to recover the credit exposure.

Private Banking

Private banking operations include granting loans as a complementary activity in serving affluent, high net worth and institutional clients, with the aim of providing them with wealth management and asset management services. Exposure to credit risk versus clients takes various forms, such as cash loans (by granting credit on current account or through short-, medium- or long-term loans), authorizing overdrafts on current account, endorsements, mortgages and credit limits on credit cards.

Loans themselves are normally backed by collateral or guarantees (pledges over the client's financial instruments, assets under management or administration, 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, with approval by the appointed bodies according to the level of risk being assumed based on the size of the loan, guarantees/collateral and the type of finance involved. Such loans are reviewed on a regular basis (at least annually).

Provisioning for all non-performing contracts is made on an individual basis, and takes into account the value of the collateral. Provisions set aside in respect of the performing loan book are based on the estimated PD and LGD values supplied by external providers, distinguished by counterparty and whether or not there are guarantees. The LGD values used differ according on the type of collateral and guarantees involved. The evidence obtained from the parent company's watchlist for corporate clients is also used as qualitative information for reclassification to Stage 2, which includes counterparties classified as "amber" or "red".

Mortgage lending

Mortgage lending is provided primarily by CheBanca!, and processing and approval exposures in this area are performed centrally at head office. 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. Risks are monitored on a monthly basis, ensuring the company's loan book is regularly assessed.

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 regular and irregular, 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, to ensure that the necessary corrective action can be taken versus the credit policies.

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 requires that 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, based on internal or external information (e.g. central databases, public and/or private), the unit responsible assesses should be classified as unlikely to pay. Exposures are classified as bad loans once the ineffectiveness of the recovery actions has been ascertained.

Exposures for which concessions have been granted are defined as forborne exposures, i.e. exposures subject to tolerance measures, performing or non-performing for which CheBanca! grants amendments to the original terms and conditions of the contract in the event of the borrower finding itself in a state (proven or assumed) of financial difficulty, by virtue of which it is considered to be unlikely to be able to meet its borrowing obligations fully or regularly.

A structured process has been defined for positions for which Covid-related moratoria have been granted, which involves active management through specific monitoring in order to ensure any potential risk signals are picked up promptly. "Enhanced" monitoring is also activated for positions for which at least one form of Covid-related aid has been granted which have recorded an instance of non-payment, or for which further assistance has been applied for, and are assessed

as "risky" by the Credit Monitoring and Recovery Division. More prudential coverage has been applied to these positions.

Provisioning is determined analytically for bad loans and based on clusters of similar positions for unlikely to pay, other overdue and performing accounts. The analytical provision for bad loans takes account of expert valuations of the assets (deflated on a prudential basis) as well as the timing and costs of the recovery process. The PD parameters are obtained starting from through-the-cycle matrices used to develop the internal model, which are then converted to point-in-time versions. The forward-looking component is factored in by applying the macroeconomic scenarios defined internally to the PD estimates. The LGD parameters are calculated based on the modelling used for the regulatory calculation, with the downturn effect removed. The inclusion of forward-looking elements in this case is based on satellite models applied to the macroeconomic scenarios defined internally.

For purposes of classifying mortgage loans as Stage 2, a qualitative identification criterion is used, which is whether the loan in question has been assigned worst internal rating class prior to default.

7.1.3 Exposure to sovereign credit risk

The banking book securities portfolio is worth a total of €6.2bn and chiefly consists of financial instruments with Italy country risk (63%, or €3.9bn); the remainder is invested in German government securities (19%) plus a further 18% in bonds issued by the French and US governments. The average expiry of the portfolio is four years, while the duration is lower, at three years.

The trading book consists of securities involved in short selling (that is to say, the sale of a security without owing the asset), conventionally indicated with the minus sign. These include exposures to German and French debt as part of secured funding transactions, i.e. funding raised by the entity from the spot sale of another entity's instrument via an unsecured securities stock lending transaction.

Quantitative information

Template EU CR1 - Performing and non-performing exposures and related provisions (1/3)

		a	b	c	d	e	f
		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
			of which stage 1*	of which stage 2 *		of which stage 2	of which stage 3 **
005	Cash balances at central banks and other demand deposits	8,755,088	8,755,087	—	—	—	—
010	Loans and advances	55,563,838	51,631,519	3,415,146	1,687,602	—	1,316,056
020	*Central banks*	—	—	—	—	—	—
030	*General governments*	657,111	648,210	8,901	2,282	—	2,282
040	*Credit institutions*	2,693,313	2,693,313	—	—	—	—
050	*Other financial corporations*	5,937,166	5,390,548	29,445	16,533	—	9,560
060	*Non-financial corporations*	18,877,442	18,172,901	704,540	269,268	—	198,889
070	*of which SMEs*	*1,145,236*	*1,050,351*	*94,885*	*136,690*	—	*72,308*
080	*Households*	*27,398,806*	*24,726,547*	*2,672,260*	*1,399,519*	—	*1,105,325*
090	Debt securities	8,316,347	8,225,561	90,253	809	—	809
100	*Central banks*	—	—	—	—	—	—
110	*General governments*	6,187,231	6,187,157	—	809	—	809
120	*Credit institutions*	500,597	500,597	—	—	—	—
130	*Other financial corporations*	1,355,733	1,334,188	21,086	—	—	—
140	*Non-financial corporations*	272,786	203,619	69,167	—	—	—
150	Off-balance-sheet exposures	15,816,528	15,414,733	224,648	3,059	—	2,759
160	*Central banks*	—	—	—	—	—	—
170	*General governments*	2,724,900	2,724,900	—	—	—	—
180	*Credit institutions*	48,581	48,103	—	—	—	—
190	*Other financial corporations*	2,016,883	1,874,500	81,185	—	—	—
200	*Non-financial corporations*	8,245,360	8,093,833	116,402	889	—	889
210	*Households*	2,780,804	2,673,397	27,061	2,170	—	1,870
220	**Total as at 30 June 2022**	**88,451,801**	**84,026,900**	**3,730,047**	**1,691,470**	**—**	**1,319,624**
	Total as at 30 June 2021	**77,888,409**	**72,963,544**	**4,053,097**	**1,984,101**	**—**	**1,593,363**

Template EU CR1 - Performing and non-performing exposures and related provisions (2/3)

		g	h	i	j	k	l
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			of which stage 1*	of which stage 2 *		of which stage 2	of which stage 3 **
005	Cash balances at central banks and other demand deposits	(290)	(290)	—	—	—	—
010	Loans and advances	(687,748)	(305,258)	(382,490)	(952,583)	—	(936,261)
020	*Central banks*	—	—	—	—	—	—
030	*General governments*	(6,047)	(940)	(5,107)	(879)	—	(879)
040	*Credit institutions*	(306)	(306)	—	—	—	—
050	*Other financial corporations*	(10,136)	(9,440)	(696)	(11,936)	—	(5,300)
060	*Non-financial corporations*	(89,350)	(55,379)	(33,971)	(118,139)	—	(117,522)
070	*of which SMEs*	(10,303)	(5,446)	(4,857)	(36,972)	—	(36,355)
080	*Households*	(581,909)	(239,193)	(342,716)	(821,629)	—	(812,560)
090	Debt securities	(15,553)	(10,986)	(4,567)	(809)	—	(809)
100	*Central banks*	—	—	—	—	—	—
110	*General governments*	(1,860)	(1,860)	—	(809)	—	(809)
120	*Credit institutions*	(4,308)	(4,308)	—	—	—	—
130	*Other financial corporations*	(4,881)	(3,395)	(1,486)	—	—	—
140	*Non-financial corporations*	(4,504)	(1,423)	(3,081)	—	—	—
150	Off-balance-sheet exposures	24,104	19,553	4,014	160	-	160
160	*Central banks*	—	—	—	—	—	—
170	*General governments*	54	54	—	—	—	—
180	*Credit institutions*	—	—	—	—	—	—
190	*Other financial corporations*	1,871	710	1,161	—	—	—
200	*Non-financial corporations*	14,266	11,783	2,483	47	—	47
210	*Households*	7,913	7,006	370	113	—	113
220	**Total as at 30 June 2022**	**(727,695)**	**(336,087)**	**(391,071)**	**(953,552)**	**—**	**(937,230)**
	Total as at 30 June 2021	**(699,763)**	**(327,901)**	**(371,565)**	**(1,037,514)**	**—**	**(1,030,514)**

* It should be noted that the Template shown above does not include, with reference to the performing exposures classified as Stage 1 and Stage 2, receivables with an aggregate gross value of €694.8m and cumulative value reductions of €537,000, involving financial assets measured at fair value.

** The Template shown above does not include, with reference to the non-performing exposures classified as Stage 3, receivables with an aggregate gross value of €11.3m (cumulative value reductions of €6.6m), involving financial assets measured at fair value, and €360.3m (€9.7m in value adjustments) in non-performing financial assets acquired or originated.**

Template EU CR1 - Performing and non-performing exposures and related provisions (3/3)

		m	n	o
		Accumulated partial write-off	Collateral and financial guarantees received	
			On performing exposures	On non-performing exposures
005	Cash balances at central banks and other demand deposits	—	—	—
010	Loans and advances	(4,312)	23,345,667	183,165
020	*Central banks*	—	—	—
030	*General governments*	—	163	5
040	*Credit institutions*	—	2,148,559	—
050	*Other financial corporations*	—	3,176,796	4,234
060	*Non-financial corporations*	(4,272)	4,891,430	63,609
070	*of which SMEs*	(720)	894,887	38,587
080	*Households*	(40)	13,128,719	115,317
090	Debt securities	—	—	—
100	*Central banks*	—	—	—
110	*General governments*	—	—	—
120	*Credit institutions*	—	—	—
130	*Other financial corporations*	—	—	—
140	*Non-financial corporations*	—	—	—
150	Off-balance-sheet exposures		2,223,107	1,916
160	*Central banks*		—	—
170	*General governments*		—	—
180	*Credit institutions*		—	—
190	*Other financial corporations*		258,495	—
200	*Non-financial corporations*		1,108,064	442
210	*Households*		856,548	1,474
220	**Total as at 30 June 2022**	**(4,312)**	**25,568,774**	**185,081**
	Total as at 30 June 2021	**(5,681)**	**26,515,863**	**290,973**

Template EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	3,754,177	8,248,894	23,704,032	19,903,168	838	55,611,109
2	Debt securities	—	2,020,213	3,676,454	2,573,376	30,751	8,300,794
3	**Total as at 30 June 2022**	**3,754,177**	**10,269,107**	**27,380,486**	**22,476,544**	**31,589**	**63,911,903**

Template EU CR2 - Changes in the stock of non-performing loans and advances

		06/30/2022
		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**1,981,250**
020	Inflows to non-performing portfolios	559,325
030	Outflows from non-performing portfolios	(852,164)
040	Outflow due to write-off	(130,591)
050	Outflow due to other situations	(721,573)
060	**Final stock of non-performing loans and advances**	**1,688,411**

It should be noted that the above table has been obtained from Finrep Tables F18.00 Performing and non-performing exposures and F18.1 Inflows and outflows of non-performing exposures – loans and advances by counterparty sector. The table refers exclusively to loans and advances and does not include assets being sold or debt securities.

Template EU CR2a - Changes in the stock of non-performing loans and advances and related net accumulated recoveries

Table not applicable for Mediobanca as the NPL ratio < 5%.

Template EU CQ1 - Credit quality of forborne exposures (1/2)

		a	b	c	d
		Gross carrying amount/nominal amount of exposures with forbearance measures			
		Performing forborne	Non-performing forborne		
				of which defaulted	of which impaired
005	Cash balances at central banks and other demand deposits	—	—	—	—
010	Loans and advances	735,490	547,774	547,774	536,497
020	*Central banks*	—	—	—	—
030	*General governments*	—	—	—	—
040	*Credit institutions*	—	—	—	—
050	*Other financial corporations*	19,450	10,731	10,731	4,095
060	*Non-financial corporations*	213,775	143,863	143,863	139,222
070	*Households*	502,265	393,180	393,180	393,180
080	Debt securities	—	—	—	—
090	Loan commitments given	32,969	—	—	—
100	**Total as at 30 June 2022**	**768,459**	**547,774**	**547,774**	**536,497**
	Total as at 30 June 2021	**820,861**	**669,898**	**669,898**	**663,262**

Template EU CQ1 - Credit quality of forborne exposures (2/2)

		e	f	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		On performing forborne exposures	On non-performing forborne exposures		of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	—	—	—	—
010	Loans and advances	(65,878)	(367,283)	597,343	88,526
020	*Central banks*	—	—	—	—
030	*General governments*	—	—	—	—
040	*Credit institutions*	—	—	—	—
050	*Other financial corporations*	(601)	(8,776)	20,740	1,955
060	*Non-financial corporations*	(10,908)	(83,121)	222,637	38,832
070	*Households*	(54,369)	(275,386)	353,966	47,739
080	Debt securities	—	—	—	—
090	Loan commitments given	787	—	6,571	—
100	**Total as at 30 June 2022**	**(66,665)**	**(367,283)**	**603,914**	**88,526**
	Total as at 30 June 2021	**(63,880)**	**(382,353)**	**714,548**	**158,027**

Template EU CQ2 - Quality of forbearance

Table not applicable for Mediobanca as NPL ratio < 5%.

Template EU CQ3 - Credit quality of performing and non performing exposures by past due days (1/2)

		a	b	c	d
		Gross carrying amount/nominal amount			Gross carrying amount/nominal amount
		Performing exposures			Non-performing exposures
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	
005	Cash balances at central banks and other demand deposits	8,755,088	8,755,088	—	—
010	Loans and advances	55,563,838	55,422,801	141,037	1,687,602
020	*Central banks*	—	—	—	—
030	*General governments*	657,111	649,423	7,688	2,282
040	*Credit institutions*	2,693,313	2,693,313	—	—
050	*Other financial corporations*	5,937,166	5,927,381	9,785	16,533
060	*Non-financial corporations*	18,877,442	18,850,033	27,409	269,268
070	*of which SMEs*	1,145,236	1,140,347	4,889	136,690
080	*Households*	27,398,806	27,302,651	96,155	1,399,519
090	Debt securities	8,316,347	8,316,347	—	809
100	*Central banks*	-	-	—	—
110	*General governments*	6,187,231	6,187,231	—	809
120	*Credit institutions*	500,597	500,597	—	—
130	*Other financial corporations*	1,355,733	1,355,733	—	—
140	*Non-financial corporations*	272,786	272,786	—	—
150	Off-balance-sheet exposures	15,816,528			3,059
160	*Central banks*	—			—
170	*General governments*	2,724,900			—
180	*Credit institutions*	48,581			—
190	*Other financial corporations*	2,016,883			—
200	*Non-financial corporations*	8,245,360			889
210	*Households*	2,780,804			2,170
220	**Total as at 30 June 2022**	**88,451,801**	**72,494,236**	**141,037**	**1,691,470**
	Total as at 30 June 2021	**77,888,409**	**62,844,019**	**115,510**	**1,984,101**

Template EU CQ3 - Credit Quality of performing and non-performing exposures by past due days (2/2)

		e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount							
		Non-performing exposures							
		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which defaulted
005	Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
010	Loans and advances	429,871	108,441	168,313	202,853	635,978	68,173	73,973	1,687,602
020	*Central banks*	—	—	—	—	—	—	—	—
030	*General governments*	1,132	49	39	252	640	37	133	2,282
040	*Credit institutions*	—	—	—	—	—	—	—	—
050	*Other financial corporations*	104	10	1,502	37	12,703	16	2,161	16,533
060	*Non-financial corporations*	112,645	11,351	15,844	20,682	92,663	3,801	12,282	269,268
070	*of which SMEs*	23,544	6,939	13,020	13,874	73,904	2,119	3,290	136,690
080	*Households*	315,990	97,031	150,928	181,882	529,972	64,319	59,397	1,399,519
090	Debt securities	809	—	—	—	—	—	—	809
100	*Central banks*	—	—	—	—	—	—	—	—
110	*General governments*	809	—	—	—	—	—	—	809
120	*Credit institutions*	—	—	—	—	—	—	—	—
130	*Other financial corporations*	—	—	—	—	—	—	—	—
140	*Non-financial corporations*	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures								3,059
160	*Central banks*								—
170	*General governments*								—
180	*Credit institutions*								—
190	*Other financial corporations*								—
200	*Non-financial corporations*								889
210	*Households*								2,170
220	**Total as at 30 June 2022**	**430,680**	**108,441**	**168,313**	**202,853**	**635,978**	**68,173**	**73,973**	**1,691,470**
	Total as at 30 June 2021	**565,820**	**116,649**	**214,258**	**287,536**	**646,613**	**63,651**	**86,723**	**1,984,101**

Template EU CQ4 - Quality of non-performing exposures by geography (1/2)

		a	b	c	d
		Gross carrying/nominal amount			
			of which: non-performing		of which: subject to impairment
				of which: defaulted	
010	**On-balance-sheet exposures**	**65,568,596**	**1,688,411**	**1,688,411**	**65,039,613**
020	Italy	48,381,019	1,601,421	1,601,421	47,857,210
030	France	3,114,795	57,779	57,779	3,114,794
040	United States of America	2,346,902	613	613	2,346,902
050	Germany	2,279,075	120	120	2,279,075
060	UK	1,806,356	5,048	5,048	1,806,357
070	Monaco	1,725,609	11,908	11,908	1,725,609
080	Other Countries	5,914,840	11,522	11,522	5,909,666
090	**Off-balance-sheet exposures**	**15,819,587**	**3,059**	**3,059**	
100	Italy	8,709,033	3,059	3,059	
110	France	1,435,487	—	—	
120	United States of America	592,916	—	—	
130	Germany	165,278	—	—	
140	UK	496,419	—	—	
150	Monaco	498,649	—	—	
160	Other Countries	3,921,805	—	—	
170	**Total as at 30 June 2022**	**81,388,183**	**1,691,470**	**1,691,470**	**65,039,613**
	Total as at 30 June 2021	**76,482,554**	**1,984,101**	**1,984,101**	**60,823,883**

Template EU CQ4 - Quality of non-performing exposures by geography (2/2)

		e	f	g
		Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on nonperforming exposures
010	**On-balance-sheet exposures**	**(1,650,057)**		**(6,636)**
020	Italy	(1,553,895)		(6,636)
030	France	(46,053)		—
040	United States of America	(16,182)		—
050	Germany	(3,282)		—
060	UK	(7,352)		—
070	Monaco	(1,183)		—
080	Other Countries	(22,110)		—
090	**Off-balance-sheet exposures**		**(24,264)**	
100	Italy		(15,108)	
110	France		(2,209)	
120	United States of America		(496)	
130	Germany		(1,380)	
140	UK		(1,009)	
150	Monaco		(93)	
160	Other Countries		(3,876)	
170	**Total as at 30 June 2022**	**(1,650,057)**	**(24,264)**	**(6,636)**
	Total as at 30 June 2021	**(1,703,050)**	**(27,155)**	**(6,636)**

Template EU CQ5 - Credit quality of loans and advances by industry

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	29,721	1,554	1,554	29,721	(1,074)	—
020	Mining and quarrying	115,075	350	350	115,075	(122)	—
030	Manufacturing	4,856,458	29,226	29,226	4,856,458	(43,226)	—
040	Electricity, gas, steam and air conditioning supply	1,187,180	258	258	1,187,180	(2,849)	—
050	Water supply	87,550	1,613	1,613	87,550	(1,154)	—
060	Construction	748,237	25,164	25,164	748,237	(12,616)	—
070	Wholesale and retail trade	1,590,581	87,483	87,483	1,590,581	(59,891)	—
080	Transport and storage	900,595	7,442	7,442	900,595	(6,415)	—
090	Accommodation and food service activities	160,489	6,684	6,684	160,489	(5,027)	—
100	Information and communication	1,511,217	12,242	12,242	1,511,217	(12,613)	—
110	Financial and insurance activities	1,516,993	302	302	1,516,993	(8,846)	—
120	Real estate activities	1,649,399	52,454	52,454	1,649,399	(30,252)	—
130	Professional, scientific and technical activities	3,033,922	4,909	4,909	3,033,922	(11,042)	—
140	Administrative and support service activities	1,329,605	8,160	8,160	1,329,605	(7,049)	—
150	Public administration and defence, compulsory social security	—	—	—	—	—	—
160	Education	3,366	237	237	3,366	(125)	—
170	Human health services and social work activities	155,093	5,447	5,447	150,452	(2,018)	—
180	Arts, entertainment and recreation	58,865	1,983	1,983	58,865	(674)	—
190	Other services	212,363	23,760	23,760	212,363	(2,496)	—
200	**Total as at 30 June 2022**	**19,146,709**	**269,268**	**269,268**	**19,142,068**	**(207,489)**	**—**
	Total as at 30 June 2021	**16,706,689**	**410,406**	**410,406**	**16,695,941**	**(258,701)**	**—**

Template EU CQ6 - Collateral valuation – loans and advances

Table not applicable for Mediobanca as NPL ratio < 5%.

Template EU CQ7- Collateral obtained by taking possession and execution processes

	06/30/2022		06/30/2021	
	a	b	a	b
	Collateral obtained by taking possession		Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
010 Property, plant and equipment (PP&E)	76	(5)	76	(3)
020 Other than PP&E	61,270	(19,892)	65,854	(19,235)
030 *Residential immovable property*	—	—	—	—
040 *Commercial Immovable property*	61,270	(19,892)	65,854	(19,235)
050 *Movable property (auto, shipping, etc.)*	—	—	—	—
060 *Equity and debt instruments*	—	—	—	—
070 *Other collateral*	—	—	—	—
080 Total	**61,346**	**(19,897)**	**65,930**	**(19,238)**

Template EU CQ8 - Collateral obtained by taking possession and execution processes - vintage breakdown

Table not applicable for Mediobanca as NPL ratio < 5%.

Exposures for which moratoria have been granted

The EBA Guidelines (EBA/GL/2020/07) came into force in June 2020 to provide consistent monitoring at EU level of the moratoria granted by financial institutions to support clients in response to the crisis unleashed by the Covid-19 pandemic. To this end, the guidelines require institutions to publish reporting once every six months on the following:

- Loans subject to legislative and non-legislative moratoria on loan payments applied in the light of the Covid-19 crisis (EBA/GL/2020/02);
- Loans subject to forbearance measures applied as a result of the Covid-19 crisis;
- New loans guaranteed by the state or another public entity.

The three new tables based on the models provided in Annex 3 of the EBA Guidelines (EBA 2020/07) are shown below.

The EBA Guidelines set out the criteria according to which moratoria are classified as "general payment moratoria" and the correct prudential treatment for the exposures subject to them, both legislative and non-legislative. They clarify in particular that the granting of a moratorium does not automatically trigger reclassification of an exposure as forborne (whether performing or non-performing), unless the exposure was already classified as such before the moratorium was granted.

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

As at 30 June 2021 there were no longer any moratoria outstanding qualifying as "EBA compliant".[16]

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (1/2)

		a	b	c	d
		Number of obligors	Gross carrying amount		
				of which: legislative moratoria	of which: expired
1	Loans and advances for which moratorium was offered	66,496	1,539,429		
2	Loans and advances subject to moratorium (granted)	58,995	1,465,603	853,170	1,465,603
3	of which: Households		1,008,389	409,376	1,008,389
4	of which: Collateralised by residential immovable property		525,288	375,239	525,288
5	of which: Non-financial corporations		454,857	441,518	454,857
6	of which: Small and Medium-sized Enterprises		320,280	314,728	320,280
7	of which: Collateralised by commercial immovable property		306,529	294,215	306,529

16 Since the original version of the EBA Guidelines was issued on 2 April 2020, the changes made to the prudential framework on 2 December 2020 extended the period within which "EBA-compliant" moratoria could be originated until 31 March 2021, but also introduced the restriction whereby clients which had benefited from a total of nine months or more suspension of their repayments were excluded.

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (2/2)

		e	f	g	h	i
		Gross carrying amount				
		Residual maturity of moratoria				
		<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered					
2	Loans and advances subject to moratorium (granted)	—	—	—	—	—
3	of which: Households	—	—	—	—	—
4	of which: Collateralised by residential immovable property	—	—	—	—	—
5	of which: Non-financial corporations	—	—	—	—	—
6	of which: Small and Medium-sized Enterprises	—	—	—	—	—
7	of which: Collateralised by commercial immovable property	—	—	—	—	—

Since the start of the Covid-19 emergency, the Mediobanca Group has granted moratoria qualifying as "EBA compliant" in connection with the legal and/or sector initiatives on loans worth a total amount of €1,466m. At end-June 2022, all the exposures concerned had reached the end of the payment suspension period, or were otherwise no longer governed by any form of suspension that conforms to the EBA requisites.

At end-June 2022 loans for which suspensions were still applicable, including also those for which the moratoria reached their term by the same date but for which payment will recommence in the subsequent months based on their repayment schedules, amount to €22.4m, €18.3m governed by the "Cura Italia" Decree as amended.

Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

The table below shows an overview of the stock of newly-originated loans supported by government-issued guarantees introduced to help companies address the crisis situation generated by the Covid-19 pandemic.

		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	**123,947**	**—**	**107,978**	**104**
2	of which: Households	19,217			104
3	of which: Collateralised by residential immovable property	—			—
4	of which: Non-financial corporations	104,726	—	—	—
5	of which: Small and Medium-sized Enterprises	15,798			—
6	of which: Collateralised by commercial immovable property	—			—

As at end-June 2022, new loans granted via the public guarantee mechanisms introduced amounted to €124m, and mainly refer to the Parent Company's operations (four loans disbursed with SACE backing under the terms of the "Liquidity" decree, worth €86m). Other deals supported by guarantees involve CheBanca! as to €31m (granted to Italian businesses and self-employed/freelance professionals under the terms of the "Liquidity" Decree), CMB Monaco as to €2m (which has received government support for a total of eight corporate clients), and SelmaBipiemme as to €5m (granted to SMEs under the "Liquidity" Decree). Virtually all the government-backed guarantees are included in the "Over 2 years" category, and chiefly regard firms operating in the manufacturing and services sectors.

Template EU CR10 – Specialized lending and equity exposures under the simple risk-weighted approach

Tables EU CR10.1, EU CR10.2, EU CR10.3, EU CR10.4 and EU CR10.5 are not stated as the Mediobanca Group at 30 June 2022 had no such exposures on its books.

7.2 ECAIS

Qualitative information

Mediobanca uses the following ECAIs in order to determine risk weightings in connection with the standardized method [17]):

— Moody's Investors Service;

— Standard & Poor's Rating Services;

— Fitch Ratings.

he books for which Mediobanca uses official ratings are listed below, along with the agencies which issue the ratings and the rating's characteristics:

Book	ECAIS	Rating characteristics (*)
Exposures to central administrations and central banks	*Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings*	*Solicited/Unsolicited*
Exposures to international organizations	*Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings*	*Solicited/Unsolicited*
Exposures to multilateral development banks	*Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings*	*Solicited/Unsolicited*
Exposures to companies and other entities	*Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings*	*Solicited/Unsolicited*
Exposures to undertakings for collective investments in transferable securities (UCITS)	*Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings*	*Solicited/Unsolicited*
Positions in securitizations with short-term ratings	*Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings*	
Positions in securitizations other than those with short-term ratings	*Moody's Investors Service Standard & Poor's Rating Services Fitch Ratings*	

* "Solicited ratings" are ratings issued following a request by the entity being rated and in return for a fee.

17 External Credit Assessment Institution.

Quantitative information

Template EU CR4 - Standardized approach - Credit Risk Exposure and CRM effects

	Exposures class	Exposures before CCF and CRM		Exposures before CCF and CRM		RWAs and RWA density	
		On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWAs	RWA density
		a	b	c	d	e	f
1	Central governments or central banks	13,963,927	407,088	15,106,462	417,992	19,379	0.1248 %
2	Regional governments or local authorities	307	—	307	—	61	20.0000 %
3	Public sector entities	352,841	9	352,841	2	191,299	54.2166 %
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—
6	Institutions	2,377,928	2,403,362	1,856,124	172,387	841,851	41.5009 %
7	Corporates	9,139,536	2,044,145	6,944,258	698,183	6,748,860	88.3076 %
8	Retail	14,834,395	2,477,221	14,421,002	367,057	10,329,363	69.8494 %
9	Secured by mortgages on immovable property	1,335,285	63,679	1,319,049	31,712	498,499	36.9050 %
10	Exposures in default	635,633	2,347	621,186	772	817,837	131.4939 %
11	Higher-risk categories	2,662	107,019	2,662	107,019	164,522	150.0000 %
12	Covered bonds	75,230	—	75,230	—	7,523	10.0000 %
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	collective investments undertakings	669,191	1,173	669,191	1,173	1,179,369	175.9296 %
15	Equity	2,668,963	—	2,666,091	—	8,173,359	306.5672 %
16	Other items	1,981,867	46	1,981,867	9	1,816,091	91.6349 %
17	**Total as at 30 June 2022**	**48,037,763**	**7,506,088**	**46,016,270**	**1,796,307**	**30,788,013**	**64.3931 %**
	Total as at 30 June 2021	**39,886,847**	**7,037,135**	**37,306,491**	**1,523,134**	**28,013,632**	**72.1450 %**

Template EU CR5 - Standardized Approach (1/3)

	Exposures classes	Classes of credit worthiness (Weighting Factors)					
		0%	2%	4%	10%	20%	35%
		a	b	c	d	e	f
1	Central governments or central banks	15,427,617	—	—	—	96,823	—
2	Regional governments or local authorities	—	—	—	—	307	—
3	Public sector entities	17,743	—	—	—	23,633	—
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—
6	Institutions	—	67,774	—	—	992,339	—
7	Corporates	168,020	—	—	—	417,716	—
8	Retail	—	—	—	—	—	1,598,210
9	Secured by mortgages on immovable property	—	—	—	—	—	968,553
10	Exposures in default	—	—	—	—	—	—
11	Higher-risk categories	—	—	—	—	—	—
12	Covered bonds	—	—	—	75,230	—	—
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	Collective investment undertakings	90,756	—	—	—	26,550	—
15	Equity	—	—	—	—	3,602	—
16	Other items	324,177	—	—	—	62,851	—
17	**Total as at 30 June 2022**	**16,028,313**	**67,774**	**—**	**75,230**	**1,623,820**	**2,566,763**
	Total as at 30 June 2021	**8,696,586**	**105,679**	**—**	**75,723**	**2,007,037**	**2,309,576**

Template EU CR5 – Standardized Approach (2/3)

	Exposures classes	Classes of credit worthiness (Weighting Factors)					
		50%	70%	75%	100%	150%	250%
		g	h	i	j	k	l
1	Central governments or central banks	—	—	—	14	—	—
2	Regional governments or local authorities	—	—	—	—	—	—
3	Public sector entities	249,790	—	—	61,678	—	—
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—
6	Institutions	737,137	—	—	146,839	84,421	—
7	Corporates	607,313	—	—	6,434,410	14,982	—
8	Retail	-	—	13,189,849	—	—	—
9	Secured by mortgages on immovable property	382,208	—	—	—	—	—
10	Exposures in default	—	—	—	230,200	391,758	—
11	Higher-risk categories	—	—	—	-	109,681	—
12	Covered bonds	—	—	—	—	—	—
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	Collective investment undertakings	3,543	—	—	259,425	246,660	—
15	Equity	—	—	—	479,217	—	320,569
16	Other items	—	—	—	1,455,734	—	139,115
17	**Total as at 30 June 2022**	**1,979,991**	**—**	**13,189,849**	**9,067,518**	**847,503**	**459,683**
	Total as at 30 June 2021	**1,852,169**	**—**	**12,382,110**	**8,363,634**	**898,352**	**1,037,411**

Template EU CR5 – Standardized Approach (3/3)

Exposures classes		Classes of credit worthiness (Weighting Factors)			Total	Without rating
		370%	1250%	Others		
		m	n	o	p	q
1	Central governments or central banks	—	—	—	15,524,454	8,044,646
2	Regional governments or local authorities	—	—	—	307	300
3	Public sector entities	—	—	—	352,843	11,518
4	Multilateral development banks	—	—	—	—	—
5	International organisations	—	—	—	—	—
6	Institutions	—	—	—	2,028,511	560,044
7	Corporates	—	—	—	7,642,442	6,031,676
8	Retail	—	—	—	14,788,059	14,788,059
9	Secured by mortgages on immovable property	—	—	—	1,350,761	1,189,971
10	Exposures in default	—	—	—	621,958	621,959
11	Higher-risk categories	—	—	—	109,681	109,681
12	Covered bonds	—	—	—	75,230	30,882
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—
14	Collective investment undertakings	—	43,430	—	670,364	42,422
15	Equity	1,862,703	—	—	2,666,091	454,664
16	Other items	—	—	—	1,981,876	1,170,087
17	**Total as at 30 June 2022**	**1,862,703**	**43,430**	**—**	**47,812,577**	**33,055,909**
	Total as at 30 June 2021	**1,033,007**	**49,048**	**19,293**	**38,829,625**	**25,683,498**

7.3 Credit risk: disclosure on portfolios subject to AIRB methods

Qualitative information

As part of the process of progressively extending the use of AIRB models in order to calculate the regulatory capital requirements for credit risk (the "Roll Out Plan"), the Group has been authorized to use internal models for reporting purposes for the Mediobanca and Mediobanca International corporate lending portfolios and for the CheBanca! Italian loan book.

An Internal Model Investigation began in May 2022 for the internal models for Compass's consumer credit and credit card operations. The inspection process ended in early August, and the

Group is waiting to receive the conclusive Draft Report. The outcome of the authorization process could lead to an increase in RWAs (compared to the current standard value) in the region of €700m. Such an increase was in part anticipated when the application for authorization was submitted (not many banks have launched the process to apply for authorization for consumer credit, especially in a scenario such as the present one where the regulatory requirements are applied so strictly), and in part is still the subject of discussion with the supervisory authorities (some methodological fine-tuning to be quantified exactly is still possible, offset by the prudential elements already included in the models). Based on the information currently available, the transition to the new AIRB models should take place during the 2022-23 financial year.

As far as regards the process of aligning the models currently approved to the new regulations (EBA Guidelines on developing models and on the application of the definition of default, regulations on identification and estimation of LGD under an economic downturn), it should be noted that:

- In August 2022 the Group received the Final Decision from the JST containing the results of the Internal Model Investigation carried out on the Large Corporate model used by Mediobanca, following the request to approve the material changes made to the PD and LGD models. Based on the assessment team's assessment, the ECB concluded that the requirements for the authorization requested to be granted had substantially been met. However, in view of certain deficiencies identified in the LGD model in particular, a limitation was set, in the form of a floor to be applied to the LGD equal to the value of the LGD foundation (set at 45% for the performing portfolio). Such deficiencies are largely attributable to problems in terms of the external sample's representativeness relative to the portfolio to which it is applied, and to a framework in terms of Margin of Conservatism (MoC) considered not to be entirely adequate. Although the Group initially asked for the quantification of the limitation to be revised, and submitted impact analysis to this end, which confirmed that the model submitted to approval showed no evidence of the LGD being underestimated, the JST nonetheless confirmed the proposed limitation, while leaving the Group the option of submitting a new material model change application. Based on the preliminary impact estimates carried out, adoption of the new model will lead to an increase in RWAs of approx. €1.5bn compared to the model currently in operation. It is also important to emphasize that the average LGD level currently in use is around 38%, which is not very far off the foundation value expected in the new Basel IV regulations (40%). In other words, virtually all the impact will have been reabsorbed by the time that Basel IV is introduced (in 2025). The transition to the new Corporate AIRB models will start with the reporting in September 2022. The Group is currently considering the possibility of submitting a new application for authorization for the revised LGD model addressing the deficiencies identified in the short term (i.e. before the end of the 2022-23 financial year);

- In October 2022, an Internal Model Investigation will commence for approval of a material change with impact on the LGD model for the CheBanca! Italian mortgage loan segment.

7.3.1 Scope of application for the IRB model

As at 30 June 2022, the following companies are using internal models:

- Mediobanca and Mediobanca International for the Wholesale Banking division's corporate loan book only. The internal models also cover extraordinary financing transactions, but are not applied to the specialized lending and real estate sub-portfolios which, in view of their non-material nature, have been authorized to receive standard treatment on a permanent basis;
- CheBanca!, for the Italian mortgage loan book.

7.3.2 Corporate rating system structure

The Corporate PD model has been developed based on a shadow rating approach, using external ratings assigned by ratings agencies (ECAIs) as the target variable. The approach is in line with the internal practices historically adopted by the Bank's credit analysts.

The model consists of:

- A quantitative module, which provides a score obtained on the basis of the individual borrower's balance-sheet data;
- A qualitative module which provides a score obtained on the basis of qualitative information resulting from structured and indepth analysis performed by the credit analysts.

Both modules are based on a statistical approach, and the two returned scores are then combined in a way such that the resulting single synthetic risk indicator optimizes the model's ranking capability. The final rating is the result of a calibration phase where the alignment between the external ratings and the ratings returned by the model is maximized.

At the application phase, a rating is assigned at counterparty level, taking into account Group dynamics whereby the parent company could influence the counterparty's own final rating.

The credit analyst can override the rating returned by the model, taking into account all information available resulting *inter alia* from the analysts themselves liaising directly with the management of the borrower counterparties. This override process is governed by a set of internal rules, including a notch-limit to rating upgrade.

The model's masterscale replicates the agencies' rating scales; the PD values assigned to each class are obtained by estimating the average default rates provided by the agencies over a long-term time horizon according to a through-the-cycle approach.

The LGD model is different for the performing portfolio and for defaulted assets: for performing exposures, the model returns different Loss Given Default values according to type of transaction involved (i.e. different values are assigned to bonds and loans), taking into account the level of seniority of the debt and the possible existence of real or financial guarantees (alternatively, in cases where financial guarantees are involved, the substitution method is used instead) and the counterparty's industrial sector.

For non-performing exposures, there is a dedicated model in which the LGD is calculated as an uncertain value with respect to the expected loss. This parameter depends on the position concerned retaining non-performing status (vintage).

7.3.3 Structure of the mortgage rating system

The CheBanca! mortgage rating system is applied to exposures to individuals secured by property. In particular, the AIRB scope includes exposures to private customers secured by residential and non-residential real estate guarantees eligible for Credit Risk Mitigation purposes. The AIRB scope of application does not include exposures to French customers, a portfolio currently in run-off and with non-material size (these are exposures were originated before 2009 by the CheBanca! French branches, which ceased operations in 2009). Accordingly, for this portfolio, permanent exemption from application of the AIRB method has been applied for and obtained.

The CheBanca! internal rating is applied at the transaction level, and consists of the three following models:

- Acceptance PD model for exposures with a seniority of less than 6 months;
- Behavioural PD model for exposures with a seniority over 6 months;
- LGD model.

The PD acceptance model was developed at single-credit transaction level, following a statistical approach based on observed historical defaults. The PD acceptance model was developed on a sample including only mortgages originated by CheBanca!, divided into the following macro-categories:

- Accepted category: this consists of the exposures actually originated by CheBanca!;

— Rejected category; this consists of rejected practices and therefore has no observed performance;

— Declined category; this consists of those practices that, although approved by CheBanca!, were not originated and therefore do not have an observed performance.

The PD Acceptance model was estimated by combining the various information sources, relating to loans granted and not granted in line with the scope of application of the model, which includes the entire population of applicants.

In the application phase of the model, in order to have a smooth transition from the PD acceptance to the behavioural model, the respective scores are combined with a linear weighting mechanism from the first to the sixth month of the loan seniority.

The PD behavioural model was developed at single transaction level, following a statistical approach based on observed historical defaults. The model differs for the loans originated by CheBanca! and those acquired by the Barclays Italian branch; both models are made up of elementary modules, which take into account the features of the different information sources considered. The scores of the single elementary modules are combined into an overall score and then calibrated to reflect the long-term central tendency of the observed default rates. On the basis of the calibrated score, a rating class is assigned to each transaction (the same rating scale is used for the CheBanca! and former Barclays model). Finally, the rating assigned following the model is automatically downgraded if specific anomalies relating to the customer (obligated and co-obligated) are reported in Bank of Italy's risks database ("Centrale Rischi").

The LGD model was estimated using only the internal information relating to the recovery process for defaulted exposures.

LGD estimates are determined by combining different model components, which depend on the status of the exposure (performing or non-performing). In particular, two main modules for the LGD performing status were estimated: "LGD *Sofferenza*" (econometric estimate) which provides the expected economic loss for bad loan positions; the danger rate and the Q factor of exposure variation that capture the phases preceding bad loan status, and aim respectively at estimating the probability of migrating from a performing status to a default one (through empirical observations) and the change in exposure when a position moves among the different statuses. The LGD in default model is developed for multiple time periods (i.e. annual vintage) and derives from the LGD performing model.

7.3.4 Rating system uses

The rating attribution process leads to the assignment of a probability of default (and a rating class) and of an LGD value, based on all qualitative and quantitative available information.

The internally estimated parameters are used for regulatory purposes and are at the centre of the entire credit granting process.

Risk-adjusted pricing

The counterparty's credit risk parameters contribute to the calculation of the risk-adjusted profitability of each individual transaction. The estimate of the profitability is made during the preliminary assessment of a specific transaction and contributes to the final decision for approving or rejecting the deal. It is also consistent with the Economic Profit metric used in the performance evaluation process.

Delegated powers to approve, reject and renew credit

The system of delegated powers allows the body responsible for approving credit to be identified on the basis of the deal's riskiness, evaluated according to PD and LGD parameters.

Thus a prudential mechanism is established which consists in escalating the approving body every time the risk threshold is breached.

The designated approving body assesses the proposal in view of an information set which includes the risk parameters assigned by Credit Risk Management and decides whether to approve the deal, ask for it to be amended, or rejects it.

Credit monitoring

Credit Risk Management is responsible for constantly updating the assessment of corporate credit standing as expressed in the counterparties' rating. It does this by collecting and analysing, among other information: financial reports issued by the client, market indicators, internal reports on behavioural irregularities, if any, and evidence from the central credit risk databases. Analysis of this information flow may trigger the process for classification among irregular positions, or may result in the rating being updated. In the event of early warnings of a potential deterioration in credit quality emerging, the counterparty is included in a specific watchlist with further enhancement of the monitoring process.

With regard to the Italian mortgage rating system, the rating classes deriving from the internal PD model are used in the credit monitoring process and for the purpose of granting forbearance measures. In accordance with the internal regulatory framework, which CheBanca! is equipped with, the renegotiation of the loan is considered forborne even when the situation of financial difficulty has been certified and/or if the position shows a high risk rating in the last 12 months. The rating classes are also used as an early warning system which is able to detect potential impairment in the individual positions, with the objective of identifying those exposures for which non-payment of instalments falling due is most likely.

Internal reporting

The internal reporting process supports the credit risk monitoring process at portfolio level. Group Risk Management provides a structured and integrated representation of the principal risks facing the Group. A dashboard of indicators is provided to the Board of Directors regularly, showing the portfolio's distribution by rating classes and its change over time. This report also illustrates the trend in the LGD values. Monitoring the analysis and the changes in the exposures entered in the watchlist are regularly submitted to the attention of the Group Risks Management Committee.

Value adjustments for impairment

The process for calculating impairment uses risk parameters estimated internally to factor in the expected loss on the performing positions. The regulatory PD indicator is transformed into a point-in-time value, while the LGD does not include the downturn and the indirect costs factors. The forward-looking component is factored into the models by making the risk parameters conditional upon macroeconomic scenarios defined internally.

Non-performing exposures in the Mediobanca Corporate portfolio and CheBanca! mortgage loans classified as bad debts are subject to individual assessment.

For specific measures adopted to the satellite models for the transmission of the macroeconomic effects to the risk parameters, reference is made to section 7.1.1.

ICAAP and Risk Appetite Framework

As part of the stress testing, which is an integral component of the ICAAP process, Risk Management applies risk parameters derived from the regulatory parameters through the application of satellite models. These models provide risk parameters conditional upon the adverse macroeconomic scenarios defined by the Bank. Risk-based metrics (primarily expected loss and economic capital) also underpin the definition of the Risk Appetite metrics for the loan book.

Credit recovery process

For the CheBanca! mortgage loan book, the rating classes deriving from the internal PD model are used in the credit recovery process in order to construct behavioural scoring models to support the recovery strategy. The classes are able to help segment the portfolio of past due exposures more effectively and so identify the high-, medium- and low-risk models on which to concentrate the recovery efforts in diversified and appropriate fashion.

7.3.5 Control and review of the internal models

Internal rating systems are subject to regular validation by the Bank's control units. This occurs both in a first request for authorization phase and during the ongoing process of monitoring and maintenance of the risk measurement systems.

The unit responsible for the internal validation process for the Mediobanca Group is Group Internal Validation& Control. This unit reports directly to the Group Chief Risk Officer and is independent of the units involved in developing the models and the credit granting processes.

Once a year, Group Internal Validation prepares a report to be submitted to the Board of Directors, illustrating the results of the checks carried out to support compliance with the regulatory requisites which the Board itself has set.

The Group Audit Unit is responsible for the internal rating system revision process. Its audits, like the validation activity, are not confined to modelling issues, but also regard every component of the rating system: models, processes, IT systems and data quality. The Group Audit Unit too reports to the Board once a year on the audits it has carried out, and gives its assessment of the adequacy of the entire system.

Quantitative information

Template EU CR6 – IRB Approach: Exposures to or secured by corporates (1/2)

		a	b	c	d	e	f	g	h	i	j	k	l
AIRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Corporates - Other	0.00 to <0.15	2,303,041	3,111,192	52%	4,154,539	0.08%	42	37.25%	2,5	899,445	21.65%	1,169	(3,073)
	0.00 to <0.10	2,303,041	3,111,192	52%	4,154,539	0.08%	42	37.25%	2,5	899,445	21.65%	1,169	(3,073)
	0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
	0.15 to <0.25	2,663,210	1,186,272	56%	3,326,018	0.17%	48	36.68%	2,5	1,153,452	34.68%	2,074	(4,585)
	0.25 to <0.50	5,475,580	2,142,023	51%	6,540,729	0.35%	126	38.00%	2,5	3,380,146	51.68%	8,586	(15,542)
	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
	0.75 to <2.50	2,894,467	1,510,077	52%	3,588,003	1.10%	102	40.28%	2,5	3,207,626	89.40%	15,981	(34,303)
	0.75 to <1.75	2,894,467	1,510,077	52%	3,588,003	1.10%	102	40.28%	2,5	3,207,626	89.40%	15,981	(34,303)
	1.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—
	2.50 to <10.00	569,784	195,815	53%	648,619	3.99%	40	42.86%	2,5	910,173	140.32%	11,319	(30,338)
	2.50 to <5.00	519,024	164,083	51%	576,494	3.41%	31	42.80%	2,5	775,877	134.59%	8,632	(22,649)
	5.00 to <10.00	50,761	31,732	67%	72,125	8.60%	9	43.32%	2,5	134,296	186.20%	2,687	(7,689)
	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
	10.00 to <20.00	—	—	—	—	—	—	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—	—	—	—	—	—	—
	30.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
	100.00 (Default)	58,767	—	0%	58,767	100.00%	2	65.23%	2,5	10,403	17.70%	37,500	(37,500)
	Sub-total	**13,964,849**	**8,145,378**	**52%**	**18,316,675**	**0.85%**	**360**	**38.30%**	**2,5**	**9,561,244**	**52.20%**	**76,629**	**125,340**

Template EU CR6 – IRB Approach: Exposures to or secured by corporates (2/2)

		a	b	c	d	e	f	g	h	i	j	k	l
AIRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
Retail: secured by mortgages on immovable property	0.00 to <0.15	8,271,575	54,503	100.0%	8,326,078	0.10%	73,930	27.95%	—	559,590	6.72%	2,311	(2,508)
	0.00 to <0.10	3,461,219	19,616	100.0%	3,480,834	0.03%	31,763	26.22%	—	89,197	2.56%	274	(328)
	0.10 to <0.15	4,810,356	34,887	100.0%	4,845,244	0.14%	42,167	29.20%	—	470,393	9.71%	2,037	(2,181)
	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	-
	0.25 to <0.50	1,385,008	11,294	100.0%	1,396,301	0.38%	14,125	28.36%	—	270,498	19.37%	1,515	(2,009)
	0.50 to <0.75	963,878	4,850	100.0%	968,728	0.67%	11,823	27.23%	—	267,754	27.64%	1,772	(8,183)
	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	-
	0.75 to <1.75	—	—	—	—	—	—	—	—	—	—	—	-
	1.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	-
	2.50 to <10.00	474,764	968	100.0%	475,731	3.97%	6,108	24.56%	—	360,646	75.81%	4,635	(19,982)
	2.50 to <5.00	474,764	968	100.0%	475,731	3.97%	6,108	24.56%	—	360,646	75.81%	4,635	(19,982)
	5.00 to <10.00	—	—	—	—	—	—	—	—	—	—	—	-
	10.00 to <100.00	44,890	50	100.0%	44,940	32.32%	597	24.49%	—	67,825	150.92%	3,557	(6,912)
	10.00 to <20.00	—	—	—	—	—	—	—	—	—	—	—	-
	20.00 to <30.00	—	—	—	—	—	—	—	—	—	—	—	-
	30.00 to <100.00	44,890	50	100.0%	44,940	32.32%	597	24.49%	—	67,825	150.92%	3,557	(6,912)
	100.00 (Default)	180,468	61	100.0%	180,529	100.00%	2,097	40.24%	—	49,706	27.53%	68,665	(85,464)
	Sub-total	**11,320,582**	**71,725**	**100.0%**	**11,392,308**	**2.05%**	**108,680**	**27.98%**	**—**	**1,576,020**	**13.83%**	**82,456**	**125,058**
	Total as at 30 June 2022	**25,285,432**	**8,217,103**	**—**	**29,708,983**	**—**	**—**	**—**	**—**	**11,137,263**	**—**	**159,085**	**250,398**
	Total as at 30 June 2021	**24,053,282**	**6,929,767**	**—**	**27,987,215**	**—**	**—**	**—**	**—**	**10,767,439**	**—**	**203,013**	**304,910**

* Given the difference between the two portfolios reported using AIRB models, the rows entitled "Total as at 30/6/21" and "Total as at 30/6/22" have been completed only in those columns for which the amount shown refers to these exposures.

The table below shows the AIRB exposures for the "Exposures to corporates - others" segment and for the "Retail exposures secured by residential properties" segment, broken down by PD bracket. The table refers to credit risk with counterparty risk excluded (reported in the EU CCR4 template).

Template EU CR6-A – Scope of the use of IRB and SA approaches

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
		a	b	c	d	e
1	Central governments or central banks	14,736,711	15,882,832	100%	0%	0%
1,1	*of which Regional governments or local authorities*		*307*	*100%*	*0%*	*0%*
1,2	*of which Public sector entities*		*353,407*	*100%*	*0%*	*0%*
2	Institutions	11,916,395	5,559,360	25%	75%	0%
3	Corporates	35,978,940	27,575,611	24%	8%	68%
3,1	*of which Corporates - Specialised lending, excluding slotting approach*		*251,251*	*100%*	*0%*	*0%*
3,2	*of which Corporates - Specialised lending under slotting approach*		—	—	—	—
4	Retail	30,654,035	27,531,246	9%	50%	41%
4,1	*of which Retail – Secured by real estate SMEs*		*274,417*	*100%*	*0%*	*0%*
4,2	*of which Retail – Secured by real estate non-SMEs*		*12,468,651*	*100%*	*0%*	*0%*
4,3	*of which Retail – Qualifying revolving*		*554,739*	*0%*	*100%*	*0%*
4,4	*of which Retail – Other SMEs*		*686,597*	*63%*	*37%*	*0%*
4,5	*of which Retail – Other non-SMEs*		*13,546,841*	*5%*	*95%*	*0%*
5	Equity	3,450,237	3,446,137	100%	0%	0%
6	Other non-credit obligation assets	3,510,042	2,679,064	91%	9%	0%
7	**Total as at 30 June 2022**	**100,246,361**	**82,674,249**	**39%**	**25%**	**37%**

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Table 7.3.1 – PD and LGD values by geographical area

The table below shows the geographical breakdown of AIRB exposures for the "Exposures to corporates – others" segment, showing the weighted average PD and LGD values for each exposure.

The table below shows only the performing exposures.

	a	b	c
Geography	EAD post CRM and	Average PD	Average LGD
Italy	8,928,926	0.45%	37.0%
France	1,843,431	0.47%	39.3%
Spain	1,304,487	0.28%	37.3%
Germany	705,982	0.52%	39.8%
United Kingdom	695,444	1.01%	39.5%
Netherlands	971,145	0.71%	39.9%
Luxembourg	753,445	0.99%	40.0%
Other European countries	1,019,869	0.73%	38.5%
United States	1,731,267	0.60%	40.6%
Rest of the world	303,911	0.56%	39.6%

The "Exposures guaranteed by properties" portfolio contains exposures that are concentrated in Italy; out of a total performing exposure of €11,212m, the average weighted PD and LGD per exposure are 0.475% and 27.78% respectively.

Template EU CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

		06/30/2022	
		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
		a	b
1	**Exposures under FIRB**	**—**	**—**
2	Central governments and central banks	—	—
3	Institutions	—	—
4	Corporates	—	—
4,1	*of which Corporates - SMEs*	—	—
4,2	*of which Corporates - Specialised lending*	—	—
5	**Exposures under AIRB**	**11,137,263**	**11,137,263**
6	Central governments and central banks	—	—
7	Institutions	—	—
8	Corporates	9,561,244	9,561,244
8,1	*of which Corporates - SMEs*	—	—
8,2	*of which Corporates - Specialised lending*	—	—
9	Retail	1,576,020	1,576,020
9,1	*of which Retail – SMEs - Secured by immovable property collateral*	—	—
9,2	*of which Retail – non-SMEs - Secured by immovable property collateral*	*1,576,020*	*1,576,020*
9,3	*of which Retail – Qualifying revolving*	—	—
9,4	*of which Retail – SMEs - Other*	—	—
9,5	*of which Retail – Non-SMEs- Other*	—	—
10	**TOTAL AS AT 30 JUNE 2022 (including F-IRB exposures and A-IRB exposures)**	**11,137,263**	**11,137,263**
	TOTAL AS AT 30 JUNE 2021 (including F-IRB exposures and A-IRB exposures)	**10,767,439**	**10,767,439**

Template EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques (1/2)

	A-IRB	Total exposures	Credit risk Mitigation techniques					
			Funded credit Protection (FCP)					
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)
					Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	
		a	b	c	d	e	f	g
1	Central governments and central banks	—	—	—	—	—	—	—
2	Institutions	—	—	—	—	—	—	—
3	Corporates	18,316,675	1.0628 %	—	—	—	—	—
3,1	*of which Corporates – SMEs*	—	—	—	—	—	—	—
3,2	*of which Corporates – Specialised lending*	—	—	—	—	—	—	—
3,3	*of which Corporates – Other*	*18,316,675*	*1.0628 %*	—	—	—	—	—
4	Retail	11,392,308	—	99.9042 %	99.9042 %	—	—	—
4,1	*of which Retail – Immovable property SMEs*	—	—	—	—	—	—	—
4,2	*of which Retail – Immovable property non-SMEs*	*11,392,308*	-	*99.9042 %*	*99.9042 %*	—	—	—
4,3	*of which Retail – Qualifying revolving*	—	—	—	—	—	—	—
4,4	*of which Retail – Other SMEs*	—	—	—	—	—	—	—
4,5	*of which Retail – Other non-SMEs*	—	—	—	—	—	—	—
5	**Total as at 30 June 2022**	**29,708,983**	**0.6552 %**	**38.3096 %**	**38.3096 %**	**—**	**—**	**—**
	Total as at 30 June 2021	**27,987,215**	**0.7178 %**	**39.5263 %**	**39.5263 %**	**—**	**—**	**—**

Template EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques (2/2)

A-IRB		Credit risk Mitigation techniques					Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)			Unfunded credit Protection (UFCP)			
		Part of exposures covered by Other funded credit protection (%)						
		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
		h	i	j	k	l	m	n
1	Central governments and central banks	—	—	—	—	—	—	—
2	Institutions	—	—	—	—	—	—	—
3	Corporates	—	—	—	—	—	9,517,192	9,561,244
3,1	*of which Corporates – SMEs*	—	—	—	—	—	—	—
3,2	*of which Corporates – Specialised lending*	—	—	—	—	—	—	—
3,3	*of which Corporates – Other*	—	—	—	—	—	*9,517,192*	*9,561,244*
4	Retail	—	—	—	—	—	1,576,020	1,576,020
4,1	*of which Retail – Immovable property SMEs*	—	—	—	—	—	—	—
4,2	*of which Retail – Immovable property non-SMEs*	—	—	—	—	—	*1,576,020*	*1,576,020*
4,3	*of which Retail – Qualifying revolving*	—	—	—	—	—	—	—
4,4	*of which Retail – Other SMEs*	—	—	—	—	—	—	—
4,5	*of which Retail – Other non-SMEs*	—	—	—	—	—	—	—
5	**Total as at 30 June 2022**	**—**	**—**	**—**	**—**	**—**	**11,093,211**	**11,137,263**
	Total as at 30 June 2021	**—**	**—**	**—**	**—**	**—**	**10,679,555**	**10,767,439**

Template EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach

The table below shows the changes in RWAs calculated with application of the IRB in the three months to end-March 2022 and to end-June 2022, plus a breakdown by the reasons for such changes.

In the three months to end-March 2022, there was an increase in RWAs, attributable primarily to an increase in the exposure to the "Other companies" segment. The mortgages segment showed no significant changes: a slight increase in the exposures over the quarter was offset by an improvement in the credit quality.

There were no changes due to the exchange rate effect in the quarter.

In the three months to end-June 2022 there were no significant changes in the "Other companies" segment, while in the mortgages segment, there was a slight increase in exposures in the quarter, which was offset by the improvement in credit quality.

		a	b
		RWA	Capital requirements
1	**Risk weighted exposure amount as at the end of the previous reporting period (31 December 2021)**	**10,816,883**	**865,351**
2	Asset size	329,793	26,383
3	Asset quality	2,533	203
4	Model updates	—	—
5	Methodology and policy	—	—
6	Acquisitions and disposals	—	—
7	Foreign exchange movements	18,177	1,454
8	Other	—	—
9	**Risk weighted exposure amount as at the end of the reporting period (31 March 2022)**	**11,167,386**	**893,391**

		a	b
		RWA	Capital requirements
1	**Risk weighted exposure amount as at the end of the previous reporting period (31 March 2022)**	**11,167,386**	**893,391**
2	Asset size	(38,032)	(3,043)
3	Asset quality	(55,832)	(4,467)
4	Model updates	—	—
5	Methodology and policy	—	—
6	Acquisitions and disposals	—	—
7	Foreign exchange movements	63,741	5,099
8	Other	—	—
9	**Risk weighted exposure amount as at the end of the reporting period (30 June 2022)**	**11,137,263**	**890,981**

Template CR9 – IRB approach – Back-testing of PD per exposure class (fixed PD scale)

The table below shows a comparison between the PD values and default rates observed internally on the large corporate and retail portfolios (exposures secured by properties versus individuals).

With reference to the Corporate segment, no instances of default have been recorded in the twelve months.

In general, if we compare the average PD readings by credit rating class with the historical default rates observed (the latter calculated as the average default rates recorded in the past five years), we may note that for each segment the historical rates are in line with, or indeed slightly lower than, the theoretical PD values. One significant case in which this does not occur is the PD 5-10% bucket of the Corporate segment, where the rate recorded (40%) is much higher than the notional PD (8.60%): this case, however, refers to a PD bucket with just a few counterparties (seven at-end June 2022, compared with six at end-June 2021, one or two years previously) rated B-, hence only one default leads to high annual rates. Because of the lack of numbers in this bucket, then, the historical default rate is not representative of the average risk of such counterparties. In particular, during the last two years there have been no defaults in this bucket; furthermore, this PD is just a detail of the larger 2.5-10% range: considering the entire range, it becomes clear that here too the historical default rate is below the notional PD.

In general the back-testing has not revealed any particular problems regarding the models' predictive abilities.

A-IRB – Exposure to or guaranteed by companies – other companies

a	b	c	d	e	f	g	i
Exposure class	PD range	Number of obligors at the end of the previous year	*of which: number of obligors which defaulted during the year*	Default rate	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
	0.00 to <0.15	37	—	0.00%	0.07%	0.06%	0.00%
	0.00 to <0.10	37	—	0.00%	0.07%	0.06%	0.00%
	0.10 to <0.15	—	—	—	—	—	0.00%
	0.15 to <0.25	45	—	0.00%	0.17%	0.17%	0.00%
	0.25 to <0.50	114	—	0.00%	0.37%	0.34%	0.17%
	0.50 to <0.75	—	—	—	—	—	0.00%
	0.75 to <2.50	97	—	0.00%	1.04%	1.01%	0.00%
	0.75 to <1.75	97	—	0.00%	1.04%	1.01%	0.00%
	1.75 to <2.50	—	—	—	—	—	0.00%
	2.50 to <10.00	47	—	0.00%	3.18%	3.68%	1.22%
	2.50 to <5.00	40	—	0.00%	3.07%	3.40%	0.00%
	5.00 to <10.00	7	—	0.00%	8.60%	8.60%	40.00%
	10.00 to <100.00	—	—	—	—	—	0.00%
	10.00 to <20.00	—	—	—	—	—	0.00%
	20.00 to <30.00	—	—	—	—	—	0.00%
	30.00 to <100.00	—	—	—	—	—	0.00%
	100.00 (Default)	4	—	0.00%	100.00%	100.00%	0.00%

A-IRB – Retail exposures: secured by properties

a	b	c	d	e	f	g	i
Exposure class	PD range	Number of obligors at the end of the previous year	*of which: number of obligors which defaulted during the year*	Default rate	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
	0.00 to <0.15	67,667	35	0.05%	0.10%	0.10%	0.09%
	0.00 to <0.10	28,300	7	0.02%	0.03%	0.03%	0.04%
	0.10 to <0.15	39,367	28	0.07%	0.14%	0.14%	0.12%
	0.15 to <0.25	—	—	—	—	—	—
	0.25 to <0.50	13,220	27	0.20%	0.38%	0.38%	0.22%
	0.50 to <0.75	11,229	28	0.25%	0.67%	0.67%	0.44%
	0.75 to <2.50	—	—	—	—	—	—
	0.75 to <1.75	—	—	—	—	—	—
	1.75 to <2.50	—	—	—	—	—	—
	2.50 to <10.00	6,527	120	1.84%	3.97%	3.97%	1.96%
	2.50 to <5.00	6,527	120	1.84%	3.97%	3.97%	1.96%
	5.00 to <10.00	—	—	—	—	—	—
	10.00 to <100.00	814	129	15.85%	32.32%	32.32%	18.69%
	10.00 to <20.00	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—
	30.00 to <100.00	814	129	15.85%	32.32%	32.32%	18.69%
	100.00 (Default)	2,228	—	—	100.00%	100.00%	—

Template EU CR9.1 –IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)

The table below shows a different view from that of EU Template CR9, which also shows the correspondence between the internal PD buckets and the ratings issued by an external ECAI for those exposures whose PD is estimated as specified in point (f) of Article 180(1) of the CRR. The table contains only exposures forming part of the Corporate portfolio; and it should be remembered in particular that the model was developed based on a shadow rating approach, i.e. the model sought to replicate the ratings of a rating agency. In Mediobanca's case, the ECAI concerned is S&P. As with Table EU CR9, in this case too no particular problems emerged regarding the predictive power of the models.

a	b	c	d	e	g	h	i
Exposure class	PD range	External rating equivalent	Number of obligors at the end of the year	*of which: number of obligors which defaulted during the year*	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
	0 to < 0.001	AAA	—	—	—	—	0.000%
	0.001 to < 0.011	AA+ to AA-	2	—	—	0.030%	0.000%
	0.011 to < 0.071	A+ to A-	20	—	0.00%	0.047%	0.000%
	0.071 to < 0.371	BBB+ to BBB-	124	—	0.00%	0.250%	0.000%
	0.371 to < 1.924	BB+ to BB-	147	—	0.00%	0.839%	0.140%
	1.924 to < 11.8	B+ to B-	47	—	0.00%	3.681%	1.216%
	11.8 to < 100	CCC/C	—	—	0.00%	0.000%	0.000%
	100 (Default)	D	4	—	0.00%	100.000%	0.000%

Section 8 – ESG risk

Introduction

In line with the EBA Guidelines issued in January, a new section has been included in this Pillar III Disclosure (section 8) on ESG (Environmental, Social and Governance) risks.

The requirement for the new disclosure issued by the regulator came into force on 28 June 2022; the first disclosure is thus provided as part of the annual report, and will henceforth be provided on a half-yearly basis.

The EBA's Implementing Technical Standards require the disclosure to consist of three qualitative sections to define Environmental, Social and Governance risks, plus a total of ten quantitative tables (the "Tables"), four of which on climate change transition risk, one on climate change physical risk, plus three with quantitative data on the actions that credit institutions are implementing in order to mitigate risks linked to climate change, including information on taxonomy-alignment actions (GAR and BTAR) and any other mitigation actions.

The information contained in this section reflects the contents of the Consolidated Non-Financial Statement (CNFS) and/or climate report compiled on the basis of the protocol issued by the Task Force on Climate-Related Financial Disclosure (TCFD), in various of the quantitative tables. The EBA Guidelines for a phase-in period until June 2024 for some of the information that is more complex in terms of data collection and risk measurement methodology, such as reporting Scope 3 emissions and alignment metrics, i.e. the disclosures on the Green Asset Ratio (GAR) and the Banking Taxonomy Alignment Ratio (BTAR).

For this, the first disclosure, a total of five of the tables are required by the information, containing information (e.g. exposures to counterparties financed included in the calculation of the GAR or BTAR numerator, GHG emissions, etc.) which has been provided on a best efforts basis. Such disclosures become mandatory only from 31 December 2023 or from 30 June 2024 as the case may be.

Qualitative information

This section is split into three parts, each one dealing respectively with Environmental, Social and Governance issues.

The assignment of roles and responsibilities is an issue common to all three spheres, i.e. Environmental, Social and Governance.

In particular, as regards the roles and responsibilities involved ESG risk supervision and management, the Board of Directors is responsible for strategic supervision, approving the Bank's

strategic direction, including on sustainability and ESG/climate related topics, and monitoring to ensure it is implemented in practice. In this scenario, the Board of Directors is responsible, *inter alia*, for defining and approving the Group's business model and strategic guidelines, as it is familiar with the risks to which this model exposes the Group and the Bank, because it also approves the Risk Appetite Statement ("RAS") and the Risk Appetite Framework ("RAF").

The Board of Directors approves the main internal regulations, policies and codes, including on ESG issues. In particular, the Group ESG Policy defines the guidelines for integrating ESG criteria, and outlines the reference principles and the negative screening criteria (based also on assessments of the environmental risk posed by counterparties) and positive screening criteria applicable to lending, investment of own funds, and investment advice to clients.

At a Board meeting held on 14 June 2017, the Directors of Mediobanca mandated the Chief Executive Officer to take charge of activities regarding sustainability (including environmental issues) and the actions to be implemented and monitored, including the institution of a management Sustainability Committee. In March 2022, further roles and responsibilities in the sustainability area were defined (including climate and environmental issues), specifying that ESG strategy and ESG risk governance are the responsibility of the Corporate Social Responsibility (CSR) Committee (at the CEO's proposal) and the Risks Committee respectively, in particular as follows:

- The CSR Committee (set up in September 2019) checks that the Group is positioned correctly relative to its strategy for sustainable growth over time, in terms of valorizing its staff, sensitivity to social issues, and the reduction of its direct and indirect impact on the environment. The Committee is responsible for prior analysis of sustainability issues, and for compiling proposals to be submitted to the approval of the Board of Directors, including the Group Sustainability/ESG Policies, the Consolidated Non-Financial Statement the ESG strategy at the CEO's proposal; it defines and monitors short- and medium-term sustainability objectives; it assesses the degree to which the CSR objectives set in the Group Remuneration Policy or the senior management scorecards have been met, and monitors the initiatives promoted by the management Group Sustainability Committee;
- The Risks Committee supports the Board of Directors in its supervision of ESG risks, with reference in particular to the implications of climate and environmental risks to the company's business model and strategy;
- As far as regards the roles and responsibilities of the directional and management executive committees for ESG risk-related issues: the Group Risks Management Committee, with reference to ESG issues in particular, defines and updates the framework for managing the impacts deriving from ESG factors, decides how to apply them at the regulatory risk level, and assesses

the methodological structure at regular intervals, carrying out monitoring to ensure that the measures adopted remain effective overall;

- The Lending and Underwriting Committee examines the ESG risk profile of counterparties for which loans are being approved;
- The management Group Sustainability Committee is responsible for proposing, promoting and monitoring the initiatives intended to make a positive contribution to society in terms of both direct and indirect impacts, and to ensure that such actions are in line with stakeholders' expectations and are adequately represented and communicated both internally and externally to the Group. The management Committee also supports the CEO and the Board CSR Committee in finalizing the overall ESG strategy, including the approach to climate-related issues in terms of both direct and indirect impacts. In recent years, for example, it has evaluated various initiatives, where necessary submitting them to the Board CSR Committee, including updating the internal policies and signing up to relevant ESG frameworks on a voluntary basis (including the Sustainable Development Goals, Principles for Responsible Banking, and the Net-Zero Banking Alliance).

In order to integrate short-, medium-, and long-term environmental factors and risks into the organizational structure, the Directors, the CEO and senior management also support the creation of a corporate culture, in which all employees understand their role in ensuring alignment with the Principles for Responsible Banking promoted by the UNEPFI. To this end an ESG Working Group (the "ESG WG") has been set up, which reports to the management Sustainability Committee, to:

- Promote understanding and awareness of sustainability issues within the Group;
- Facilitate the adoption of a corporate strategy which aims not only to consider risks but also identify and take opportunities related to ESG issues;
- Map out the Group's initial positioning and define its objectives on ESG issues, both in terms of impact on the company, and offering sustainable products and services to clients.

Within the organizational model itself, many units are also involved in managing and assessing climate and environmental risks and opportunities, in particular the following:

- Group Sustainability supports senior management, in defining the sustainability policies and identifying whether or not to adhere to ESG agreements/initiatives. With regard to initiatives, the unit is responsible for defining criteria (and data) in order to structure them within the Bank's operations. The unit supports the development of ESG financial products and services in the various business lines, engaging with the reference stakeholders, and monitoring the indirect impacts on the Group.

- The Group Chief Financial Office is responsible for structuring the ESG strategy in terms of defining/monitoring the quantitative KPIs for strategic plan/budget figures in order to achieve the ESG objectives.

ESG risk management is also integrated into the various lines of defence, in particular as follows:

- The business areas have the task of identifying potential climate-related risks at the client onboarding stage, and at the same time are responsible for ensuring that commercial activities are aligned with the RAF;
- Group Risk Management defines methodologies to measure the impact of environmental/climate risk (both physical risk and transition risk) on the various risk categories (credit, market and operational risk). It also supports the regular internal reporting and reporting to the supervisory authorities on matters pertaining to climate and environmental risk. Along with the Compliance and Group AML unit, it constitutes the second line of defence within the internal control system, and as such Group Risk Management assesses and monitors climate-related risk independently, which at times includes questioning the initial assessment performed by the first line of defence;
- The Compliance and Group AML unit is responsible for governing the regulatory and reputational risks to which the Group is exposed. The Compliance unit is involved in defining a climate and environmental risk management framework, which involves the unit working together with the specialist company unit responsible for managing such risks (Group Sustainability). This framework is based on reporting flows from the specialist unit to the Compliance unit, on dialogue between them, and on defining harmonized methodologies for measuring compliance risks;
- The Group Audit Unit carries out regular audits on climate risk-related matters, having due regard to the different components and various relevant roles within the company, in accordance with its function as the third line of defence within the internal control system.

1. ENVIRONMENTAL

The Group welcomes the challenges that climate change and the other environmental risks pose to society and the opportunities raised by decarbonization, and has incorporated these issues into its strategy and financial planning, by:

- Implementing new metrics into the Group Risk Appetite Framework focused on climate and environmental transition risk and physical climate risk. In particular, the Group has identified a maximum acceptable level of exposure to high environmental-risk counterparties which constitutes the Risk Appetite trigger,

- Involving clients,
- Offering ESG products (a breakdown of which is included in the TCFD (Task Force on Climate-Related Financial Disclosure) report and/or the Consolidated Non-Financial Statement); and
- Adopting ESG policies, including exclusion policies specific to sectors such as forestry and use of forest areas, farming, the mining industry, energy production, sale and consumption, and transport.

The Group is committed to designing a transition plan that is able to direct its proprietary lending portfolio towards achieving climate objectives, as described below.

Portfolio targets

As a member of the Net Zero Banking Alliance (UNEP-FI initiative), the Group has set climate targets for its proprietary lending exposure to the Power and Automotive sectors. As far as regards Mediobanca S.p.A. and Mediobanca International (Luxembourg) SA, the targets are aligned with a 1.5°C climate ambition, and hence with the Paris Agreement. They are summarized in the following table (further details are available in the TCFD report published for the first time by the Group for this financial year). The scenario used is Net Zero Emissions 2050, International Energy Agency (2021).

Sector	Target Metric	Baseline (2021)	Intermediate target (2030)	Net Zero target	Net Zero target year
Power	tCO2eq/MWh	0.24	0.08	0	2040
Automotive	gCO2/km	208	115	4	2050

To perform the analyses, Mediobanca selected the Paris Agreement Capital Transition Assessment (PACTA) tool developed by the 2 Degrees Investing Initiative ('2DII'), plus data on emissions intensity provided by Asset Resolution, an external data provider which cooperates with 2DII.

In line with the Net-Zero Banking Alliance's requirements (which requires definition within twelve months of its being set), the plan to reach the targets will be defined in the coming financial year, and will be supported by the results of the portfolio alignment analysis carried out using production metrics and technology mix (percentage production for powertrain technology and percentage electricity generation by the various sources). Progress towards meeting these targets will be

monitored over time and regular disclosure provided on at least an annual basis. The targets for the other high carbon-intensity sectors will be set in the next financial years, and by the deadline required by the protocol at the latest.

In accordance with the Net-Zero Banking Alliance, the portfolio targets for these sectors are also complemented by the calculation of the emissions financed (Scope 3, Cat. 15 GHG Protocol) for the majority of the portfolio; this calculation has been made for the portfolio as at 31 December 2021 based on the methodology contained in the Global GHG Accounting and Reporting Standard for the Financial Industry (November 2020) by the Partnership for Carbon Accounting Financials (PCAF). The counterparties' Scope 1 and Scope 2 emissions have been calculated for virtually the whole corporate portfolio of Mediobanca S.p.A. and Mediobanca International (Luxembourg) SA (both loans and investments) and the Scope 3 emissions for counterparties in more than half the same portfolio.

The results are shown in the following table:

Total emissions [Million tCO_2eq]	**Scope 1**	**Scope 2**	**Scope 3**
8.5	2.3	0.2	6.0
Emission intensity [tCO_2eq/Million € invested/borrowed]	**Scope 1**	**Scope 2**	**Scope 3**
	94.8	**10.1**	**318.9**

Please refer to the TCFD report for further details.

2019-23 Strategic Plan Targets

The 2019-23 Strategic Plan contains specific targets on ESG issues, in particular as follows:

— Reduction of direct environmental impact: energy savings, increase in electricity from renewable sources, cutting CO2 emissions, and promoting sustainable mobility by increasing the number of hybrid company cars;

— Support for energy transition: increase in volumes of green mortgages, green bond issues, and new environmental products;

— Environmental criteria integrated into purchasing processes and selection of suppliers.

The Group's Consolidated Non-Financial Statement contains details on how the objectives contained in the Strategic Plan have been translated into measurable objectives, and on the targets achieved by end-June 2022.

The CNFS follows the Global Reporting Initiative Sustainability Reporting Standards, "in accordance core" option.

For purposes of the Taxonomy Regulation, the Mediobanca Group qualifies as a "credit institution". The Key Performance Indicators (KPIs) required by Regulation (EU) 2021/2178 for this type of financial undertaking are therefore provided by the Group in its Consolidated Non-Financial Statement.

Mediobanca's commitment to pursuing ESG objectives is further demonstrated by the intro duction of its Green, Social and Sustainability Bond Framework, which lays down the rules and procedures for identifying eligible projects and initiatives; the Green, Social and Sustainability Bond, contained in the Framework – in addition to being aligned with the Green Bond Principles (2021), Social Bond Principles (2021) and Sustainability Bond Guidelines (2021) issued by the ICMA (International Capital Market Association) – will also pursue alignment with the regulatory technical standards set forth in the Delegated Acts to the EU Taxonomy Regulation and any relevant future updates of them.

The Group has also offered several ESG-related products through its Corporate & Investment Banking division (in particular Lending) and in Asset and Wealth Management. A summary of these products has been published in the TCFD report and in the Group's CNFS while further details are also provided in the ESG catalogue that has been published on Mediobanca's official website.[18]

The Group is also committed to involving and supporting clients and the companies represented in its portfolio in their journey towards Net-Zero, and so enabling it to implement its own transition objectives. For this reason, whenever possible the Group seeks to encourage its client and potential customers, and the companies in which it has invested (or in which it intends to invest) to engage openly on their approach to responsible business, and on how ESG factors influence their activities.

In line with the Group ESG Policy and the Directive on responsible investing in portfolio management and investment advice, the Mediobanca Group is also committed to "shareholder activism" practices, to the degree that these are applicable to the different types of activity, taking an active part in the annual general meetings of the investee companies, in accordance with their specific policies and directives on voting.

18 https://www.mediobanca.com/static/upload_new/esg/esg-catalogue-post--comitato-sost--engl-.pdf

Mediobanca SGR and RAM AI have signed up to the Non-Disclosure campaign promoted by the Carbon Disclosure Programme (CDP), which offers investors an opportunity to engage actively with the companies that have received a request to promote the CDP on behalf of investors but have not responded, thus encouraging enhanced transparency on climate change issues.

Mediobanca has also drawn up an ESG Heatmap, which serves to identify the potential risk relating to ESG factors facing the proprietary lending and investment portfolio in the Corporate & Investment Banking Division.

The Heatmap considers sector-based ESG factors, with separate indication of both climate change transition risk and physical risk.

The methodology used to calculate the sector ESG score has been fine-tuned to include assessment of the individual counterparties, to reflect their actual ESG risk level. Such individual assessment has been carried out by asking the counterparties to complete qualitative questionnaires, and also reflects direct engagement with them.

For the model used to define and manage environmental risks, and to integrate short-, medium-, and long-term environmental factors and risks into the internal organization of the business lines, internal control units and internal governance agreements, including the role of the committees and the assignment of duties and responsibilities, reference is made to section 8.2 of this document on Qualitative information.

In relation to reporting, the Chief Risk Officer briefs the Board of Directors once every three months on the risk tends observed, including climate-related risks, and on the performances of the climate and environmental risk metrics integrated into the RAF during the reference period.

Quarterly reporting has also been instituted, which is delivered to the Group Risk Management Committee and once a month to the Risks Committee, containing analysis of the Lending and Investment portfolios deriving from the results of the sector Heatmap and the single-name assessments of the counterparties in Lending.

Mediobanca has also updated its remuneration policies and practices with the objective of stimulating behaviours consistent with the approach adopted for climate and environment risk, and to include the commitments made on a voluntary basis and so steer the beneficiaries' conduct towards the objective of creating value over the long term.

To this end, Mediobanca has included environmental, social and governance (ESG) objectives in the individual Long-Term Incentive Plan for the Mediobanca CEO and the Group General Manager, and for the CEO of Compass/CheBanca!. These objectives are in line with the UN's

Sustainable Development Goals, entail, among other things: an ongoing and increasing investment of the time horizon of the plan in projects with positive social and environmental impact, a focus on environmental objectives, with targets in terms of the percentages of energy used from renewable resources, reduction of CO2 emissions, etc.

For the short-term incentives, a distinction is made between assessment of ESG financial indicators and non-financial ESG indicators.

The ESG financial and sustainability KPIs for the Mediobanca CEO and the Group General Manager include the annual ESG targets contained in the Strategic Plan for the Group's principal businesses, with financial KPIs related to growth in the volume of green products (CIB, Compass and CheBanca!), or to increase in the penetration rates for ESG funds in clients' portfolios (both Retail and Private Banking).

Among the non-financial ESG indicators focusing on climate and environmental risk, the Mediobanca CEO has been specifically assigned an ESG KPI on "Planet and Environment", focusing on the ESG initiatives linked to environmental sustainability (for example, the Group being carbon neutral again, continuing with the projects launched in these areas).

The short-term incentive scheme for other senior figures (strategic management and Material Risk-Takers heading up the main business lines, including the CEOs/general managers of the main Group legal entities) also includes, both individually and as part of the scorecards used to define the divisional bonus pools, and where appropriate to the scope under consideration, the presence of quantitative, measurable ESG indicators. These include, without limitation: higher volumes of green products and deeper penetration of ESG funds in clients' portfolios; green bond issues; monitoring and accounting for assets in portfolios from an ESG standpoint; integrating ESG evaluations into the fund investment process, Other targets include: increasing green-/ESG-linked bond issues and lending activities; assessment of suppliers according to ESG criteria, target levels for electricity from renewable resources, cutting CO2 emissions, and increasing the number of hybrid cars in the Mediobanca fleet. Non-financial ESG objectives have also been set for these figures, possibly also structured as projects.

The rest of the Group staff are assigned a Group objective to evaluate the performance delivered in terms of the adoption of socially responsible behaviour on a management basis, in line with the Group's Corporate Social Responsibility policies, with reference in particular to protection of the environment, corporate diversity, and defence of human and social rights.

For further details, reference is made to the Group Remuneration Policy and Report published on the Bank's website at www.mediobanca.com.

To integrate the short-, medium- and long-term effects of environmental factors and risks into the risk framework, climate-related time horizons have been defined, as follows:

— Short term (ST): from 0 to 1 year

— Medium term (MT): from 1 to 5 years

— Long term (LT): from 5 to 30 years.

The short-, medium- and long-term effects have been defined as part of the risk framework, outlining the possible impacts for each traditional risk category, in order to integrate them into the risk management framework.

Banking risk	**Impact of physical risk**	**Time horizon**	**Impact of transition risk**	**Time horizon**
Credit risk	Natural disasters such as droughts, floods or storms increase in frequency under different climate scenarios, causing significant economic damage. Counterparties ability to pay would be affected, particularly of those operating in sectors highly dependent on natural resources or operating in particularly vulnerable locations. Potential depreciations of asset values and counterparties' real estate collaterals could be experienced.	ST-MT-LT	Counterparties ability to pay and asset values could be affected by changes in regulation and by the implementation of policies aimed at reducing GHG emissions. For example, stricter norms on carbon emissions or higher carbon pricing could potentially decrease profits for operators in the Oil and Gas industry. The development of market preferences towards more sustainable sectors could generate an impact on the profitability of counterparties not belonging to these sectors..	MT-LT
Market risk	Extreme events and long term climate trends as desertification and sea rising levels, could trigger instabilities, affecting supply chains and commodities prices, inducing volatility of market variables. For exemple, the occurrence of an adverse weather event could affect the stock price of the damaged firm.	ST-MT-LT	Expectations on new regulatory frameworks, stronger carbon policies or green technology breakthroughs could affect the volatility of market variables such interest rates, commodity prices or credit spreads. Regarding sectors highly at risk of assets stranding, abrupt repricing of securities and derivatives may occur.	MT-LT
Liquidity risk	Potential damages caused by extreme events could result in a reduction in the value of the Bank's assets and increased demand for funds by customers for damage repair. The bank could therefore experience adverse effects on cash flows, with an impact on the bank's ability to meet its financial obligations.	ST-MT-LT	The evolution of consumer preferences generates a negative impact on deposits determining a higher cost of funding for the Group. The enforcement of new regulatory frameworks and stringent carbon policies could affect the value of securities, resulting in additional collateral requirements and increased costs for carbon-intensive companies causing an increase in drawdowns on committed credit/ liquidity facilities.	MT

Operational risk	Severe weather events could impact business continuity capabilities of the bank and of its outsourcers. Employees wellbeing and their capability of working and accessing premises could be affected.	ST-MT-LT	The Group does not expect a material impact.	
Compliance and legal risk	The Group does not expect a material impact.		New climate regulations and measures as the EU Taxonomy or the SFDR, could increase the risks of litigation and non compliance, affecting the Group reputation or profitability through financial penalties.	MT-LT
Model risk	Wrong assumptions, insufficient data or erroneus interpretation of uncertainties correlated with results on natural hazards risk maps, provided by models, could affect decisioning processes.	ST-MT-LT	Wrong estimations on transition risks could lead to profitability losses.	MT-LT
Reputational risk	The Group does not expect a material impact.		KPIs such as the EBA's Green Asset Ratio could be impacted negatively by perduring or increasing financing for high-emitter borrowers. NGO, media and investors could react adversely would not be taken actions to reduce climate risks and align with decarbonization pathways. Inadequate transition management could lead to worse ESG rating or exclusion from sustainability indexes. The financing of counterparties for projects that do not respect environmental sustainability requirements may cause damages to the Group reputation. The Group could also suffer the media amplifying effect of conduct issues arising in delivering investment services and managing investment products.	MT-LT
Conduct risk	The Group does not expect a material impact.		An inappropriate supply of financial services could result in liability claims or fines imposed by the competent authorities for "greenwashing" events.	MT-LT

Mediobanca's environmental risk management is based on:

— Group ESG Policy – which develops and is based on the previous Group Policy on Responsible Lending and Investing adopted in 2019 –defines the guidelines for integrating ESG criteria, and

outlines the reference principles and the negative screening criteria (based also on assessments of the environmental risk posed by counterparties) and positive screening criteria applicable to lending, investment of own funds, and investment advice to clients.

— Methodologies developed internally based on international standards (United Nations Environment Programme Finance Initiative - UNEP FI, Principles for Sustainable Insurance - PSI). In particular, Mediobanca has defined an ESG Heatmap, an instrument which has been developed at sector level with the objective of identifying ESG risk for the proprietary lending and investment portfolio within the Corporate and Investment Banking Division based on the different risk levels. The Heatmap takes ESG factors into consideration, and distinguishes between climate change transition risk and climate change physical risk.

As mentioned previously, the mapping by sector has been performed using external information collected from international standards (United Nations Environment Programme Finance Initiative - UNEP FI, Principles for Sustainable Insurance - PSI). UNEP FI is a partnership between the United Nations and the global financial system to support sustainable finance. The UNEP FI network helps financial institutions to remain up-to-date on the tools, policies and practices used in the sector, to address the challenges and opportunities associated with sustainable growth.

The PSI are a voluntary initiative supported by the United Nations which have the objective of addressing the risks and opportunities associated with environmental, social and governance (ESG) issues in the insurance sector. Launched in 2012, the PSI are aligned with and supplement the United Nations' Global Compact principles.

In particular, an Impact Map has been adopted, as featured in the UNEP FI's Portfolio Impact Analysis Tool, which identifies how firms in different economic sectors impact positively or negatively on the different ESG areas.

To increase the consistency of the analysis and the Heatmap itself, the ESG factors identified by the UNEP FI have been integrated with some of the themes recommended by the PSI in its document entitled "Managing environmental, social and governance risks in non-life insurance business".

The process has led to a set of environmental factors being identified that impact on each economic sector:

	Source: UNEP FI	Source: PSI

Environmental	• Quality
	  • Water
	  • Air
	  • Soil
	• Biodiversity & ecosystems
	• Resources efficiency/security
	• Climate
	• Waste
		• Transition risk
		• Physical risk
		• Impacts on World Heritage sites or other protected areas
		• Impacts on species in IUCN Red List of Threatened Species
		• Controversial living conditions or use of chemicals/medicines (e.g. overuse of antibiotics)

Mediobanca also has a process available for identifying material risks, which it uses to identify the risks to which it could potentially be exposed. In order to ensure that sustainability aspects are better integrated, new risks linked to the ESG area have been included as sub-categories of the main risk categories for the Bank (credit risk, market risk, operational risk, and funding risk).

For Mediobanca, ESG risks are assessed at sector level using the ESG Heatmap, which is integrated with the characteristics of the individual counterparties that make up the portfolio (single-name analysis) in order to reflect the effective level of ESG risk.

Starting from this "potential" sector view, the methodology used to calculate the sector-based ESG score is recalibrated to factor in the results of an individual assessment of the counterparties featured in the portfolio. This assessment is performed through:

— Completion of qualitative questionnaires to collect information used for analysis of Group ESG policy requirements and to define an internal ESG score specific to the single counterparty;

— Collection of specific information for the individual counterparty from external info-providers, if the questionnaire has not yet been submitted;

— If no information is available from the previous two sources, assessment of the counterparties is based on the "potential" Heatmap sector results.

The Credit Risk Management unit also prepares a memo ("ESG Risk Report") for each counterparty featured in the Lending portfolio, containing a summary of the ESG assessments obtained during the origination process (such as whether or not they meet the criteria set forth in

the Group ESG Policy, or the synthetic ESG Internal Score) and an assessment of the counterparty's ESG risks. Even though it is not always possible to obtain all the required information in advance, this memo forms part of the documents to be submitted to the committee responsible for approving the transaction. Because this process has been launched only recently, coverage for some of the lending portfolio counterparties will commence starting from the new financial year. Mediobanca carries out regular reporting on ESG risk analysis, which is updated on a quarterly basis and discussed by all relevant internal Committees. The report provides an assessment of the environmental, social and governance (ESG) risks for the loan book and investment portfolio exposures, with specific indepth analysis of those sectors with the highest environmental risk.

Mediobanca implements management activities that form part of a regular monitoring process which consists of defining KPIs with which to monitor ESG risks. It has also set appropriate limits based on ESG risks in the Risk Appetite Framework.

In order to quantify its exposure to climate and environmental risk, CheBanca! has carried out an assessment of its portfolio of properties used as collateral. The purpose of this assessment is to highlight the number of such properties used as collateral in the portfolio, and their financial value, which are situated in Italian towns or cities potentially exposed to adverse climate or environmental phenomena. CheBanca! has developed its own methodology for defining risk maps, to classify Italian towns and cities by risk level. In view of the country's geographical and geological characteristics, three adverse climate and environmental factors have been considered in making the assessment: landslides, floods and earthquakes. In particular CheBanca! has carried out assessments of the hydrogeological dangers (from landslides and flooding), defined as climate physical risk, and of seismic dangers (from earthquakes), defined as environmental physical risk.

In order to mitigate the environmental risks, the Group adopts a structure with operating limits, and management and mitigation processes for specific exposures to climate and environmental risks that could represent especially significant concentrations.

The Group identifies the risk profile it intends to adopt in view of its strategic objectives, which are geared towards creating value in the long term. The objective is not to eliminate risk entirely, but to identify it and manage it in such a way as to ensure sustainability while also achieving profitable business results in the long term, coupled with prudent asset valuation.

The Group has identified environmental factors as one of the key elements on which its Risk Appetite Framework is based, to promote responsible business activities while maintaining a low profile in terms of exposure to climate risk. Work continues in this area, with the objective of ensuring increased integration, which at present entails implementing new metrics within the Group Risk

Appetite Framework, offering ESG products, and adopting ESG policies (including exclusion policies).

In FY 2021-22 climate change transition risk analysis was also been performed on the lending portfolios of both Mediobanca and Mediobanca International, measuring their degree of alignment (current and future) with the objective of reaching zero net $CO2_2$ emissions by 2050. The analysis has been conducted using the Paris Agreement Capital Transition Assessment (PACTA), along with the data set provided by Asset Resolution (an external data provider).

As a member of the Net-Zero Banking Alliance, Mediobanca, within three years of making its commitment (it signed up to the Alliance in November 2021), will disclose its portfolio objectives for the following sectors: agriculture, aluminium, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation and transport. In FY 2021-22 objectives have been set for the Mediobanca and Mediobanca International loan books in terms of their exposure to the electricity and transport sectors. Next year a decarbonization plan will be provided for these first two sectors, and further sector-based objectives will be set. See section 3.4.5 of the TCFD for further details.

The Mediobanca Group has participated in the Climate Stress Test requested by the ECB. Mediobanca has launched wide-ranging analysis of future climate risks, based on the definition of a short-, medium- and long-term time horizon, integrating *ad hoc* scenario analysis into the ICAAP process.

The scenario analysis allows the Group in particular to assess the impact generated by the climate transition and physical risks (acute and chronic) on the Group's capital ratios via the respective transmission channels (i.e. credit risk, market risk, and operational risk).

The serious but plausible adverse scenario related to climate risk considers potential vulnerabilities linked to extreme weather events (physical risk) and other sources of "disorderly" transition risk (e.g. particularly severe climate regulations, technological innovation, market volatility, etc.), that could materialize over the forecast time horizon.

The following are used to measure risks related to the climate and environment:

— The client's internal data at counterparty level (e.g. industrial sector codes);

— External public data (e.g. CNFS);

— Information from data providers (e.g. ESG ratings, ESG pillar scores, Controversies, PCAF,[19] PACTA[20] and Asset Resolution databases, etc.);

19 Partnership for Carbon Accounting Financials (PCAF).

— Research institution data (e.g. UNEPFI used to compile the ESG Heatmap).

Mediobanca has executed contracts with external data providers in order to obtain the information required to carry out all ESG-related activities, such as single-name assessment for credit risk and issuer risk assessment, application of the ESG Group Policy requirements and the EU Taxonomy/SFDR/MiFID requirements, etc.

Mediobanca has also launched the process of defining a common ESG database to function as "single point of truth" in supporting the internal analysis/assessment activities, and to meet the regulatory reporting requirements. The database will include both management and regulatory/accounting data, both internal and external data, on:

— The needs expressed by Regulation (EU) No. 2020/852, in particular with regard to the calculation of the GAR;

— Information useful for the proprietary Lending and Markets portfolios for purposes of internal ESG reporting, ESG policies, and internal analysis;

— Data required in connection with the investment services world, in particular client portfolio management and administration;

Needs arising from the Climate Stress Testing, and the need to calculate counterparties' Scope 1, 2 and 3 CO_2 emissions.

Climate risk limits in the Group's Risk Appetite Framework

The desired risk profile level is guaranteed by the assumption of risk that is limited by defining thresholds representing the level of risk considered to be acceptable and which is consistent with the Group's earnings objectives.

To monitor the Group's exposure, the Risk Appetite Framework includes two metrics, one focused on transition risk and the other on physical risk.

Transition risk

In order to identify its portfolio's potential ESG risk, Mediobanca has developed an ESG Heatmap by sectors, and has refined it to incorporate the distinctive features of its portfolio and the characteristics of the individual counterparties that comprise it.

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20 Paris Agreement Capital Transition Assessment (PACTA).

With the objective of promoting responsible business activities based on environmental criteria, the Group's Risk Appetite Framework includes a metric focused on exposure to companies operating in high environmental risk sectors, identifying what is considered to be an acceptable exposure level.

Physical risk

With regard to physical risk, following the ECB's most recent Single Supervisory Mechanism Climate Stress Test, the Group recognizes that floods, landslides and earthquakes can cause serious damage to buildings, reducing the value of the properties used as collateral for loans. With the objective of monitoring this risk, and given that the main transmission channel for it works through changes in the value of the underlying guarantees, the analysis in this area has been focused on the CheBanca! mortgage exposures to households and businesses which are guaranteed by properties. In this connection, CheBanca! has developed its own methodology for assigning risk indicators for its mortgage portfolio exposures, starting from the location of the properties used as collateral and based on data from ISPRA for flood and landslide risk, and data from the Italian Civil Protection for seismic risk. Three risk indicators are identified, which consider the probability of occurrence of the three extreme events mentioned.

Based on these three risk indicators, the bank has developed a modelling solution to define a synthetic physical risk metric. Four physical risk classes have been defined in the methodology for classifying Italian towns and cities: Very High, High, Medium, and Low.

This synthetic metric is included in the Group's Risk Appetite Framework as a monitoring indicator.

The purpose of including this metric in the RAF is to monitor the value of loans granted during the quarter that are secured by properties located in towns and cities classified as being at Very High and High physical risk.

The same criteria have been applied to the other loans secured by properties held by the other Group Legal Entities for the purpose of compiling Table 5.

ESG Policy negative screening and escalation criteria for climate risk-related limits

Mediobanca considers the integration of environmental, social and governance principles into its management criteria to be a priority, among other things in order to consolidate investor and

market confidence in the Group. ESG criteria are a key success factor for creating value, not just economic and financial, but also social and environmentally sustainable value.

To pursue these objectives, the Group develops and adopts an approach to identify, assess, prevent and reduce potential reputational and operational risks deriving from lending to, and/or investing in, businesses operating in sectors considered to be socially irresponsible, with low ESG ratings, and/or involved in serious events, which have entailed or could entail adverse impacts on society, the environment or good governance (otherwise known as indirect impacts).

To support responsible business activities that take ESG criteria into consideration, the Group has defined parameters for analysis that all Group Legal Entities must factor into their own assessments.

Such analysis is performed by each Group Legal Entity according to its own needs and the distinctive features of its respective business using one or more of the following sources (where available):

- Information in the public domain (e.g. communications and documentation published on websites, in the preparation of financial reporting);
- Specialist info-providers;
- Other specific reports for measuring and assessing companies;
- Information obtained directly from the company and/or counterparty involved.

The Group does not knowingly engage in business activities that are contrary to its own values or that are in breach of principles and regulations and so could expose the Group to serious reputational risks. In particular, it does not engage in business activities that regard or directly involve companies that have been convicted of causing serious environmental damage (such as deforestation, damage to the ecosystem, etc.).

Negative screening criteria have been incorporated into the internal regulatory framework, so issuers that do not meet these criteria are not considered eligible for investment purposes. Such criteria are also applied and and/or updated progressively based on changes in the scenario, both regulatory, strategic and risk taking on ESG-related issues.

A description of the transmission channels for physical and transition risks for the different risk categories is provided below:

Risk category	Risk driver (level 1)	Risk driver (level 2)	Example	Transmission channel
Credit risk	Environmental	Physical risk	The occurrence of acute weather events causes damage to the value of properties used as collateral by counterparties, impacting negatively on the LGD.	Households, businesses and sovereign entities
			The occurrence of acute weather events (e.g. flooding) causes significant damage to companies operating in given sectors (such as agriculture) situated in specific areas, impacting negatively on their PD.	
		Transition risk	Changes in the market's preferences for more sustainable sectors impact on the earnings of counterparties not operating in those sectors, which in turn impacts negatively on their PD/ rating.	
			Implementation of policies to reduce greenhouse gas emissions impacts on the earnings (in terms of lower profits and/or higher compliance and legal costs) of counterparties with high greenhouse gas emissions, impacting negatively on their PD/ rating.	
Market risk	Environmental	Physical risk	The occurrence of an adverse weather event (acute and/or chronic) affects the share price of the companies which suffer damage as a result of it, or more generally impacts on the market's expectations which in turn impacts negatively on share prices and/or their volatility.	Prices of shares, currencies or commodities
		Transition risk	The implementation of EU policies intended to facilitate the transition towards a more sustainable economy could reverse the trend of some of the main market elements, with implications in terms of changes to share prices. More specifically, companies which encounter difficulties could see their share prices fall.	
Operational risk	Environmental	Physical risk	The occurrence of extreme weather events causes damage to physical assets (e.g. headquarters, data centres, etc.) which impacts on the Bank's business continuity.	Failed internal processes, internal or external events
		Transition risk	Financing counterparties to implement projects that do not meet the environmental sustainability requirements, coupled with changes in customer preferences, causes damage to the Group's reputation, and leads to the risk of complaints by clients and claims for damages.	
			Failure to comply with environmental sustainability standards leads to sanctions for the Group.	
Funding and liquidity risk	Environmental	Physical risk	The occurrence of extreme weather events generates an increase in cash outflows which affects the Bank' capability to meet its own financial obligations.	Assessment of conduct of counterparties, financing conditions
		Transition risk	Changing consumer preferences impact negatively on deposits, driving higher funding costs for the Group.	
			The application of new regulatory frameworks and stricter policies on CO_2 emissions could affect the value of shares, triggering additional requirements in terms of collateral, and an increase in costs for companies with high emissions intensity, driving an increase in the use of credit lines/committed liquidity.	

Risk category	Risk driver (level 1)	Risk driver (level 2)	Example	Transmission channel
Credit risk		Physical risk	The occurrence of acute weather events causes damage to the value of properties used as collateral by counterparties, impacting negatively on the LGD.	
			The occurrence of acute weather events (e.g. flooding) causes significant damage to companies operating in given sectors (such as agriculture) situated in specific areas, impacting negatively on their PD.	

	Environmental	Transition risk	Changes in the market's preferences for more sustainable sectors impact on the earnings of counterparties not operating in those sectors, which in turn impacts negatively on their PD/ rating.	Households, businesses and sovereign entities
			Implementation of policies to reduce greenhouse gas emissions impacts on the earnings (in terms of lower profits and/or higher compliance and legal costs) of counterparties with high greenhouse gas emissions, impacting negatively on their PD/ rating.	
Market risk	Environmental	Physical risk	The occurrence of an adverse weather event (acute and/or chronic) affects the share price of the companies which suffer damage as a result of it, or more generally impacts on the market's expectations which in turn impacts negatively on share prices and/or their volatility.	Prices of shares, currencies or commodities
		Transition risk	The implementation of EU policies intended to facilitate the transition towards a more sustainable economy could reverse the trend of some of the main market elements, with implications in terms of changes to share prices. More specifically, companies which encounter difficulties could see their share prices fall.	
Operational risk	Environmental	Physical risk	The occurrence of extreme weather events causes damage to physical assets (e.g. headquarters, data centres, etc.) which impacts on the Bank's business continuity.	Failed internal processes, internal or external events
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		Transition risk	Changing consumer preferences impact negatively on deposits, driving higher funding costs for the Group.	
			The application of new regulatory frameworks and stricter policies on CO_2 emissions could affect the value of shares, triggering additional requirements in terms of collateral, and an increase in costs for companies with high emissions intensity, driving an increase in the use of credit lines/committed liquidity.	

2. Social

The Group integrates social risks into its business model and strategy by:

— Offering ESG products (see the Consolidated Non-Financial Statement for further details) and;

— Adopting ESG policies. The latter are based on a combination of:

  — Negative screening, i.e. criteria to identify and exclude parties involved in specific activities;

  — Positive screening, i.e. criteria to identify parties and/or assets which are assessed positively from an ESG standpoint.

In particular, with reference to lending and proprietary investing activities, specific policies have been drawn up for sectors considered to be sensitive in social terms (which also includes employee health and safety). These sectors are as follows: defence and weapons, forestry and use of forest

areas, farming, mining industry, production sale and consumption of energy, and infrastructure and transport.

In addition to the information provided above for the Environmental area regarding setting targets and objectives, on the Social side, on 31 March 2022 the Mediobanca Group launched a cultural transformation process under the title "toDEI", with the objective of creating an even more inclusive working environment. More specifically, while acknowledging that diversity has many sides to it, the Group has said it wants to focus in particular on reducing the gender gap as a matter of priority.

In quantitative terms, the Group has set the following objectives:

	Objective	KPIs	As of 30/06/2022	To be – End of Industrial Plan (2026-27)	To be – End of Industrial Plan (2030-31)
Address gender balance whit long term results	Consolidate female representation in top management and executive positions	% of female members of Mediobanca Key Function Holders	~23%	>30%	>40%
		% of female "executives"	~16%	>20%	~35%
	Establish gender balanced recruiting inflows	% of female on total hiring	~38%	>50%	~50%
	Ensure balanced and fair advancement & remuneration processes	Advancement rate	10,3% 12,4%	Parity	Parity
Effective & powerful communication	Engage all stakeholders in cultural transformation, high impact communication	Bloomberg GEI index score	73	~80	>85

A detailed action plan has been drawn up accordingly, focused on the following three pillars: governance (a Diversity, Equity and Inclusion management committee has been set up), people management (HR policies and processes will be overhauled), and corporate culture (a learning process will be launched that will involve the Group's entire corporate population).

Mediobanca has also been included in the Bloomberg Gender- Equality Index (GEI) for the fourth year running.

The 2019-23 Strategic Plan also contains the following targets: integrating social issues into the processes for assessing new investments/loans and the purchasing and supplier selection processes.

In defining its sustainability and ESG policies, the Group has also made reference to internationally recognized principles and frameworks, such as the Universal Declaration of Human Rights, the ten principles of the UN Global Compact, and the UN Sustainable Development Goals (SDGs).

The ten UN Global Compact principles in turn derive from the UN's Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work compiled by the International Labour Organization (ILO), the Rio Declaration on Environment and Development, and the Convention Against Corruption.

The Group also took part in the drafting of the paper on best corporate practices Guidelines on Diversity & Inclusion in the Workplace compiled by Global Compact Network Italia in conjunction with the International Labour Organization (ILO) and the Italian HR management association AIDP (Associazione Italiana Direzione Personale). The Guidelines contain a series of recommendations on the use of inclusive language and unconscious bias, focus on the pay gap for more vulnerable groups of society, and the need to adopt adequate policies on non-discrimination to be followed from the earliest selection phases.

The Group has participated in the UN Global Compact since April 2018.

The new Green, Social and Sustainability Bond Framework (June 2022) focuses more on the social aspects than the previous Green and Sustainable Bond Framework did (issued in June 2020), in particular regarding the contribution to SDGs 1, 8 and 10 by financing SMEs and supporting economic and social development. The Green, Social and Sustainability Bond Framework is aligned with the Green Bond Principles (2021), the Social Bond Principles (2021) and the Sustainability Bond Guidelines (2021) issued by the International Capital Market Association (ICMA).

In order to mitigate and reduce socially damaging activities by its counterparties, Mediobanca encourages its current and potential clients and companies in which it has invested (or intends to invest) to engage in transparent dialogue on the responsibility of their approach and how ESG factors influence their activities.

In line with the Group ESG Policy and the Directive on responsible investing in portfolio management and investment advice, the Mediobanca Group is also committed to "shareholder activism" practices, to the degree that these are applicable to the different types of activity, taking

an active part in the annual general meetings of the investee companies, in accordance with their specific policies and directives on voting.

Mediobanca has also drawn up an ESG Heatmap, which serves to identify the potential risk relating to ESG factors facing the proprietary lending and investment portfolio in the Corporate & Investment Banking Division.

The Heatmap considers sector-based ESG factors, with separate indication of both climate change transition risk and physical risk. In particular, an Impact Map has been adopted, as featured in the UNEP FI's Portfolio Impact Analysis Tool, integrated with some of the issues proposed by the PSI in its document entitled "Managing environmental, social and governance risks in non-life insurance business", which identifies how firms in different economic sectors impact positively or negatively on the different ESG areas.

The methodology used to calculate the sector ESG score has been fine-tuned to include assessment of the individual counterparties, to reflect their actual ESG risk level. Such individual assessment has been carried out by asking the counterparties to complete qualitative questionnaires.

For details regarding the model used for defining and managing social risks, integrating measures to manage social risks and factors into the internal governance agreements, including the roles of the committees, and the assignation of duties and responsibilities, reference is made to the section entitled "Qualitative information" of this section.

In addition to the details provided in the Qualitative information, it should be noted that on the subject of social risks, the Group ESG policy aims to: i) promote knowledge and facilitate the application of responsible lending and investment processes within the Group; ii) reduce the risks and indirect impact related to the core businesses managed by the Group; iii) prevent the Group from being involved in activities and investments that are not in line with the principles of ethics and integrity which constitute the foundation of the Group's way of doing business. The Group ESG Policy defines the guidelines for integrating ESG criteria, and outlines the reference principles and the negative screening criteria (based also on assessments of the social risk posed by counterparties) and positive screening criteria applicable to lending, investment of own funds, and investment advice to clients.

For example, the Group does not finance or invest in counterparties for which it has evidence of: serious breaches of environmental regulations or of regulations on health and safety and human rights, with reference both to the companies' own employees and their local communities (e.g. use of child and/or forced labour).

With reference to the remuneration policies in regard to social risks, in addition to the information provided in the Environmental section, objectives have been set for the Mediobanca CEO and the Group General Manager, and for the CEO of Compass/CheBanca! linked to social risk management, in line with the United Nations' Sustainable Development Goals, including for example: an increase in the number of hours devoted to training within Mediobanca, in order to improve the quality and performances of its own staff, an ongoing and increasing investment over the time horizon of the Strategic Plan in projects with positive social and environmental impacts, etc.

The financial ESG and sustainability criteria for the Mediobanca CEO and the Group General Manager are properly described in the Environmental section.

The annual scorecards for the Mediobanca CEO and the Group General Manager also include non-financial ESG and CSR objectives in the social risk area, such as: People Strategy and Human Capital (diversity, training, succession planning, work/life balance, staff conditions).

Reference is made to the Group Remuneration Policy and Report for further details.

Mediobanca's social risk management framework is based on:

— Group ESG Policy – which develops and is based on the previous Group Policy on Responsible Lending and Investing adopted in 2019 –defines the guidelines for integrating ESG criteria, and outlines the reference principles and the negative and positive screening criteria applicable to lending, investment of own funds, and investment advice to clients;

  Methodologies developed internally based on international standards (United Nations Environment Programme Finance Initiative - UNEP FI, Principles for Sustainable Insurance -

— Mediobanca has also created an ESG Heatmap, an instrument developed at sector level with the objective of identifying the potential risk for ESG factors for the proprietary lending and investment portfolio within the Corporate and Investment Banking Division.

Application of this instrument translates to a methodology based on mapping by sector according to the different ESG risk levels entailed by each of them.

As mentioned previously, such mapping by sector is performed using external information collected from international standards (United Nations Environment Programme Finance Initiative - UNEP FI, Principles for Sustainable Insurance - PSI).

UNEP FI is a partnership between the United Nations and the global financial system to support sustainable finance. The UNEP FI network helps financial institutions to remain up-to-date on the tools, policies and practices used in the sector, to address the challenges and opportunities associated with sustainable growth.

The PSI are a voluntary initiative supported by the United Nations which have the objective of addressing the risks and opportunities associated with environmental, social and governance (ESG) issues in the insurance sector. Launched in 2012, the PSI are aligned with and supplement the United Nations' Global Compact principles.

From these external sources, it is possible to select the ESG factors that impact on each economic sector of interest, and to collect information on their respective level of impact.

In particular, an Impact Map has been adopted, as featured in the UNEP FI's Portfolio Impact Analysis Tool, which identifies how firms in different economic sectors impact positively or negatively on the different ESG areas.

To increase the consistency of the analysis and the Heatmap itself, the ESG factors identified by the UNEP FI have been integrated with some of the themes recommended by the PSI in its document entitled "Managing environmental, social and governance risks in non-life insurance business".

The process has led to a set of environmental factors being identified that impact on each economic sector, as shown in the table below:

ESG Pillar	Source: UNEP FI	Source: PSI
Social	• Availability of water, food and housing • Health and sanitation • Education • Employment • Energy • Mobility • Information • Culture and heritage • Personal integrity and security • Justice • Strong institutions, peace and stability	• Child labour • Human trafficking • Forced resettlement (including land/water rights for native people, land grabbing) • Violation of worker rights (e.g. discrimination, collective bargaining) Controversial weapons exposure (e.g. UN conventions)

With regard to the assessment of ESG risk by sector using the ESG Heatmap, reference is made to section 1 Environmental.

The Group considers the integration of environmental, social and governance principles into its management criteria to be a priority, among other things in order to consolidate investor and market confidence in the Group. ESG criteria are a key success factor for creating value, not just economic and financial, but also social and environmentally sustainable value.

To pursue these objectives, the Group develops and adopts an approach to identify, assess, prevent and reduce potential reputational and operational risks deriving from lending to, and/or investing in, businesses operating in sectors considered to be socially irresponsible, with low ESG

ratings, and/or involved in serious events, which have entailed or could entail adverse impacts on society, the environment or good governance (otherwise known as indirect impacts).

To support responsible business activities that take ESG criteria into consideration, the Group has defined parameters for analysis that all Group Legal Entities must factor into their own assessments.

Such analysis is performed by each Group Legal Entity according to its own needs and the distinctive features of its respective business using one or more of the following sources (where available):

- Information in the public domain (e.g. communications and documentation published on websites, in the preparation of financial reporting);
- Specialist info-providers;
- Other specific reports for measuring and assessing companies;
- Information obtained directly from the company and/or counterparty involved.

The Group does not knowingly engage in business activities that are contrary to its own values or that are in breach of principles and regulations and so could expose the Group to serious reputational risks. In particular, it does not engage in business activities that regard or directly involve:

- Companies related (even only marginally) in the production and/or sale of weapons that violate fundamental human principles;
- Companies that have been convicted of serious violations of human rights (including/with reference in particular to those in the area of child labour);
- Companies that have been convicted of serious violations in the areas of accounting fraud, money laundering and bribery and corruption;
- Companies that have been convicted of crimes in the area of worker health and safety.

Negative screening criteria have been incorporated into the Bank's internal regulatory framework, so issuers that do not meet these criteria are not considered eligible for investment.

A description of the transmission channels of social risks for operational risk is provided below:

Risk category	Risk driver (level 1)	Risk driver (level 2)	Example	Transmission channel

Operational risk	Social	-	Failure to comply with the regulations in matters pertaining to social risk (e.g. health and safety in the workplace, discrimination, etc.) entails adverse economic impacts deriving from possible sanctions or claims for damages.	Failed internal processes, internal or external events

3. GOVERNANCE

As far as regards the roles and responsibilities of the directional and management executive committees for governance risk-related issues, reference is made to the "Qualitative Information" section above. On 29 July 2021, the Board of Directors of Mediobanca approved the new Group ESG Policy (subsequently adopted by all the Group Legal Entities as well). The new Policy defines the guidelines for integrating ESG criteria (negative and positive screening criteria), and outlines the reference principles applicable to all the Bank's businesses (lending, investments, M&A, investment services, etc.). In particular, Mediobanca has defined positive and negative screening criteria at both general and sector level (for the latter, sectors such as forestry and use of forest areas, energy production, sale and consumption, etc.). Mediobanca has also developed a framework for performing single-name analysis, to check the criteria established by the Group ESG Policy. As regards the lending portfolio counterparties, such analysis is performed through the use of a qualitative questionnaire which allows the criteria stipulated in the Group ESG Policy to be screened at the individual level. For the investments portfolio, meanwhile, the reference internal regulations include a screening process based on external information, with the aim of establishing which counterparties are eligible for investment.

Quantitative information

Template 1: Banking book – climate change transition risk: credit quality of exposures by sector, emissions and outstanding duration

Table 1 shows information on the activities most exposed to the risks entailed by the transition to a low carbon emission economy which is less damaging to the climate.

Starting with the exposures to non-financial companies sub-divided by sector, credit quality, outstanding duration and provisioning level, those companies contributing most strongly to climate change are identified through their operations being in sectors related to the coal industry through greenhouse gas emissions financed (counterparties Scope 1, 2 and 3 emissions), which, were data is available, are stated in columns i, j and k.

In the FTA phase, these columns have been completed on a best effort basis, meaning partial coverage of the Group's loan book for non-financial companies. Priority has therefore been given to the largest counterparties concerned, which represent something like 70% of the loan book. Analysis of the results, which of course remain subject to potential corrections in the coming quarters, show that the exposure is low.

A summary description is provided below of the methodological approach used to quantify the GHG emissions data for exposures to non-financial companies operating in the sectors shown in Table 1.

To determine the figures for GHG emissions "financed", the method illustrated below has been used, which has been borrowed from the criteria adopted by the Partnership for Carbon Accounting Financial (PCAF). According to these criteria, the amount of emissions in tons of carbon dioxide equivalent (tCO2e) is multiplied by the ratio between the book value (or gross carrying amount) of the exposure relative to the counterparty's Enterprise Value; the latter is derived from the sum of the value of the entity's equity and debt, both as per the book values recorded in the most recent financial statements available, for both listed and unlisted companies. The justification for using weightings in calculating the emissions "financed" lies in ensuring that the value of the emissions stated is consistent with the Bank's contribution to the overall financing of the various counterparties' balance-sheet structures, as expressed by their respective book values. The use of book values to quantify net equity rather than market capitalization not only means all counterparties receive the same treatment, but also that the weightings themselves are more consistent (indeed, debt can only be expressed in terms of book value), thus neutralizing them against any market price volatility dynamics, which in some cases could materially alter the equity component's weighting.

To quantify the Scope 1, 2 and 3 GHG emissions, the data declared by the counterparties themselves have been used for all counterparties for which such data is available, obtained via the official reporting and/or data providers, while for the remainder, proxy estimates have been used.

The proxy estimate methodology entails the use of GHG intensity sector estimates (GHG emissions in tCO2e / Total Revenues and/or GHG tCO2e / Total Assets), distinguished by the different types of emission (i.e. Scope 1, 2, 3), rescaled versus the individual counterparties using the appropriate drivers. The GHG intensity sector estimates have been estimated based on a broad sample of companies worldwide, using the same NACE sector segmentation provided for in the Pillar III ITS template.

The GHG intensity sector estimates are rescaled for the individual counterparty using a structured methodological approach, which allows the most suitable driver for the specific case at

hand to be used based on both absolute levels and the degree of dispersion of GHG intensity within the sector concerned. The main driver used is the counterparty's total revenues, plus other company indicators where appropriate, deemed useful to calibrate the sector's GHG intensity level more accurately. The choice of which driver to use and which GHG intensity rescaling method to adopt is made for each sector based on a back-testing process carried out on a sample of companies with emissions data, with a view to reducing the proxy estimate error. For example, for sectors with low levels of GHG intensity dispersion around a central value and with low indicator levels, the proxy is determined simply by multiplying the sector GHG intensity median value by the company's total revenues. Conversely, for sectors with high indicator levels and high GHG intensity dispersion, to fine-tune the estimate, the sector parameter to be applied to the company is calibrated based on the central values for the sector sample quartile, using drivers which, on a statistical basis, through ranking systems, prove to be effective in capturing the size of GHG Intensity (e.g. capital intensity).

As mentioned previously, the Mediobanca Group is very sensitive to environmental issues, and is committed to contributing to the development of environmentally sustainable business, including through ongoing monitoring of the emissions produced by the counterparties it finances, to assist them in their transition towards a more sustainable economy. Projects currently underway in this regard are also intended to improve and refine the methods used for calculating financed emissions, with the involvement of its own units and with suitable investments.

Template 1: Banking book – climate change transition risk: credit quality of exposures by sector, emissions and outstanding duration (1/2)

	Sector/subsector	a	b	c	d	e	f	g	h
		Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)		
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Reg	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures
1	**Exposures towards sectors that highly contribute to climate change***	**11,545,521**	**911,581**		**490,752**	**212,225**	**(163,534)**	**(24,619)**	**(103,751)**
2	**A - Agriculture, forestry and fishing**	**29,722**	—		**802**	**1,554**	**(1,074)**	**(91)**	**(875)**
3	**B - Mining and quarrying**	**115,076**	**96,186**		**7**	**350**	**(122)**	**(1)**	**(16)**
4	*B.05 - Mining of coal and lignite*	—	—		—	—	—	—	—
5	*B.06 - Extraction of crude petroleum and natural gas*	105,055	96,186		1	—	(82)	—	—
6	*B.07 - Mining of metal ores*	—	—		—	—	—	—	—
7	*B.08 - Other mining and quarrying*	10,020	—		6	349	(40)	(1)	(16)
8	*B.09 - Mining support service activities*	1	—		—	1	—	—	—
9	**C - Manufacturing**	**5,015,197**	**26,638**		**213,364**	**29,223**	**(43,511)**	**(15,260)**	**(10,850)**
10	*C.10 - Manufacture of food products*	290,349	—		7,813	2,696	(2,018)	(364)	(756)
11	*C.11 - Manufacture of beverages*	163,970	—		27	100	(517)	(1)	(39)
12	*C.12 - Manufacture of tobacco products*	9	—		0	8	—	—	—
13	*C.13 - Manufacture of textiles*	18,729	—		597	1,495	(926)	(44)	(762)
14	*C.14 - Manufacture of wearing apparel*	8,516	—		693	1,548	(584)	(31)	(527)
15	*C.15 - Manufacture of leather and related products*	13,269	—		521	659	(192)	(10)	(153)
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	14,736	—		4,670	756	(374)	(215)	(115)
17	*C.17 - Manufacture of pulp, paper and paperboard*	240,851	—		145	167	(959)	(6)	(10)
18	*C.18 - Printing and service activities related to printing*	13,520	—		634	1,021	(322)	(65)	(227)
19	*C.19 - Manufacture of coke oven products*	29,317	26,638		2,260	6	(103)	(52)	(1)
20	*C.20 - Production of chemicals*	301,118	—		49,092	167	(7,466)	(7,007)	(30)
21	*C.21 - Manufacture of pharmaceutical preparations*	645,800	—		1,464	13	(1,817)	(29)	(5)
22	*C.22 - Manufacture of rubber products*	59,099	—		1,514	1,815	(808)	(26)	(617)
23	*C.23 - Manufacture of other non-metallic mineral products*	182,769	—		69,851	1,221	(6,503)	(5,602)	(351)
24	*C.24 - Manufacture of basic metals*	85,978	—		2,950	565	(712)	(259)	(203)
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	180,729	—		20,015	3,756	(1,421)	(242)	(781)
26	*C.26 - Manufacture of computer, electronic and optical products*	175,722	—		1,219	206	(1,762)	(8)	(21)
27	*C.27 - Manufacture of electrical equipment*	267,189	—		1,064	674	(974)	(48)	(263)
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	345,389	—		35,028	6,419	(6,393)	(905)	(4,695)
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	1,627,629	—		11,496	2,363	(7,033)	(199)	(244)
30	*C.30 - Manufacture of other transport equipment*	69,687	—		85	236	(385)	(8)	(18)
31	*C.31 - Manufacture of furniture*	8,126	—		522	1,621	(486)	(31)	(432)
32	*C.32 - Other manufacturing*	247,762	—		587	1,179	(1,429)	(48)	(423)
33	*C.33 - Repair and installation of machinery and equipment*	24,933	—		1,116	532	(329)	(63)	(176)
34	**D - Electricity, gas, steam and air conditioning supply**	**1,207,862**	**788,757**		**23,183**	**259**	**(2,872)**	**(186)**	**(43)**
35	*D35.1 - Electric power generation, transmission and distribution*	839,344	690,216		2,862	111	(1,828)	(168)	(29)
36	*D35.11 - Production of electricity*	471,279	6,985		2,857	41	(1,031)	(167)	(25)
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	368,463	98,541		20,316	134	(1,037)	(17)	(13)
38	*D35.3 - Steam and air conditioning supply*	54	—		5	14	(2)	(1)	(1)
39	**E - Water supply; sewerage, waste management and remediation activities**	87,550	—		1,287	1,613	(1,154)	(46)	(957)
40	**F - Construction**	**748,237**	—		**8,200**	**25,163**	**(12,616)**	**(560)**	**(9,626)**
41	*F.41 - Construction of buildings*	241,019	—		4,063	15,815	(6,784)	(332)	(5,731)
42	*F.42 - Civil engineering*	307,356	—		413	2,593	(2,267)	(24)	(928)
43	*F.43 - Specialised construction activities*	199,863	—		3,724	6,755	(3,564)	(204)	(2,967)
44	**G - Wholesale and retail trade; repair of motor vehicles and motorcycles**	**1,597,845**	—		**132,147**	**87,483**	**(59,923)**	**(4,742)**	**(50,242)**
45	**H - Transportation and storage**	934,145	—		9,814	7,442	(6,984)	(369)	(2,734)
46	*H.49 - Land transport and transport via pipelines*	324,636	—		7,486	4,065	(2,769)	(242)	(1,022)
47	*H.50 - Water transport*	31,971	—		21	76	(337)	(1)	(19)
48	*H.51 - Air transport*	45,375	—		26	111	(646)	(5)	(19)
49	*H.52 - Warehousing and support activities for transportation*	481,699	—		1,846	2,809	(2,885)	(78)	(1,436)
50	*H.53 - Postal and courier activities*	50,464	—		435	380	(346)	(44)	(237)
51	**I - Accommodation and food service activities**	**160,489**	—		**72,982**	**6,684**	**(5,027)**	**(2,503)**	**(1,913)**
52	**L - Real estate activities**	**1,649,399**	—		**28,967**	**52,453**	**(30,251)**	**(860)**	**(26,496)**
53	**Exposures towards sectors other than those that highly contribute to climate change***	**8,100,455**	—		**282,956**	**57,042**	**(48,457)**	**(12,432)**	**(14,387)**
54	**K - Financial and insurance activities**	1,516,994	—		49,471	304	(8,849)	(5,159)	(138)
55	Exposures to other sectors (NACE codes J, M - U)	6,583,460	—		233,484	56,739	(39,608)	(7,273)	(14,248)
56	**TOTAL**	**19,645,976**	**911,581**		**773,707**	**269,267**	**(211,986)**	**(37,051)**	**(118,138)**

Template 1: Banking book – climate change transition risk: credit quality of exposures by sector, emissions and outstanding duration (2/2)

	Sector/subsector	i	j	k[21]	l[22]	M[6]	N[6]	O[6]	p
		GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which Scope 3 financed emissions						
1	**Exposures towards sectors that highly contribute to climate change***	**4,002,288**	**2,824,505**	**22.59%**	**10,406,782**	**777,463**	**164,535**	**196,742**	
2	**A - Agriculture, forestry and fishing**	825	607	0.00%	17,166	11,986	435	135	5.75
3	**B - Mining and quarrying**	830,188	776,048	0.01%	114,583	335	159	—	3.25
4	*B.05 - Mining of coal and lignite*	—	—	0.00%	—	—	—	—	—
5	*B.06 - Extraction of crude petroleum and natural gas*	828,039	774,039	0.01%	105,056	—	—	—	3.25
6	*B.07 - Mining of metal ores*	—	—	0.00%	—	—	—	—	—
7	*B.08 – Other mining and quarrying*	2,148	2,008	0.00%	9,527	335	157	—	3.18
8	*B.09 – Mining support service activities*	—	—	0.00%	—	—	1	—	10.66
\9	**C - Manufacturing**	1,569,361	1,082,327	20.20%	4,570,721	288,873	37,451	118,150	4.27
10	*C.10 - Manufacture of food products*	66,669	63,598	0.00%	287,647	1,515	1,186	—	3.03
11	*C.11 - Manufacture of beverages*	12,904	12,151	0.00%	160,113	1,604	2,253	—	1.62
12	*C.12 - Manufacture of tobacco products*	—	—	0.00%	7	—	2	—	3.60
13	*C.13 - Manufacture of textiles*	2,557	2,204	0.00%	3,794	10,792	4,143	—	3.02
14	*C.14 - Manufacture of wearing apparel*	842	725	0.00%	3,639	3,830	1,047	—	5.01
15	*C.15 - Manufacture of leather and related products*	1,272	1,096	0.00%	6,573	593	1,331	4,772	30.84
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	4,705	4,056	0.00%	5,201	7,826	1,709	—	5.22
17	*C.17 - Manufacture of pulp, paper and paperboard*	150,298	149,775	0.00%	128,892	1,506	454	110,000	37.36
18	*C.18 - Printing and service activities related to printing*	1,358	1,170	0.00%	19,076	17,386	15,210	—	5.41
19	*C.19 - Manufacture of coke oven products*	12,516	12,440	0.00%	23,065	4,133	2,119	—	4.29
20	*C.20 - Production of chemicals*	96,057	85,404	10.35%	237,803	63,028	287	—	3.70
21	*C.21 - Manufacture of pharmaceutical preparations*	23,398	15,984	35.12%	581,044	64,636	116	—	3.64
22	*C.22 - Manufacture of rubber products*	16,993	15,076	0.00%	54,580	4,196	323	—	3.23
23	*C.23 - Manufacture of other non-metallic mineral products*	577,121	198,474	48.96%	169,898	10,230	2,641	—	3.23
24	*C.24 - Manufacture of basic metals*	81,502	70,260	0.00%	71,288	14,550	140	—	1.03
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	36,939	31,844	0.00%	174,922	4,458	1,349	—	3.50
26	*C.26 - Manufacture of computer, electronic and optical products*	27,958	26,423	0.52%	153,137	22,075	510	—	1.55
27	*C.27 - Manufacture of electrical equipment*	28,040	25,609	48.71%	260,465	6,434	290	—	3.67
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	38,537	33,774	54.47%	325,236	19,464	688	—	3.76
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	365,805	315,284	11.83%	1,605,462	22,038	130	—	0.96
30	*C.30 - Manufacture of other transport equipment*	6,844	4,542	9.43%	66,694	2,893	100	—	1.45
31	*C.31 - Manufacture of furniture*	523	450	0.00%	6,901	805	420	—	3.96
32	*C.32 - Other manufacturing*	14,341	10,103	59.53%	246,297	1,162	303	—	3.77
33	*C.33 - Repair and installation of machinery and equipment*	2,182	1,881	0.00%	17,138	3,720	697	3,378	13.96
34	**D - Electricity, gas, steam and air conditioning supply**	968,746	471,344	53.08%	1,177,646	9,509	26	20,681	3.10
35	*D35.1 - Electric power generation, transmission and distribution*	399,571	236,113	48.15%	809,137	9,505	22	20,681	5.80
36	*D35.11 - Production of electricity*	529,262	202,856	53.04%	442,039	8,543	15	20,681	5.31
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	39,413	32,134	64.89%	368,459	—	4	—	2.27
38	*D35.3 - Steam and air conditioning supply*	500	240	2.77%	50	4	—	—	1.03
39	**E - Water supply; sewerage, waste management and remediation activities**	31,884	14,574	0.00%	82,605	1,624	3,322	—	2.41
40	**F - Construction**	62,752	58,809	3.52%	684,677	45,461	18,098	—	3.93
41	*F.41 - Construction of buildings*	33,028	30,978	0.00%	198,271	28,976	13,772	—	4.58
42	*F.42 - Civil engineering*	14,426	13,749	0.00%	293,708	11,465	2,183	—	3.39
43	*F.43 - Specialised construction activities*	14,546	13,376	12.80%	192,699	5,020	2,143	—	4.10
44	**G - Wholesale and retail trade; repair of motor vehicles and motorcycles**	393,610	336,656	30.54%	1,420,422	143,203	32,280	1,941	2.86
45	**H - Transportation and storage**	104,760	66,535	12.45%	879,222	50,009	4,915	—	2.66
46	*H.49 - Land transport and transport via pipelines*	48,605	27,511	0.00%	322,157	1,268	1,211	—	3.25
47	*H.50 - Water transport*	2,940	2,912	0.00%	31,894	76	1	—	1.89
48	*H.51 - Air transport*	8,533	4,702	0.00%	40,428	4,905	42	—	3.23
49	*H.52 - Warehousing and support activities for transportation*	44,112	31,138	14.93%	438,983	40,613	2,104	—	2.49
50	*H.53 - Postal and courier activities*	570	273	88.54%	45,759	3,148	1,558	—	0.39
51	**I - Accommodation and food service activities**	17,901	10,715	42.12%	129,098	22,107	9,283	—	4.22
52	**L - Real estate activities**	22,261	6,890	4.99%	1,330,642	204,355	58,567	55,835	4.16
53	**Exposures towards sectors other than those that highly contribute to climate change***				**7,180,272**	**710,886**	**54,477**	**154,819**	
54	**K - Financial and insurance activities**				1,333,072	148,208	2,514	33,201	2.98
55	Exposures to other sectors (NACE codes J, M - U)				5,847,200	562,679	51,963	121,618	3.84
56	**TOTAL**	**4,002,288**	**2,824,505**	**22.59%**	**17,619,651**	**1,470,964**	**203,802**	**351,561**	

[21] The percentage is equal to 0 in all cases where reporting is not available for the specific companies.

[22] Columns from L to O show the breakdown by outstanding life of the gross book value shown in column A.

Template 2: Banking book – Climate change transition risk: Loans secured by properties - Energy efficiency of collateral

Table 2 shows the climate change transition risk for loans secured by commercial and residential properties, and for the collateral recovered, based on the energy consumption and EPC label of the collateral itself. If there energy efficiency and consumption levels are unknown and the data has been estimated, the information is entered in a separate row added for this purpose: *of which estimated energy efficiency level (EP score in kWh/m² of collateral)*. The exposures have been broken down on the basis of the geographical area in which the collateral is located (EU and non-EU).

A project has recently been launched to recover information on energy efficiency, including the Monaco portfolio, for older transactions (for more recent transactions such information is included in the origination deed).

Template 2: Banking book – climate change transition risk: Loans secured by properties – energy efficiency of collateral

		a[23]	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount amount (in MEUR)															
			Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral[24]	
	Settore di controparte		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
1	**Total EU area**	**12,443,020**	**21,364**	**170,475**	**111,657**	**64,185**	**165,958**	**147,437**	**193,550**	**64,432**	**31,808**	**41,875**	**11,530**	**10,483**	**21,863**	**12,067,477**	**5%**
2	Of which Loans collateralised by commercial immovable property	952,066	—	135,449	109,126	63,410	165,376	145,894	—	—	—	—	—	—	—	952,066	65%
3	Of which Loans collateralised by residential immovable property	11,429,607	—	—	—	172	—	—	187,270	64,432	15,502	8,368	8,761	8,233	21,630	11,115,400	0%
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	61,346	21,364	35,026	2,531	300	582	1,543	6,280	—	16,306	33,507	2,769	2,250	233	—	0%
5	*Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*[25]	619,730	—	135,449	109,126	63,885	165,376	145,894								10,842,909	0%
6	**Total non-EU area**	**80,799**	—	—	—	—	—	—	**1,750**	—	—	—	—	—	—	**79,049**	**0%**
7	Of which Loans collateralised by commercial immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0%
8	Of which Loans collateralised by residential immovable property	80,799	—	—	—	—	—	—	1,750	—	—	—	—	—	—	79,049	0%
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0%
10	*Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*[26]	—	—	—	—	—	—	—								71,788	0%

23 The gross book value stated in column (a) is aligned with the figure included in the Finrep reporting.

24 For the CheBanca! properties used as collateral without EPC labels (which account for €10.9bn out of the Group total of €11.1bn), the Bank uses an estimation methodology which enables it to determine the energy class (A to G) for more than 90% of the portfolio (as shown in rows 5 to 10 in column (o).

25 Row 5 is a component of the sum of rows 2, 3, and 4.

26 Row 10 is a component of the sum of rows 7, 8, and 9.

Template 4: Banking book - climate change transition risk: exposures to top 20 high carbon-intensity companies

Not applicable. The Mediobanca Group does not have any exposures to the twenty most polluting companies in the world (source: Carbon Majors Database - Carbon-Majors-Report-2017.pdf (cdp.net); Climate Accountability Institute - CAI Press Release Top20 Oct19 (climateaccountability.org)

Template 5 – Climate change physical risk: exposures subject to chronic and acute physical risk in Italy and the rest of the world

Table 5 provides information on banking book exposures to non-financial companies, loans secured by properties, and collateral in the form of properties recovered, that have been exposed to physical risk (chronic and acute risks) in relation to climate. The counterparties have been aggregated by sector of economic activity (NACE classification) and by geographic area, in line with the TCFD Recommendations.

In the FTA phase, the table has been compiled on a best effort basis, meaning partial coverage of the Group's loan book for non-financial corporates and properties used as collateral for loans granted by the Group.

A summary description is provided below of the methodological approach adopted to quantify the data shown (columns c to o), for exposures:

- To Non-Financial Corporates operating in the various sectors contemplated and exposed to climate change physical risks, whether acute, chronic or both;
- Guaranteed by properties exposed to climate change physical risks, whether acute, chronic or both, broken down between Italy and the rest of the world.

Loans secured by properties

The loans guaranteed by properties involve exclusively the Italian domestic market, hence the table contains data for Italy only.

In order to classify the properties used as collateral that are exposed to physical risks, chronic and/or acute, a methodological approach has been adopted based on geographical location and risk maps of the principal physical risk factors.

For this purpose, the "flooding" and "landslide" risk factors have been considered, as these are by far the two most common climate change physical risk factors found in Italy. Both physical risk factors have been classified conventionally, as "acute" physical risk (hence no "chronic" physical

risk factor has been considered for the properties). The geographical risk maps provided by ISPRA (Istituto Superiore per la Protezione and la Ricerca Ambientale) have been used, along with the respective risk classes. It should nonetheless be remembered that the risk maps and classifications based on return times provided by ISPRA already incorporate all elements of chronic physical risk provided for in the EBA taxonomy.

All properties located in towns and cities for which, based on ISPRA data, the ratio between the total surface area (in km^2) of the town or city classified in P3 (area at the highest risk of flooding) and the total surface area of the town or city itself is above the 85th percentile for the distribution of this ratio for all Italian towns and cities have been classified as exposed to the physical risk of "flooding". This corresponds to a P3 risk area of around 12% of the total surface area of the town or city.

All properties located in towns and cities for which, based on ISPRA data, the ratio between the total surface area (in km^2) of the town or city classified in all risk areas AA, P1, P2, P3, P4, and the total surface area of the town or city itself is higher than 15%, have been classified as exposed to the physical risk of "landslides".

Exposures to non-financial corporates

To classify counterparties exposed to physical risks, a methodology has been adopted that allows a distinction to be made between chronic and acute risks, by adopting a methodological approach which differs according to the type of corporate counterparty. These have been sub-divided into the following two categories:

- "Global" Connected Corporate Counterparties, for which the exposure to physical risk does not depend so much on the geographical location of their headquarters (which, in a globalized market, does not represent significant information with reference to physical risk), but to the multiple interconnections linked to the specific features of their business model and entire value chain related to it. In such cases, the production sites and reference market tend to be spread across several geographies (generally in proportion to their size, so the direct impacts of climate changes and extreme adverse events are at least partly mitigated/diversified. Conversely, indirect impacts assume much greater importance for such counterparties, including, for example, disruption to the value and distribution chains, which impact negatively on the company's productivity and hence also its credit standing.
- "Local" Small Business Counterparties, for which the exposure to physical risk mainly relates to the physical damage suffered directly following the occurrence of the extreme events in the geographical situation where the firm is based, as these are types of counterparty that perform their economic activities in relatively concentrated sites and markets in geographical terms, with

relatively limited company value chains. For this category of small business, direct and geographically localized physical risk is more relevant.

In this FTA phase, the counterparties have been split between the two categories on a simplified basis, using a purely size-related principle based on the amount of their total revenues, whereby all companies with revenues of above €50 have been treated as "Global" Connected Corporate Counterparties, and all those with revenues below this figure as "Local" Small Business Counterparties.

The "Global" Connected Corporate Counterparties have been classified as exposed to acute or chronic physical risk if the potential annual negative impact from one or other risk factor exceeds the threshold of 1% of their net equity. The potential impact of physical risk has been estimated based on a methodology that considers the aggregate impacts (but primarily indirect impacts for this type of company) deriving from the set of all physical risk factors, distinguishing between acute and chronic physical risk factors. This methodology is based on the application of two damage functions,[27] one for chronic physical risk and the other for acute physical risk, both expressed in terms of GDP loss rates (the only estimates currently available for the impacts of physical risks are all expressed in macroeconomic terms); these loss rates are then rescaled relative to the individual companies, using a transformation function that translates a macroeconomic impact estimate into a microeconomic impact estimate calibrated according to the specific degree of exposure to physical risks of the company concerned.

The impacts of the two damage functions are determined by considering the average values estimated over a 30-year time horizon, which is considered an adequate period to detect potential climate changes and at the same time reflect the uncertainty of the future trends in climate change risk.

The climate scenarios have been taken from the NGFS database, which provides a series of climate scenarios along with the trends in global temperatures and GDP expected over extremely long time horizons. Two scenarios have been considered in order to estimate the impacts: Net Zero and Current Policies, weighted according to weightings established subjectively based on their

[27] The damage function for chronic physical risks captures the expectations in terms of the reduction in labour and capital productivity due to rising temperatures, a chronic climate change event, excluding social indirect phenomena, such as pandemics, migrations, conflicts, etc.). The damage function is constructed based on the impacts associated with the climate scenarios considered. To this end, the GDP loss data taken from the NGFS (Network for Greening the Financial System: www.ngfs.net/en) climate scenarios used. The same method was also used by the ECB in its recent 2022 climate stress test exercise.

The damage function for acute physical risks captures the impacts deriving from extreme physical events that may become associated with increases in costs and so reductions in company revenues. The damage function is constructed using an estimate of the empirical relation between the increase in temperature in relation to the climate scenario assumed (which implies higher frequency and intensity of the climate-related physical phenomena) and the overall impact on GDP in the geographical area in which the counterparty operates (Italy or the rest of the world). The empirical estimate is made on the basis of EM-DAT data (https://public.emdat.be/), which records the extreme events that have occurred in the past at global for each country/geographical area and the related losses in terms of GDP percentage points.

lesser/greater likelihood of occurrence. The rationale for this use of weighted estimate scenarios is borrowed from IFRS 9 and the concept of lifetime provisioning.

The objective of the transformation function[28] is to convert the loss rate expressed by the damage function in terms of GDP into the revenues lost at the individual company level. The function incorporates a calibration system which takes account of the company's operating structure, based on a ranking system using various accounting and size variables for each company, so the effects can be allocated according to how potentially sensitive/exposed the companies are to this type of risk.

For the "Local" Small Business Counterparties, the classification methodology in the "exposed to acute physical risk" category considers three risk factors: flooding, landslides, and droughts. For the "flooding" and "landslides" risks, the approach is entirely similar to the one adopted for properties: based on ISPRA data at the level of town or city, all counterparties resident in towns or cities where the number of (as opposed than the surface area in km^2 in this case) located in zones at risk exceeds the relevant threshold are classified as being exposed to these kinds of physical risks.

By contrast, the methodology used for "drought" risk concentrates exclusively on the segment of Italian firms operating in the agriculture, livestock and construction sectors (as these are among the sectors most exposed to this risk factor) and based on the WEI+ indicator (Water Exploitation Index Plus), an indicator which represents the pressure exerted by human activity on natural water resources in a given area and over a given time horizon. The WEI+ indicator takes river basin districts as their reference geographical areas, and in Italy these districts represent like-for-like geographical areas in terms of their degree of exposure to drought risk. In practice, all Local "Small" Businesses operating in sectors sensitive to drought conditions and resident in river basin districts for which the quarterly WEI+ indicator has exceeded the level of 30% on one occasion in the last 25 years (this is the figure considered to represent the warning level for water stress) are classified as being exposed to drought risk.

Regarding the classification of "Local" Small Business Counterparties in the "exposed to chronic physical risk" category, for the Italian domestic loan book only, a methodology is adopted which again is entirely similar to the one used for the "Global" Connected Corporate Counterparties, i.e. based on a chronic risk damage function and a transformation function. In this case, however, the damage function starts from Italian GDP, which is rescaled based on the level of the increase in temperatures at the level of province (the average of the following three ISTAT indicators: average

[28] The transformation function takes two factors into consideration:

- The first factor (Physical Risk Sensitivity) serves to establish whether the company will record a greater or smaller loss than the general loss of GDP in the relevant geographical area as a function of its particular sensitivity to physical risk. This is determined based on the company's positioning, or ranking, in its reference geographical area relative to the value of an indicator that serves as a driver for the degree of exposure to physical risk. The indicator used for this purpose is capital intensity per employee, based on the rationale that the higher the capital intensity is (fixed tangible assets and inventory stocks), the higher the company's degree of exposure to physical risks will be.
- The second factor (Physical Risk Scaling Factor) serves to translate the loss rate into a loss in value terms based on the company's size and its value added, as the latter represents precisely the contribution of each individual company to a country's GDP, or, more generally, that of a geographical area. This naturally implies that, all other conditions being equal, the higher a company's value added, the greater the loss it can expect to make versus a given reduction in GDP.

temperature in the 2010-20 period; average number of days with temperatures of above 25°c in the 2006-20 period; the highest of the maximum temperatures recorded in the 2006-20 period). Consequently, the ranking based on which the loss rate starting from the change in Italian GDP is determined, tends to penalize mostly those companies located in Italian provinces where in the past the most significant anomalies in terms of the increase in temperatures have been recorded.

Template 5: Banking book - Physical risk in relation to climate change: Exposures subject to physical risk (Italia) (1/2)

	a	b[29]	c	d	e	f	g	h	i	j	k	l	m	n	o
	Italy	Gross carrying amount (Mln EUR)													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	27,267	876	—	—	—	2.43	24	713	138	23	—	(9)	(1)	—
2	B - Mining and quarrying	9,167	1,856	—	—	—	0.13	1,856	—	—	1	—	(9)	—	—
3	C - Manufacturing	3,015,711	683,701	12,189	781	225,392	11.78	854,404	9,821	57,582	39,546	91	(4,466)	(1,183)	(20)
4	D - Electricity, gas, steam and air conditioning supply	1,153,065	359,853	—	—	—	1.84	357,434	2,667	1	1	—	(1,208)	—	—
5	E - Water supply; sewerage, waste management and remediation activities	87,550	45,152	428	—	—	1.51	44,256	649	674	7	263	(133)	(1)	(60)
6	F - Construction	356,339	30,376	1,180	—	—	1.85	2,240	3,217	26,080	120	112	(69)	(2)	(10)
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	989,725	466,764	17,596	—	—	1.95	461,155	6,336	16,868	577	112	(1,354)	(41)	(15)
8	H - Transportation and storage	637,015	183,714	—	—	—	1.83	82,141	1,182	100,392	17	63	(571)	(1)	(13)
9	L - Real estate activities	667,888	47,908	5,270	—	—	2.25	46,196	6,982	—	3,696	1	(549)	(245)	—
10	Loans collateralised by residential immovable property	11,169,564	110,782	240,194	1,116,245	1,427,142	19.30	—	2,894,363	—	409,764	101,790	(71,319)	(18,912)	(50,427)
11	Loans collateralised by commercial immovable property	929,662	43,878	161,210	38,526	155	7.39	—	243,769	—	39,187	24,449	(18,084)	(1,904)	(15,341)
12	Repossessed collaterals	61,346	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	3,625,003	414,120	3,601	—	25,634	10.51	310,285	2,133	130,937	2,133	405	(1,682)	(19)	(40)
	of which:														
14	*J - Information and Communication*	*839,562*	*15,879*	—	—	*25,634*	*3.89*	*29,888*	*262*	*11,363*	*2*	*8*	*(38)*	—	—
15	*M- Professional, scientific and technical activities*	*2,135,838*	*254,667*	*3,601*	—	—	*1.54*	*254,567*	*97*	*3,605*	*64*	*5*	*(1,235)*	*(1)*	—
16	*N - Administrative and support service activities*	*354,307*	*118,669*	—	—	—	*0.44*	*3,424*	*38*	*115,207*	*18*	*115*	*(171)*	*(3)*	*(11)*
	Total	**22,729,301**	**2,388,980**	**441,667**	**1,155,553**	**1,678,322**		**2,159,990**	**3,171,833**	**332,672**	**495,071**	**127,286**	**(99,453)**	**(22,309)**	**(65,926)**

[29] The gross book value in column (b) is aligned with the value recorded in the Finrep reporting.

Template 5: Banking book - Physical risk in relation to climate change: Exposures subject to physical risk (Rest of the worl) (2/2)

	a	b[30]	c	d	e	f	g	h	i	j	k	l	m	n	o
	Rest of the World	Gross carrying amount (Mln EUR)													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	2,455	—	—	—	—	—	—	—	—	—	—	—	—	—
2	B - Mining and quarrying	105,909	—	—	—	—	—	—	—	—	—	—	—	—	—
3	C - Manufacturing	1,999,486	252,754	—	—	—	2.59	252,754	—	—	—	—	(272)	—	—
4	D - Electricity, gas, steam and air conditioning supply	54,797	—	—	—	—	—	—	—	—	—	—	—	—	—
5	E - Water supply; sewerage, waste management and remediation activities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	F - Construction	391,898	108,334	—	—	—	4.48	—	—	108,334	—	—	(81)	—	—
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	608,120	40,495	—	—	—	2.35	—	—	40,495	40,495		(1,117)	(1,117)	—
8	H - Transportation and storage	297,130	75,006	—	—	—	3.13	41,455	—	33,551	—	—	(588)	—	—
9	L - Real estate activities	981,511	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Loans collateralised by residential immovable property	340,843	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Loans collateralised by commercial immovable property	22,404	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Repossessed collaterals	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	4,475,452	715,872	—	—	—	4.48	463,440	—	252,432	65,142	—	(2,852)	(2,060)	—
	of which:								—						
14	*J - Information and Communication*	671,655	135,309	—	—	—	0.34	25,034	—	110,275	—	—	(383)	—	—
15	*M- Professional, scientific and technical activities*	898,084	—	—	—	—	—	—	—	—	—	—	—	—	—
16	*N - Administrative and support service activities*	975,298	373,311	—	—	—	0.71	373,311	—	—	—	—	(152)	—	—
	Total	**9,280,005**	**1,192,460**	**—**	**—**	**—**		**757,649**	**—**	**434,812**	**105,637**	**—**	**(4,911)**	**(3,177)**	**—**

[30] The gross book value in column (b) is aligned with the value recorded in the Finrep reporting.

Template 10 – Other climate change mitigation actions not contemplated in the EU Taxonomy

Not applicable. The Mediobanca Group's portfolio does not contain financial instruments that serve to mitigate climate risk (transition risk or physical risk) that are not covered by the EU Taxonomy Regulation.

Section 9 – Encumbered assets

Qualitative information

An asset is defined as "encumbered" if it is ceded as collateral, or is used, on whatever grounds, to cover or hedge a credit received and therefore cannot be freely used. Any amount in excess of the credit received is not considered to be encumbered (technically this is known as over-collateralization).

The Asset Encumbrance Ratio at Group level is the ratio between: the share of committed assets recorded on the balance sheet added to the share of collaterals received and reused (numerator), and the total assets recorded on the balance sheet (encumbered and unencumbered) added to the collaterals received (encumbered and unencumbered) (denominator).

The objective of the Asset Encumbrance Ratio is twofold: to provide the public and creditors with information on those of the Bank's assets that are encumbered and therefore unavailable; and to provide helpful guidance in the institution's financing strategy and its future capacity to raise funds at reasonable prices through secured funding.

Conversely, and more generally, the ratio also provides a synthetic indicator of the state of health of the unsecured market.

Appropriately analysed, and if accompanied by information on the duration of the encumbrance, the ratio can also provide useful indications regarding refinancing risk (in technical terms, rollover risk), liquidity risk and operational risk.

Template EU AE1 - Encumbered and unencumbered assets (1/2)

		Carrying amount of encumbered assets		Fair value of encumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
		010	030	040	050
010	**Assets of the reporting institution**	**28,352,213**	**5,515,697**		
030	Equity instruments	989,165	195,041	989,165	195,041
040	Debt securities	6,856,036	5,354,437	6,898,069	5,421,114
050	of which: covered bonds	10,560	10,560	10,560	10,560
060	of which: asset-backed securities	18,661	6,137	18,661	6,137
070	of which: issued by general governments	5,308,808	5,259,822	5,350,251	5,326,329
080	of which: issued by financial corporations	1,210,549	50,729	1,208,180	50,974
090	of which: issued by non-financial corporations	208,034	18,938	208,439	19,140
120	Other assets	20,605,054	—		

Template EU AE1 - Encumbered and unencumbered assets (2/2)

		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which EHQLA and HQLA		of which EHQLA and HQLA
		060	080	090	100
010	**Assets of the reporting institution**	**60,209,500**	**2,789,873**		
030	Equity instruments	3,015,767	662,971	3,005,507	662,970
040	Debt securities	4,863,264	2,122,687	4,574,961	2,130,099
050	of which: covered bonds	65,444	65,444	67,942	67,942
060	of which: asset-backed securities	1,214,829	—	1,212,625	—
070	of which: issued by general governments	2,285,587	2,036,567	2,072,572	2,041,620
080	of which: issued by financial corporations	2,153,479	86,411	2,096,660	88,479
090	of which: issued by non-financial corporations	458,142	1,383	458,369	—
120	Other assets	52,689,139	4,216		

Template EU AE2 - Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the disclosing institution**	**5,361,052**	**3,989,858**	**914,052**	**117,450**
140	Loans on demand	—	—	—	—
150	Equity instruments	585,617	37,030	527,493	33,134
160	Debt securities	4,543,884	3,952,828	412,029	70,775
170	of which: covered bonds	—	—	—	—
180	of which: asset-backed securities	—	—	269,286	—
190	of which: issued by general governments	3,952,978	3,952,828	88,315	70,775
200	of which: issued by financial corporations	590,906	—	299,302	—
210	of which: issued by non-financial corporations	462	—	—	—
220	Loans and advances other than loans on demand	—	—	—	—
230	Other collateral received	—	—	—	—
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	**—**	**—**	**145,109**	**—**
241	**Own covered bonds and securitisation issued and not yet pledged**			**—**	**—**
250	**Total collateral received and own debt securities issued**	**33,713,265**	**9,479,957**		

Template EU AE3 - Sources of encumbrance

		06/30/2022	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**25,597,946**	**31,139,336**

The Group's Asset Encumbrance Ratio as at 30 June 2022 stood at 36.76%, higher than last year (34.09%).

It should be noted that this is a point-in-time ratio with no time structure – short-term activity (never more than three months and typically less than two) represents more than 3 of the 36.76

total percentage points; this short-term activity is carried out as back-to-back funding by Group Treasury in order to optimize the Bank's use of its financial resources, and can be closed very swiftly and in any market conditions.

The Group's main encumbered assets – on-balance-sheet – are as follows (in order of importance by encumbered amount and duration of the encumbrance):

- Balance-sheet assets, whether loans, leasing, factoring, residential mortgages or consumer credit used as collateral in operations with the European Central Bank;
- Specific balance-sheet assets - mortgages – used for covered bonds;
- Specific balance-sheet assets – consumer credit receivables – used for securitizations; or ABS placed on the market, or alternatively, if retained (the majority), used in funding transactions with the European Central Bank;
- Balance-sheet assets, whether loans or securities, used as collateral in funding transactions, including through investment vehicles;
- Default funds and initial margins paid to CCPs in respect of trading in derivative instruments, and margins of change versus CCPs and market counterparties;
- Balance-sheet assets – typically securities – used in repos or reverse repos i which the Bank is acting as lender;
- Balance-sheet assets, whether loans or securities used in specific transactions of various kinds.

The level of encumbrance is in line with the Bank's expectations and financing strategies.

Section 10 – Counterparty risk

Qualitative information

Wrong-way risk management methodology

For derivatives, rather than the standard potential future market value calculation, a percentage of the notional amount is assigned to the transaction (up to 100% in the event of full correlation). Similarly, for repo or collateralized securities lending transactions a specific and more prudent counterparty risk calculation methodology is adopted which relates the counterparty's default to that of the collateral's issuer.

For transactions with wrong-way risk, a deep-dive analysis is performed in order to conservatively calculate the managerial exposure. The analysis is focused on the correlation between the derivative counterparty and the asset underlying the transaction or the correlation between a collateralized financing transaction (repo or securities lending) and the collateral received.

Wrong-way risk occurrence is limited to just nine positions, only one of which has full correlation.

Valuation adjustment (CVA-DVA)

For derivatives transactions, as required by IFRS 13, the fair value incorporates the effects of the counterparty's credit risk (CVA) and Mediobanca's credit risk (DVA) based on the future exposure profile of the aggregate of such contracts outstanding. The fair value also includes the effect of the funding value adjustment (FVA) for issues relating to the future exposure of the derivatives and to liquidity costs.

Mediobanca downgrade effects

The amount of collateral which Mediobanca would have to provide if its credit rating is downgraded is analysed on the basis of a scenario in which the rating is downgraded by two notches.

As for Credit Support Annexes to ISDA Master Agreements, there are two CSA containing provisions which could force Mediobanca to provide further collateral valued €23.2m as at 30 June 2022.

With regards to four ISDA contracts (two of which with exposures of zero), provision has been made for the contracts to be closed following events in which Mediobanca's rating is downgraded (Additional Termination Event, or ATE). For two contracts with exposure other than zero (one with ATE below BB- and the other with ATE below BBB-), the impact is confined to the costs of replacing the contract, which may be debited if the counterparty exercise their termination right, which is highly unlikely.

10.1 Counterparty risk – Standard method

Qualitative information

For regulatory purposes, in order to determine the capital requirements for counterparty risk, the Group applies:

- The Standardized Approach for Counterparty Credit Risk, method for financial and credit derivative instruments and for trades with long-term settlements, with application of regulatory netting; in particular, the Exposure At Default (EAD) for counterparty risk and CVA for positions in derivatives (Part 3, Title VI of the CRR), has since 30 June 2021 been calculated in accordance with the rules laid down in Articles 271ff of CRR II (SA CCR - Standardized Approach for Counterparty Credit Risk) instead of the Current Exposure Method (CEM) previously used; at the same time, the exemption from the requirement to calculate capital for the Credit Value Adjustment (CVA) for exposures to corporate counterparties has been applied, as permitted by Article 382 of CRR II; and the Standardized Formula method for calculating the capital requirement for credit value adjustments considering all counterparties whether or not a CSA is in place;
- The “integral” method for SFT trades with regulatory adjustments for volatility; such trades consist of repos, securities and/or commodities lending transactions and loans linked with securities.

Quantitative information

Template EU CCR1 – Analysis of CCR exposure by approach (1/2)

		a	b	c	d
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value
EU-1	EU - Original Exposure Method (for derivatives)	—	232		1.4
EU-2	EU - Simplified SA-CCR (for derivatives)	8,077	3,429		1.4
1	SA-CCR (for derivatives)	899,040	677,011		1.4
2	IMM (for derivatives and SFTs)			—	—
2a	*of which securities financing transactions netting sets*			—	
2b	*of which derivatives and long settlement transactions netting sets*			—	
2c	*of which from contractual cross-product netting sets*			—	
3	Financial collateral simple method (for SFTs)				
4	Financial collateral comprehensive method (for SFTs)				
5	VaR for SFTs				
6	**Total as at 30 June 2022**				
	Total as at 30 June 2021				

Template EU CCR1 – Analysis of CCR exposure by approach (2/2)

		e	f	g	h
		Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	325	325	325	325
EU-2	EU - Simplified SA-CCR (for derivatives)	16,109	16,109	16,109	3,222
1	SA-CCR (for derivatives)	2,756,032	2,289,885	2,204,925	658,037
2	IMM (for derivatives and SFTs)	—	—	—	—
2a	*of which securities financing transactions netting sets*	—	—	—	—
2b	*of which derivatives and long settlement transactions netting sets*	—	—	—	—
2c	*of which from contractual cross-product netting sets*	—	—	—	—
3	Financial collateral simple method (for SFTs)	—	—	—	—
4	Financial collateral comprehensive method (for SFTs)	6,944,779	2,808,637	2,808,569	581,064
5	VaR for SFTs	—	—	—	—
6	**Total as at 30 June 2022**	**9,717,244**	**5,114,955**	**5,029,927**	**1,242,648**
	Total as at 30 June 2021	**10,863,806**	**4,867,896**	**4,758,775**	**1,826,946**

Template EU CCR2 - CVA capital charge

		06/30/2022		06/30/2021	
		a	b	a	b
		Exposure value	RWAs	Exposure value	RWAs
1	**Total portfolios subject to the advanced method**	—	—	—	—
2	(i) VaR component (including the 3× multiplier)		—		—
3	(ii) SVaR component (including the 3× multiplier)		—		—
4	**All portfolios subject to the standardised method**	1,808,624	373,402	973,512	236,733
EU-4	Based on the original exposure method	—	—	—	—
5	**Total subject to the CVA capital charge**	**1,808,624**	**373,402**	**973,512**	**236,733**

Template EU CCR3 - Standardized approach - CCR exposures by regulatory portfolio and risk (1/2)

	Exposure classes	Classes of credit worthiness (Weighting Factors)					
		a	b	c	d	e	f
		0%	2%	4%	10%	20%	50%
1	Central governments or central banks	4,664	—	—	—	—	—
2	Regional governments or local authorities	—	—	—	—	—	—
3	Public sector entities	—	—	—	—	—	—
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—
6	Institutions	—	79,762	—	—	3,431,927	14,866
7	Corporates	—	—	—	—	795,511	182,367
8	Retail	—	—	—	—	—	—
9	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
10	Other items	—	—	—	—	—	—
11	**Total as at 30 June 2022**	**4,664**	**79,762**	**—**	**—**	**4,227,438**	**197,233**
	Total as at 30 June 2021	**—**	**72,770**	**—**	**—**	**2,438,766**	**1,412,471**

Template EU CCR3 - Standardized approach - CCR exposures by regulatory portfolio and risk (2/2)

	Exposure classes	Classes of credit worthiness (Weighting Factors)					
		g	h	i	j	k	l
		70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	—	—	—	—	—	4,664
2	Regional governments or local authorities	—	—	—	—	—	—
3	Public sector entities	—	—	564	—	—	564
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—
6	Institutions	—	—	4,294	—	—	3,530,849
7	Corporates	—	—	68,796	—	—	1,046,675
8	Retail	—	118	—	—	—	118
9	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
10	Other items	—	—	—	—	—	—
11	**Total as at 30 June 2022**	**—**	**118**	**73,655**	**—**	**—**	**4,582,870**
	Total as at 30 June 2021	**—**	**2,128**	**285,011**	**—**	**—**	**4,211,148**

Template EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale

As at 30 June 2022, Mediobanca uses the AIRB approach in counterparty risk only for the large corporate segment, in the "Exposures to corporates – Others" category. RWAs associated with counterparty risk amount to approx. 2.6% of the total RWAs for this regulatory segment.

		a	b	c	d	e	f	g
Rating Class	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
Corporates - Other	0.00 to <0.15	116,276	0.09%	11	34.31%	2.5	26,255	23%
	0.00 to <0.10	116,276	0.09%	11	34.31%	2.5	26,255	23%
	0.10 to <0.15	—	—	—	—	—	—	—
	0.15 to <0.25	28,264	0.17%	12	39.84%	2.5	10,647	38%
	0.25 to <0.50	337,276	0.38%	52	38.36%	2.5	183,630	54%
	0.50 to <0.75	—	—	—	—	—	—	—
	0.75 to <2.50	81,612	1.22%	18	15.09%	1.3	25,303	31%
	0.75 to <1.75	81,612	1.22%	18	15.09%	1.3	25,303	31%
	1.75 to <2.50	—	—	—	—	—	—	—
	2.50 to <10.00	6,390	2.57%	3	39.63%	2.5	7,340	115%
	2.50 to <5.00	6,390	2.57%	3	39.63%	2.5	7,340	115%
	5.00 to <10.00	—	—	—	—	—	—	—
	10.00 to <100.00	—	—	—	—	—	—	—
	10.00 to <20.00	—	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—	—
	30.00 to <100.00	—	—	—	—	—	—	—
	100.00 (Default)	—	—	—	—	—	—	—
	Sub-total	**569,819**	**0.45%**	**96**	**34.3%**	**2.3**	**253,173**	**44%**
	Total	**569,819**	**0.45%**	**96**	**34.3%**	**2.3**	**253,173**	**44%**

Template EU CCR5 – Composition of collateral for CCR exposures (1/2)

		a	b	c	d
		Collateral used in derivative transactions			
	Collateral type	Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	—	323,291	69,610	763,440
2	Cash – other currencies	—	361,186	—	132,759
3	Domestic sovereign debt	—	—	102,563	322,037
4	Other sovereign debt	16,854	38,450	69,852	—
5	Government agency debt	16,695	—	76,429	—
6	Corporate bonds	—	—	—	—
7	Equity securities	—	—	—	—
8	Other collateral	—	—	—	—
9	**Total as at 30 June 2022**	**33,549**	**722,926**	**318,454**	**1,218,236**
	Total as at 30 June 2021	**—**	**454,275**	**195,533**	**922,071**

Template EU CCR5 – Composition of collateral for CCR exposures (2/2)

		e	f	g	h
		Collateral used in SFTs			
	Collateral type	Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	—	—	—	—
2	Cash – other currencies	—	—	—	—
3	Domestic sovereign debt	—	364,191	—	1,156,100
4	Other sovereign debt	—	—	—	—
5	Government agency debt	—	—	—	—
6	Corporate bonds	—	—	—	1,914,992
7	Equity securities	—	177,499	—	1,319,870
8	Other collateral	—	33,804	—	3,102,584
9	**Total as at 30 June 2022**	**—**	**575,494**	**—**	**7,493,545**
	Total as at 30 June 2021	**—**	**3,181,185**	**—**	**6,978,953**

Template EU CCR6 – Credit derivatives exposures

		06/30/2022		06/30/2021	
		a	b	a	b
		Protection bought	Protection sold	Protection bought	Protection sold
NOTIONALS					
1	Single-name credit default swaps	794,459	1,590,173	2,884,128	—
2	Index credit default swaps	18,314,203	6,364,759	14,535,369	—
3	Total return swaps	—	—	—	—
4	Credit options	—	—	—	—
5	Other credit derivatives	6,686,942	13,160	100,000	—
6	**Total notionals**	**25,795,603**	**7,968,092**	**17,519,497**	—
FAIR VALUE					
7	Positive fair value (asset)	199,685	30,502	8,783	—
8	Negative fair value (liability)	(96,013)	(81,776)	—	—

Template EU CCR7 – RWEA flow statements of CCR exposures under the IMM

The Mediobanca Group has nothing to report for Template EU CCR7.

Template EU CCR8 – Exposures to CCPs

		06/30/2022		06/30/2021	
		a	b	a	b
		Exposure value	RWEA	Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**4,623**		**5,869**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	79,919	1,627	77,491	2,400
3	(i) OTC derivatives	37,848	785	41,429	1,542
4	(ii) Exchange-traded derivatives	—	—	—	—
5	(iii) SFTs	42,072	841	36,062	858
6	(iv) Netting sets where cross-product netting has been approved	—	—	—	—
7	Segregated initial margin	237,928		—	
8	Non-segregated initial margin	—	—	—	—
9	Prefunded default fund contributions	126,596	2,996	170,348	3,469
10	Unfunded default fund contributions	—	—	—	—
11	**Exposures to non-QCCPs (total)**		**—**		**—**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	—	—	—	—
13	(i) OTC derivatives	—	—	—	—
14	(ii) Exchange-traded derivatives	—	—	—	—
15	(iii) SFTs	—	—	—	—
16	(iv) Netting sets where cross-product netting has been approved	—	—	—	—
17	Segregated initial margin	—		—	
18	Non-segregated initial margin	—	—	—	—
19	Prefunded default fund contributions	—	—	—	—
20	Unfunded default fund contributions	—	—	—	—

Section 11 – Risk mitigation techniques

Qualitative information

The Group has implemented specific activities aimed at defining and meeting the necessary requirements for correctly applying Credit Risk Mitigation (CRM) techniques, to maximize the effect of mitigation on the real and financial guarantees for loans, and to obtain a positive impact on the Group's capital requirements.

Netting policies and processes for on- and off-balance-sheet transactions

The Group does not net credit risk exposures for on- or off-balance-sheet transactions. Instead, risk reduction policies are adopted by entering into netting agreements and collateral agreements, for derivatives, repurchase agreements and for positions held in securities lending transactions.

With respect to derivatives, the Group has also drawn up counterparty risk reduction policies, by entering into ISDA and Credit Support Annex agreements with institutional counterparties, in accordance with regulations in force. As for securities lending transactions, repos and repurchasing repos, the Group has implemented counterparty risk reduction policies by executing GMSLA and GMRA (for repos and repurchasing reports) netting agreements which provide for collateralization agreements, in some cases in the form of tri-party repos.

Policies and processes for valuing and managing real guarantees

In performing lending operations, the Group commonly acquires guarantees which are typical of banking activity, principally as real guarantees over financial instruments and properties as described below:

- Mortgage guarantees – the initial value of the property at the disbursement stage is based on a valuation made by independent experts. In order to ensure that the value of the collateral thus acquired is in line with the value of the underlying asset, a specific procedure has been drawn up which involves the fair value of the property being calculated and monitored on a regular basis based on market data supplied by an external information provider;
- Pledge guarantees – pledge guarantees are valued on the basis of their real value, in the sense of market value for financial instruments listed on a regulated market, or presumed realization value in other cases. This value is then revised to reflect prudential margins, which vary

according to the financial instrument used as the collateral in accordance with the provisions of regulatory requirements.

Main types of guarantors and counterparties in credit derivative transactions and their credit rating

The Group uses leading market counterparties to hedge credit derivative exposures.

Information on market or credit risk concentrations in connection with Credit Risk Mitigation techniques adopted

As at 30 June 2022, 47% (or €5bn) of the guarantees received involve securities and cash in connection with securities financing transactions which are recorded among real financial guarantees. At 30 June 2021 the same ratio was 58% (€7.6bn).

Template EU CR3 - CRM Techniques – Overview

		Unsecured carrying amount*	Secured carrying amount			
				of which secured by collateral	of which secured by financial guarantees	
						of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	40,837,074	23,528,832	22,008,133	1,520,699	—
2	Debt securities	8,300,794	—	—	—	
3	**Total as at 30 June 2022**	**49,137,868**	**23,528,832**	**22,008,133**	**1,520,699**	**—**
4	*of which non-performing exposures*	*551,854*	*183,165*	*177,568*	*5,597*	—
EU-5	*of which defaulted*	*551,854*	*183,165*	*177,568*	*5,597*	—
	Total as at 30 June 2021	**40,474,992**	**24,465,787**	**22,501,728**	**1,964,059**	**—**

* This column states the gross book value, in accordance with the provisions of DPM 3.0.

Section 12 – Securitizations

The Group acts primarily as investor in third-party issues, in particular as sponsor in some securitizations which results in a share of the securities being held for retention purposes (Belvedere SPV S.r.l. and Cartesian Residential Mortgages Blue S.A.); while it has also acted as co-arranger for one securitization originated during the year (Merlino), for which the entire senior tranche continues to be underwritten (rated in A area by Moody's and DBRS Morningstar), which is guaranteed by the Italian Ministry for the Economy and Finance ("Garanzia Statale sulla Cartolarizzazione delle Sofferenze", or "GACS"). The Risk Management and front office teams perform ongoing monitoring of reporting flows on the underlying portfolio, based on the available up-to-date reporting.

In order to determine the risk-weight assets for this risk, the Group refers to Regulation (EU) No. 2401/2017 and Regulation (EU) No. 2402/2017. These sources have amended the previous regulatory framework, revising the hierarchy of approaches to be used in order to calculate the capital requirements, introduce definitions of simple, transparent and standardized securitizations (STS) which are subject to preferential treatment, with re-securitized positions strongly penalized to limit the use of them and preserve the level of transparency and simplicity.

In the new hierarchy of approaches the first option is application of the SEC-IRBA methodology (not used by the Mediobanca Group), followed by the SEC-ERBA model (applicable if an external rating is available). Where it is impossible to implement either the SEC-IRBA or the SEC-ERBA approach, the Bank has to use the SEC-SA approach, based on a standard regulatory formula.

Qualitative information

The Group has portfolio of securities deriving from securitizations by other issuers totalling €1,282.6m, €1,021.2m of which as part of the banking book and €261.3m as part of the trading book (compared with €231.2m and €128.8m respectively as at end-June 2021).

The banking book's value stands at €1,021,2m (30/6/21: €231.2m), the increase being primarily due to subscription to the senior tranche of a securitization (in an amount of €675.5m) in the first half-year, €400m of which has been recorded as Held To Collect and the remainder as Held To Collect & Sell. Positions in CLOs totalled €261.2m (€155.2m), as a result of subscriptions to six new senior deals involving European corporate loans (€150.9m) and the sale of two loans; the performing share of the portfolio stands at €56.4m (€28.3), €45.8m of which in relation to one position with a portfolio of UK performing loans as the underlying instrument. The share of junior securities remains very low, at €0.5m, while the exposure to mezzanine tranches has decreased

(from €15.6m to €3.5m). The difference between book value (amortized cost) and fair value (obtained from the market platforms) is €11.5m.

The value of the holdings contained in the trading book stood at €261.3m (30/6/21: €128.8m): the senior share amounts to €143.3m (€29.2m), €100m of which in relation to the Transferable Custody Receipt transaction[31] executed during the first half-year; the mezzanine share stands at €115.3m (€99.6m), more than half of which in the negative basis strategy, i.e. with no credit risk because of the hedges taken out with leading insurance companies.

- Mediobanca also has an exposure to other funds, Cairn Loan Investments LLP,[32] CLI Holding I and CLI Holding II[33], SPVs incorporated under English law which have subscribed to the capital CLI I and II respectively, a Cairn-branded CLO management company, which, in order to comply with the prudential regulations (Article 405 of Regulation (EU) 585/2013), invest in the junior tranches of the CLOs they manage. During the year under review, the holding in CLI Holding II has been reclassified from the “IFRS 9 Fair Value Mandatory through Profit & Loss” accounting category to that of “IAS 28 equity investment”, following the increase in the investment and acquisition of the status of Qualified Noteholder;
- Italian Recovery Fund, a closed-end alternative investment fund (AIF) incorporated under Italian law and managed by DeA Capital SGR S.p.A. which is currently invested in five securitizations (Valentine, Berenice, Cube, Este and Sunrise I) with Italian banks’ NPLs as the underlying instrument; the €30m commitment has to date been drawn as to €29m;
- Negentropy RAIF – Debt Select Fund, an alternative investment fund instituted under Luxembourg law and managed by Negentropy Capital Partners Limited, for which Mediobanca has acted as advisor; the fund has senior tranches of Italian NPLs as the underlying instrument, with an aggregate NAV of €115.8m, €70.6m of which refers to Mediobanca’s investment.

With reference to the calculation of risk-weighted assets for this risk at 30 June 2022, the SEC-SA methodology is used for 77% of the portfolio of securities deriving from third-party securitizations held on the banking book, and the SEC-ERBA methodology for the other 23%. The SEC-ERBA approach is used for 63% of the trading book, while for the other 37%, the SEC-SA approach is used.

[31] Mediobanca has subscribed to a note issued by the depositary bank in which three positions in CLOs with European corporate loans as the underlying instrument acquired by Mediobanca, and the financial guarantees over the CLOs through which Mediobanca bought protections, were transferred in the form of a trust. The TCR pays principal and interest on the underlying CLOs net of the premium for the financial guarantees.

[32] As at 31 December 2021, in accordance with the information on structured entities not consolidated for accounting purposes, the Cli and Cli II funds were booked at €21.5m and €34.1m respectively.

[33] As at 30 June 2022, CLI Holding I, which is reported in the information on structured entities not consolidated for accounting purposes, was booked at €18.8m, and CLI Holding II, which by contrast is booked as an equity investment consolidated using the equity method in accordance with IAS 28, was booked at €41.8m.

Quantitative information

Template EU-SEC1 - Securitization exposures in the non-trading book

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS					STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT		of which SRT									
1	**Total exposures**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**5,676**	**12,363**	**—**	**18,040**	**—**	**310,491**	**—**	**310,491**
2	Retail (total)	—	—	—	—	—	—	—	5,676	1,443	—	7,120	—	56,758	—	56,758
3	residential mortgage	—	—	—	—	—	—	—	5,676	1,443	—	—	—	45,772	—	—
4	credit card	—	—	—	—	—	—	—	—	—	—	—	—		—	—
5	other retail exposures	—	—	—	—	—	—	—	—	—	—	—	—	10,986	—	—
6	re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Wholesale (total)	—	—	—	—	—	—	—	—	10,920	—	10,920	—	253,734	—	253,734
8	loans to corporates	—	—	—	—	—	—	—	—	—	—	—	—	253,734	—	253,734
9	commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	other wholesale	—	—	—	—	—	—	—	—	10,920	—	10,920	—	—	—	—
12	re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Template EU-SEC2 - Securitization exposures in the trading book

		a	b	c	d	e	f	g	h	i	j	k	l
		Institution acts as Originator				Institution acts as Sponsor				Institution acts as Investor			
		Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS	Non-STS			STS	Non-STS			STS	Non-STS		
1	**Total exposures**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**19,969**	**77,717**	**—**	**97,686**
2	Retail (total)	—	—	—	—	—	—	—	—	19,969	50,284	—	70,254
3	residential mortgage	—	—	—	—	—	—	—	—	—	3,210	—	3,210
4	credit card	—	—	—	—	—	—	—	—	—	—	—	—
5	other retail exposures	—	—	—	—	—	—	—	—	19,969	47,074	—	67,044
6	re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—
7	Wholesale (total)	—	—	—	—	—	—	—	—	—	27,433	—	27,433
8	loans to corporates	—	—	—	—	—	—	—	—	—	26,876	—	26,876
9	commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—
10	lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—
11	other wholesale	—	—	—	—	—	—	—	—	—	557	—	557
12	re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—

Template EU-SEC3 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor (1/2)

		a	b	c	d	e	f	g	h	i
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
		RW ≤20%	RW >20% to 50%	RW >50% to 100%	RW >100% to <1250%	RW 1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%/ deductions
1	**Total exposures**	**5,676**	**—**	**220**	**11,979**	**164**	**—**	**11,905**	**6,135**	**—**
2	Traditional transactions	5,676	—	220	11,979	164	—	11,905	6,135	—
3	Securitisation	5,676	—	220	11,979	164	—	11,905	6,135	—
4	Retail underlying	5,676	—	220	1,059	164	—	984	6,135	—
5	*of which STS*	*5,676*	—	—	—	—	—	—	*5,676*	—
6	Wholesale	—	—	—	10,920	—	—	10,920	—	—
7	*of which STS*	—	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—	—
10	Securitisation	—	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—	—
13	Re-securitisation	—	—	—	—	—	—	—	—	—

Template EU-SEC3 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor (2/2)

		j	k	l	m	n	o	EU-p	EU-q
		RWEA (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%
1	**Total exposures**	—	**26,922**	**6,000**	—	—	**2,154**	**480**	—
2	Traditional transactions	—	26,922	6,000	—	—	2,154	480	—
3	Securitisation	—	26,922	6,000	—	—	2,154	480	—
4	Retail underlying	—	2,489	6,000	—	—	199	480	—
5	*of which STS*	—	—	*568*	—	—	—	*45*	—
6	Wholesale	—	24,433	—	—	—	1,955	—	—
7	*of which STS*	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—
10	Securitisation	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—
13	Re-securitisation	—	—	—	—	—	—	—	—

Template EU-SEC4 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (1/2)

		a	b	c	d	e	f	g	h	i
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
		RW ≤20%	RW >20% to 50%	RW >50% to 100%	RW >100% to <1250%	RW 1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%/ deductions
1	**Total exposures**	**96,756**	**211,229**	**—**	**2,506**	**—**	**—**	**9,979**	**300,512**	**—**
2	Traditional transactions	96,756	211,229	—	2,506	—	—	9,979	300,512	—
3	Securitisation	96,756	211,229	—	2,506	—	—	9,979	300,512	—
4	Retail underlying	3,513	53,245	—	—	—	—	7,473	49,285	—
5	*of which STS*	—	—	—	—	—	—	—	—	—
6	Wholesale	93,244	157,984	—	2,506	—	—	2,506	251,228	—
7	*of which STS*	—	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—	—
10	Securitisation	—	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—	—
13	Re-securitisation	—	—	—	—	—	—	—	—	—

Template EU-SEC4 - Securitization exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (2/2)

		j	k	l	m	n	o	EU-p	EU-q
		RWEA (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%
1	**Total exposures**	**—**	**4,518**	**66,067**	**—**	**—**	**361**	**5,285**	**—**
2	Traditional transactions	—	4,518	66,067	—	—	361	5,285	—
3	Securitisation	—	4,518	66,067	—	—	361	5,285	—
4	Retail underlying	—	1,803	11,843	—	—	144	947	—
5	*of which STS*	—	—	—	—	—	—	—	—
6	Wholesale	—	2,714	54,224	—	—	217	4,338	—
7	*of which STS*	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—
10	Securitisation	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—
13	Re-securitisation	—	—	—	—	—	—	—	—

Template EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

The Mediobanca Group has nothing to report for Template EU SEC5.

Section 13 – Operational risk

Qualitative information

The processes of identifying, assessing, and mitigating operational risks based *inter alia* on loss data collection and analysis are defined and implemented based on the Group Operational Risk Management Policy at the parent company and the main Group companies.

Based on the evidence obtained, action to mitigate the most relevant operational risks has been proposed and monitored on a constant basis.

A "Non-Financial Risks" project has been launched, with the objective of bringing governance of a broad scope of risks under the coverage of a single unit. The project involves defining an exhaustive taxonomy of risks, implementing an over-arching framework, and focusing on specific classes of ris, such as outsourcing risk, reputational risk and IT & cyber risk, with a view to enhancing monitoring and mitigation activiities.

Quantitative information

To calculate the capital requirement for operational risk, Mediobanca has adopted the Basic Indicator Approach (BIA), applying a margin of 15% to the three-year average for the relevant indicator. Based on this method of calculation, the capital requirement as at 30 June 2022 was €341.5m (30/6/21: €329.8m).

Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	**Banking activities subject to basic indicator approach (BIA)**	**2,136,159**	**2,343,605**	**2,350,934**	**341,535**	**4,269,186**
2	**Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches**	**—**	**—**	**—**	**—**	**—**
3	*Subject to TSA:*	—	—	—		
4	*Subject to ASA:*	—	—	—		
5	**Banking activities subject to advanced measurement approaches AMA**	**—**	**—**	**—**	**—**	**—**

The operating losses recorded in the course of the financial year have been low and account for approx. 0.4% of the Group's total income.

As for the different classes of operational risk, the percentage composition of the Group's Basel II event types is shown in the table below.

Event Type	**% of total**
Execution, delivery, and process management	42%
Clients, products, and business practices	39%
Employment practices and workplace safety	6%
External fraud	6%
Other	7%

The majority of operational losses derive from the "Execution, delivery, and process management" event type, which includes amounts set aside and expenses incurred for litigation with other banks, and losses due to process malfunction. The second loss category in terms of amount, "Clients, products and business practices" includes costs deriving from disputes and/or litigation with Consumer and Retail Banking clients over financial terms and conditions or interest rates charged on financing products. These are followed by provisions for managing disputes with staff and external fraud in Consumer and Retail Banking financing products (fake documentation

and cards, phishing, etc.), in connection with which mitigation action has been implemented to ensure the phenomenon remains at residual levels.

Although it has not generated significant losses, an increase has been recorded in instances, or classes, of operational risk such as IT & cyber risk and outsourcing risk.

It is an increase that has been observed at industry as well as Group level. The monitoring frameworks for these risk classes are developing the whole time, in co-ordination with the other control units involved.

In terms of business line, operational risks were highest in Consumer Banking, and very low in Wealth Management, albeit potentially increasing due to the striate regulations and guidelines exposing the Group to conduct risks, plus the growth in the commercial channels and networks.

The Group continues to be exposed to the potential risk of low frequency/high severity inherent in businesses that feature non-standard and large-sized transactions, such as CIB and Wealth Management.

IT risk and cyber risk

Among the risks generally referred to as "emergent", i.e. the ones featuring less familiar or rapidly changing risk components with the potential to become material for the Group's financial position or business model in the medium term, two of the most significant are IT risk and cyber risk.

IT risk, or technology risk, is defined as the risk of incurring losses at the level of earnings, reputation or market share, in connection with use of the company's information system or to malfunctioning in its hardware, software and networks.

Cyber risk is a particular type of IT risk relating to cyber security aspects and regarding risks deriving from cyber attacks.

Although these risks are not exactly new, a potentially significant exposure is likely to be expected, due to the increasing dependence on IT systems and the resulting increase in the number of users using online channel and connected devices, to the growth in the quantity of data managed that requires protection and in its quality, and to the increased use made of IT services provided by third parties.

Through the years, the Group has continued to enhance its security strategy in order to guarantee the confidentiality, integrity and availability of the information. A system of principles and rules has been adopted to identify and measure the IT and cyber risks to which the company's assets are exposed, to evaluate the measures currently in place, and to identify the most appropriate methods of treating such risks, consistent with the operational risk management process adopted.

Ongoing security checks and IT risk analysis activities are performed to ensure that adequate control, organizational and technological measures are in place across the whole of the Group's scope of consolidation.

The following activities were performed during the financial year under review, which from now on will be performed annually:

— Spear phishing simulations, to assess users' ability to recognize this type of cyber attack, and to apply the correct IT securitie procedures as provided;

— Campaigns to assess the degree of robustness of the passwords chosen by users, in order to identify any situations of weakness, in which a cyber attacker could identify passwords using specific hacking techniques;

- Vulnerability assessments and penetration tests for the main updates to applications and/or infrastructure;
- Analysis of the security governance structure for remote access, and assessment to evaluate the effectiveness of the respective internal controls and the adequacy of the infrastructure used following the Covid-19 emergency, which led to a significant increase in the number of users working remotely.

Section 14 – Exposures to equities: information on banking book positions

Qualitative information

Investing in equities has traditionally been an integral part of the Bank's mission, as provided in its Articles of Association. Such activity has been considerably reduced in recent years, but is still distinguished by the Bank's selective approach to investing based on the principle of long-term profitability and risk minimization.

Mediobanca traditionally invests in companies that are leaders in their respective sectors and which are able, by leveraging on their competitive advantages, to offer significant potential for value creation over the medium/long term.

Equity investment portfolio management includes the stake held by the Group in Assicurazioni Generali. The Bank's own Articles of Association include specific provisions on changes in this stake and decisions regarding appointments to the investee company's governing bodies (cf. Article 18).

The portfolio of investments in non-financial companies consists of minority positions taken in companies, for the most part are listed, which can in any case be unwound in the short term. The geographical areas in which the Bank has invested show a clear majority of Italian companies, with which Mediobanca has been able to develop significant relations over time. On a much more minor scale but still in line with the mission referred to above, Mediobanca also operates in merchant banking, making investments in a limited number of medium-sized and small businesses to help grow the company and then sell the investment afterwards, including through the investee company being listed on the stock market.

Over a medium-term perspective, the Bank's strategy for its exposure to equity, in view *inter alia* of the market conditions, is geared towards progressively valorizing its investments, without prejudice to the requisites in terms of the Bank's profitability and risk profile approved by the Board of Directors in the Risk Appetite Framework.

In accordance with this strategy, the trading limits are set at an aggregate level in terms of overall exposure to the portfolio of holdings in non-financial companies, and by individual investment (in the same portfolio) at levels in terms of regulatory capital that are far lower than the current regulatory limits of 60% and 15%.

The investments in the portfolio managed by the Principal Investing division (i.e. apart from those in non-financial undertakings and in Assicurazioni Generali) have seen growth in holdings in Undertakings in Collective Investments in Transferable Securities (UCITS) in recent years, and consist mostly of investments in seed capital to funds managed by Group companies (currently Cairn Capital and RAM) and investments in private equity and real estate funds.

The investments in seed capital have a twofold purpose:

- To generate a return consistent with their risk profile;
- To contribute to growth in the AUM subscribed to by third-party investors.

The Group has also always selectively invested in closed-end private equity funds, primarily Italian, with tickets in the €10-20m range.

Exposures to equities not accounted for in the trading book are recorded in the financial statements under Equity investments, Equity instruments recognized through other comprehensive income (FVOCI), and as shares in funds recognized at fair value through profit and loss (FVPL) in accordance with IAS 28 and IFRS 9.

For an illustration of the methods used to account for and value the investments, reference is made to Part A of the Consolidated Notes to the Accounts, containing the accounting policies applied by the Group to the individual items. For a description of the means by which the impairment testing is carried out on the investments, see Part B of the Notes to the Accounts. For the valuation methods used to determine fair value, please see the section of this document on market risks.

Quantitative information

Table 14.1 – Banking book: cash exposures in equities and UCITS

The table below shows the exposures to equity instruments by the books in which they are accounted for, with an indication, for the equity instruments, of the gains and losses deriving from measuring them at fair value as at the various reporting dates. These are recorded in the Statement of other comprehensive income under heading “120. Valuation reserves from equity-accounted investments”. In the event of disposal, the gains and losses accumulated on the investments are stated under heading “150. Reserves”. Long-term losses of value on equity instruments are not taken through profit and loss, in accordance with the provisions of IFRS 9. Only dividends received are taken through P&L, under heading “70. Dividends and similar income”.

With reference to the overall exposure reflected on the Group's balance sheet, compared to 30 June 2021 investment holdings decreased, from €4.6bn to €4bn, €3.2bn represented by the equity accounting method for the investments in Assicurazioni Generali, Istituto Europeo di Oncologia, CLI Holding II and Finanziaria Gruppo Bisazza.[34] The remainder consists of holdings in funds as to €627.7m, almost 64% of which invested in the Group's asset management activities (seed capital), while €260.6m is invested in listed and unlisted equities, recognized at fair value but through other comprehensive income.

Investments in seed capital decreased from €442.1m to €404.3m, following net redemptions of €6.9m, and downward adjustments to align valuations to current NAV of €31.0m; other holdings in funds (mostly private equity) rose from €213.4m to €223.4m, following new subscriptions of €8.7m and €1.3m in upward adjustments to the NAV.

Items	Amount as at 06/30/2022				
	Book value		*Fair value*		*Impairment*
	Level 1	Level 2/3	Level 1	Level 2/3	
A. Equity stakes	3,069,391	88,362	3,087,327	88,362	—
B. Financial assets recognized at FVTOCI	116,812	143,806	116,812	143,806	—
C. Other financial assets mandatorily at fair value	275,816	351,921	275,816	351,921	—

Items	Amount as at 06/30/2022					
	Realized gain/losses and impairment		Gain/Loss not realized and recorded in Balance Sheet		Gain/Loss not realized included in Tier 1/ Tier 2 capital	
	Gains	Losses	Gains	Losses	Gains	Losses
A. Equity stakes	—	—	X	X	—	—
B. Financial assets recognized at FVTOCI	X	X	55,132	(18,791)	—	—
C. Other financial assets mandatorily at fair value	—	—	X	X	—	—

[34] Two new investments were recorded in the IAS 28 category in 4Q: CLI Holdings II Limited and Finanziaria Gruppo Bisazza S.r.l.

The comparative data as at 30 June 2021 is as follows:

Items	Amount as at 06/30/2021				
	Book value		*Fair value*		*Impairment*
	Level 1	Level 2/3	Level 1	Level 2/3	
A. Equity stakes	3,663,067	39,744	3,426,872	39,744	—
B. Financial assets recognized at FVTOCI	132,496	88,016	132,496	88,016	—
C. Other financial assets mandatorily at fair value	271,877	383,677	—	5,850	—

Items	Amount as at 06/30/2021					
	Realized gain/losses and impairment		Gain/Loss not realized and recorded in Balance Sheet		Gain/Loss not realized included in Tier 1/ Tier 2 capital	
	Gains	Losses	Gains	Losses	Gains	Losses
A. Equity stakes	—	—	X	X	—	—
B. Financial assets recognized at FVTOCI	X	X	70,333	(2,138)	—	—
C. Other financial assets mandatorily at fair value	—	—	X	X	—	—

Table 14.2 – Banking book: equity instruments

For purposes of calculating the capital requirements, the equities held as part of the banking book include financial and non-financial investments, to which a weighting factor of 100% is generally applied, as required by Article 133 of the CRR, except for those financial investments which, if they qualify as direct significant investments, are weighted at 250% under Articles 36 and 48 of the CRR (as described in section 2 of this document).

To measure the risk of exposures in Undertakings in Collective Investments in Transferable Securities (UCITS) and to determine the relevant capital requirement, alternative calculation methods are applied to ensure greater transparency:

- Look-through approach, based on breaking down the investment into the individual underlying components in which the UCITS invests, and applying the respective weighting;
- Mandate-based approach, a method based on the fund's management terms and conditions and the notional exposure in which the UCITS can invest, applying the most penalizing weighting;
- Fall-back approach (residual compared to the other two), which involves a weighting of 1,250%, in cases where entities are unable to apply either one or other of the two above methods.

Category	06/30/2022		06/30/2021	
	Weighted amount		Weighted amount	
	Standard method	IRB method	Standard method	IRB method
Funds exposures	1,393,620	—	1,508,343	—
of which private equity	*311,799*		*283,037*	
Trading exposures	7,006,591	—	6,057,900	—
Other insturments	203,473	—	127,712	—
Total equity instruments	**8,603,684**	**—**	**7,693,955**	**—**

With reference to the new prudential treatment, 72% of the exposures in the Mediobanca Group's UCITS funds have been treated based on the look-through approach, while the mandate-based approach has been applied to approx. 21% of the exposures in the portfolio; the fall-back approach has been applied to just 7% of the total portfolio.

As for analysis of the underlying instruments to which either of the two new approaches provided by the regulations have been applied, the total Corep exposure involved is equal to €670m while the total balance sheet exposure is €628m[35] (approx. 94% of the total portfolio, excluding the investments in CLIs as these constitute direct significant investments): of these, €103m (15% of the entire portfolio) have equities as their underlying instrument, €43m (6% of the total) have underlying instruments weighted at 1,250%, and €247m (37% of the portfolio) are high-risk exposures. The remainder consists of credit exposures, in cash or derivatives (the latter equal to approximately 2% of the total portfolio, confirming the low risk of the leverage effect on exposures in UCITS.

The Group's total holdings in funds includes the exposure to CLI in an amount of €18m, which since 31 March 2022 has been fully weighted at 250% (see section 1.3 of this document for the new prudential treatment of the Assicurazioni Generali investment), and commitments to other funds for a total of €107m, weighted at 150%.

[35] IFRS 13, paragraph 73: "the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement"; and paragraph 74: "the fair value hierarchy prioritizes the inputs to valuation techniques, not the valuation techniques used to measure fair value". See IFRS 13, paragraphs 72-90 for further details.

Section 15 – Interest rate risk on banking book positions

With reference to the Group's banking book positions at 30 June 2022, in the event of a parallel and simultaneous reduction in interest rates ("parallel down"), estimated net interest income would decrease by €57m, whereas in the last six-month period the decrease was €13m.

With reference to the analysis of the discounted value of future cash flows on the Group's banking book, the shock that determines the highest change occurs if the short-term part of the curve rises ("short up"). In this scenario, estimated net interest income would reduce by €201m, due chiefly to the amounts for Compass (€30m), CheBanca! (€102m), and Mediobanca (€84m), against an increase for the other Group Legal Entities. In the last half-year, the highest change was €111m in the "short up" scenario.

Table 15.1 – Sensitivity analysis

The data above has been summarized in the following table:

Amounts in € mln	Data as at 06/30/2022					
	Limit Scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of interest income margin	*Parallel Down*	(57)	24	(9)	(28)	(44)
Sensitivity of Expected Cash Flows present value	*Flattener*	(201)	(84)	(102)	(30)	16

The data as at 31 December 2021 and at 30 June 2021 are stated below for comparative purposes:

Amounts in € mln	Data as at 12/31/2021					
	Limit Scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of interest income margin	*Parallel Down*	(13)	25	(6)	(13)	(19)
Sensitivity of Expected Cash Flows present value	*Flattener*	(111)	(114)	(15)	(5)	23
Amounts in € mln	**Data as at 06/30/2021**					
	Limit Scenario	**Group**	**Mediobanca S.p.A.**	**CheBanca!**	**Compass**	**Others**
Sensitivity of interest income margin	*Parallel Down*	9	38	(10)	(7)	(12)
Sensitivity of Expected Cash Flows present value	*Short Down*	(84)	(90)	15	(10)	—

At Group level, the values obtained in both scenarios continue to remain within the limits set by the Group policy on managing interest rate risk on the banking book, which are respectively 11.5% (net interest income sensitivity/estimated Group net interest income) and 3.5% (economic value sensitivity/CET1).

The figures obtained by applying all the shocks contemplated in Article 98(5) of Directive 2013/36/EU are shown in the table below.

Template EU IRRBB1: Interest rate risk on non-trading assets

Supervisory shock scenarios		Sensitivity of Expected Cash Flows present value			Sensitivity of interest income margin		
		30 June 2022	31 December 2021	30 June 2021	30 June 2022	31 December 2021	30 June 2021
1	Parallel up	(179)	(96)	(7)	193	125	93
2	Parallel down	106	29	(21)	(57)	(13)	9
3	Steepener	184	92	100			
4	Flattener	(152)	(93)	(84)			
5	Short rates up	(201)	(111)	(77)			
6	Short rates down	219	59	19			

Section 16 – Market risk

Quantitative information

Risk control is calculated daily using management metrics to ensure that the operating limits governing the risk appetite established for the Bank's trading book are complied with.

The twelve months under review saw a general increase in volatility on all major related asset classes mainly linked to the effects of the Covid-19 pandemic and to the war between Russia and Ukraine.

In this regard, the effects of the pandemic were still persistent due to the slow reconstruction of production chains, and the persistent "zero-Covid" policy in China, which imposes strict, total closures at the first appearance of a Covid case. The shocks on the supply side arising from the Russian-Ukrainian war, particularly felt in Europe, compounded the situation. The reaction in terms of economic policies in the United States and the EU, based on support for aggregate demand, led to inflationary hikes, initially interpreted as transitory.

The inflation rate and the possible persistence of inflationary pressures that had started in late 2021 led to a reaction on the part of central banks, with a generalized rise in rates in the Western world, which was as quick and significant as it was late. On the interest rate market, this entailed a significant rise and the volatility of forward rates. Equity markets reported a constant decline in the second half of the year, while prices of commodities continued to remain high and highly volatile.

In conjunction with the worsening of the war, some breaches of stop-loss limits and VaR limits were recorded.

The aggregate value-at-risk on the trading book ranged in the twelve months ranged from a low of €3.6m at the start of January to a high of €11.8m at the start of May. The average figure (€6.1m) was 46% higher than in the previous year (€4.2m). After the high recorded in May, VaR remained highly volatile in June, levelling off at an average reading of €6.2m.

Much of the trend in Value-at-Risk can be explained by the positions held in put-and-call options sold with American short rate futures as the underlying instrument, the outright positions in bonds and futures on core-Euro government bonds, and the growing mark-to-market equity-linked certificates business, to which investment transactions in securities, mainly financial, are linked in order to hedge their credit risk (DVA).

Similarly, the expected shortfall also showed an average reading that was higher than in the previous period, at €8.2m (€5.5m).

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) showed six departures from VaR in the twelve-month observation period. The first breach occurred at the end of November, when stock markets fell due to the

rapid spread of the Omicron variant; three breaches occurred in late February-early the beginning of March when the Russia-Ukraine conflict escalated with a strong impact on stock markets and government rates. Finally, the last two breaches occurred in June due to an increase in US risk-free interest rates.

Table 16.1 - Value at Risk ed Expected Shortfall: trading book

Risk factors	Financial year 2021 - 2022			
Data in thousands	**06/30/2022**	**Min**	**Max**	**Average**
Interest rate	7,006	948	10,359	2,735
Credit	3,115	850	3,558	1,532
Shares prices	6,935	1,810	8,198	3,817
Exchange rates	1,147	225	2,655	633
Inflation	94	25	314	140
Volatility	6,286	1,415	6,286	3,421
Diversification effect (*)	*(15,894)*	*(1,569)*	*(15,894)*	*(6,170)*
Total VaR	**8,689**	**3,660**	**11,838**	**6,109**
Expected Shortfall	***12,383***	***4,176***	***27,194***	***8,190***

* Due to the mismatch between risk factors.

The comparative data as at 30 June 2021 are shown below:

Risk factors	Financial year 2020 - 2021			
Data in thousands	**06/30/2021**	**Min**	**Max**	**Average**
Interest rate	1,319	451	4,186	1,886
Credit	992	890	3,622	1,411
Shares prices	3,925	1,508	8,911	3,412
Exchange rates	298	285	1,245	671
Inflation	100	100	828	502
Volatility	4,542	1,338	5,635	2,820
Diversification effect (*)	*(6,366)*	*(3,588)*	*(12,627)*	*(6,521)*
Total VaR	**4,810**	**2,724**	**6,448**	**4,181**
Expected Shortfall	***7,301***	***3,583***	***6,982***	***5,482***

Apart from the VaR limit on trading positions, a more granular system of VaR limits is also in place for the individual desks involved. Each desk also has limits in terms of sensitivities to movements in the various risk factors which are monitored daily.

Compared to last year there was an increase in the average equity delta, which decreased from minus €180,000 to plus €318,000 (due primarily to the increase in outright positions in the proprietary arbitrage portfolio), as well as increased sensitivity to US interest rates (US and Eurozone). The average equity vega also increased, from €991,000 to €1.4m per percentage

point, due to the higher stock of issues in certificates.

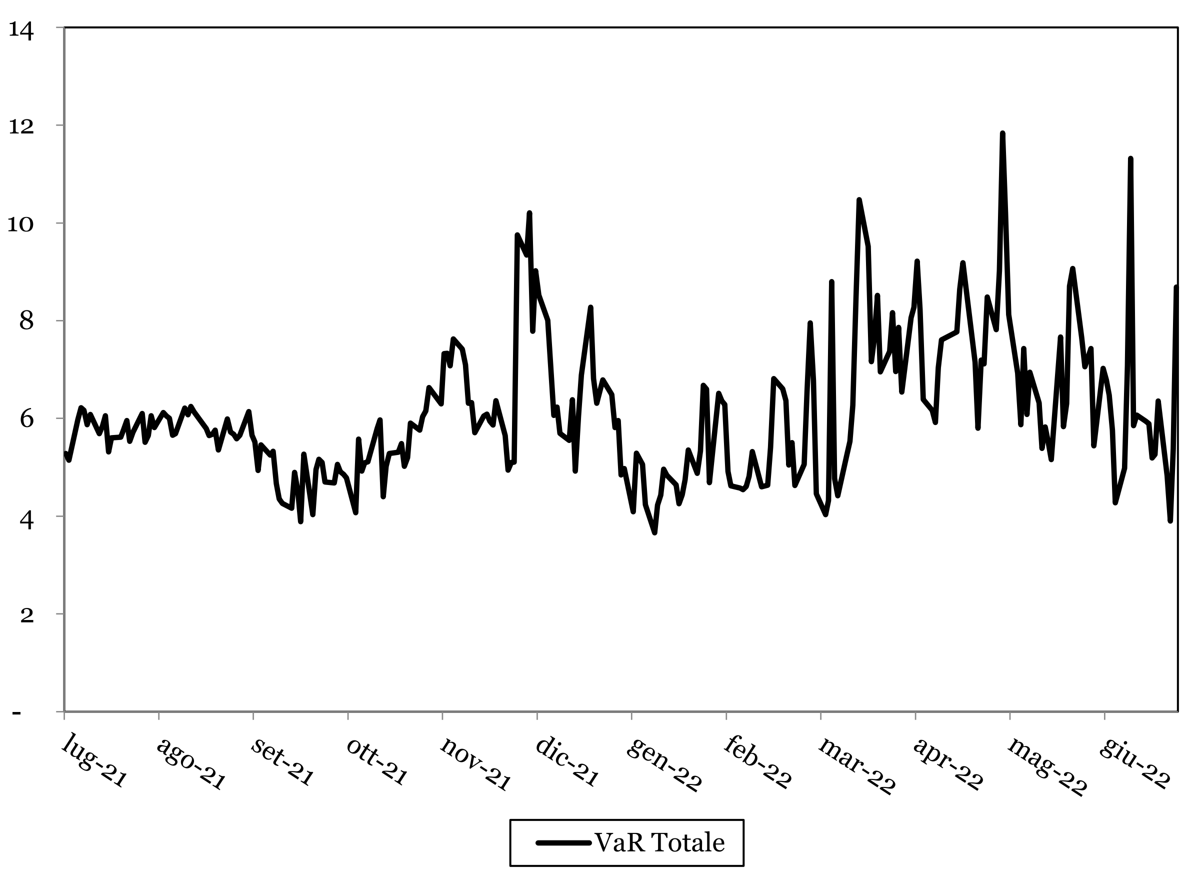
Table 16.2 - Overview of trends in main sensitivities for trading book

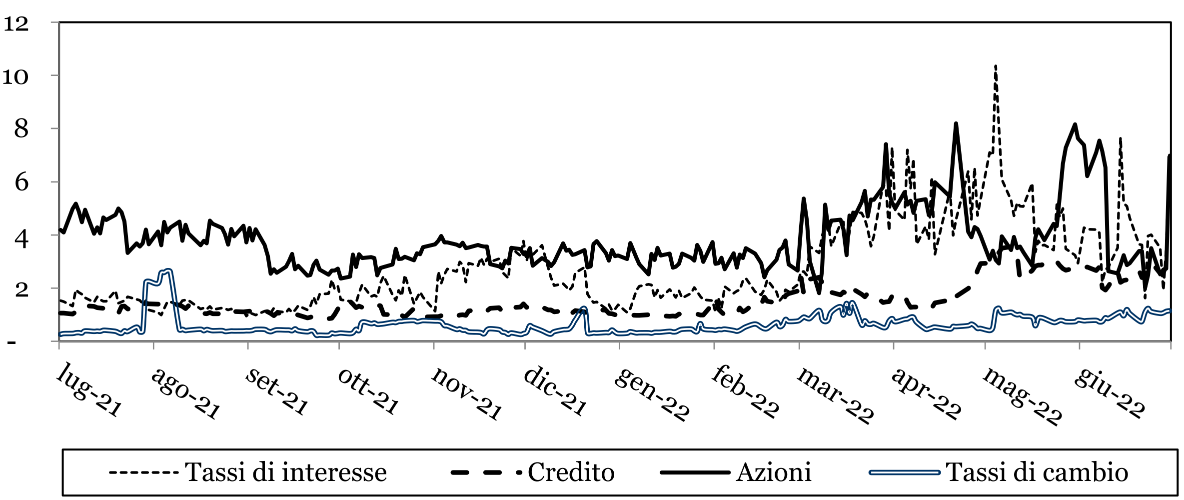
Risk factors	Financial year 2021 - 2022			
Data in euro	06/30/2022	Min	Max	Average
Equity delta (+1%)	501,472	(750,743)	1,159,690	318,529
Equity vega (+1%)	1,980,544	894,170	2,926,993	1,438,665
Interest rate delta (+1bp)	185,385	(686,558	491,604	82,913
Inflation delta (+1bp)	3,754	(9,961)	14,258	2,210
Exchange rate delta (+1%)*	555,891	97,865	1,180,243	427,898
Credit delta (+1bp)	497,696	(367,073)	1,029,787	514,646

* Due to the Euro appreciating relative to other currencies.

The comparative data as at 30 June 2021 are shown below:

Risk factors	Financial year 2020 - 2021			
Data in euro	06/30/2021	Min	Max	Average
Equity delta (+1%)	(378,742)	(803,970)	415,897	(180,824)
Equity vega (+1%)	1,040,027	211,980	1,629,442	991,177
Interest rate delta (+1bp)	117,109	(158,463)	585,088	189,395
Inflation delta (+1bp)	2,907	—	88,812	50,020
Exchange rate delta (+1%)*	256,756	(187,044)	706,087	325,897
Credit delta (+1bp)	571,770	170,210	806,941	584,124


Trading book VaR trend
14
12
10
8
6
4
2
-
lug-21
ago-21
set-21
ott-21
nov-21
dic-21
gen-22
feb-22
mar-22
apr-22
mag-22
giu-22
VaR Totale


VaR components trend by asset class (Trading)
12
10
8
6
4
2
-
lug-21
ago-21
set-21
ott-21
nov-21
dic-21
gen-22
feb-22
mar-22
apr-22
mag-22
giu-22
Tassi di interesse
Credito
Azioni
Tassi di cambio

Template EU MR1 - Market risk (standardized approach)

		06/30/2022	06/30/2021
		a	a
		RWEAs	RWEAs
	Outright products		
1	Interest rate risk (general and specific)	1,450,353	1,162,489
2	Equity risk (general and specific)	132,095	242,351
3	Foreign exchange risk	—	—
4	Commodity risk	—	—
	Options		
5	Simplified approach	—	—
6	Delta-plus approach	772,504	636,393
7	Scenario approach	—	—
8	Securitisation (specific risk)	76,016	30,003
9	**Total**	**2,430,969**	**2,071,236**

The risk-weighted assets for market risk, calculated according to the standard methodology as shown in Section 1.1, reflect an increase of approx. €350m.

The main changes during the twelve months involved:

— An increase in the requirement for credit risk in debt instruments (of €120m) due to DVA risk management in relation to the issue of certificates held as part of the trading book;

— An increase in the sensitivity to generic interest rate risk in view of the ALM activities, which entailed a €160m increase in RWAs;

— An increase of approx. €135m in RWAs for options trading, calculated based on the "delta plus" methodology, and due in particular to the vega risk deriving both from options on equities entered into by the Equity desk to hedge and managing the risk underlying certificates, and from options with short-term US interest rates as underlying;

— A reduction in RWAs of approx. €100m for generic and specific equity risk, due to the reduction in outright positions and the decrease in share prices in relation to the changes in stock market performance.

The capital absorbed by positions in equities and funds remains stable, while the limited exchange rate risk position, which is below the regulatory threshold permitted, generates no capital requirement.

Template EU MR2-A - Market risk under the internal Model Approach (IMA)

The Mediobanca Group has nothing to report for Template EU MR2-A.

Template EU MR2-B - RWA flow statements of market risk exposures under the IMA

The Mediobanca Group has nothing to report for Template EU MR2-B.

Template EU MR3 - IMA values for trading portfolios

The Mediobanca Group has nothing to report for Template EU MR3.

Template EU MR4 - Comparison of VaR estimates with gains/losses

The Mediobanca Group has nothing to report for Template EU MR4.

16.2 On-site inspection on fair value: remediation actions

Work continued during the financial year under review for improving the framework forl fair value measurement in the wake of the On Site Inspection on Valuation Risk, which ended in February 2020, with a second access which ended in March 2022, with a specific focus on three types of products, for which the JST's recommendation letter is still pending.

Various projects were also launched during the twelve months to address the recommendations made by the JST in its first inspection, which involve large-scale use of benchmarking analysis and best practice at European level, with the objective of fine-tuning the internal processes and data quality for:

— Fair value hierarchy and application of the day-one profit rule;

— Methods of calculation and verification for accounting purposes (fair value adjustment and independent price verification/IPV);

— Effects on capital (prudent valuation).

These actions should not impact materially on earnings, as the effects have already largely been incorporated in previous years.

15.3 Fair value, independent price verification and prudent value of financial instruments

IFRS13 paragraph 24 defines fair value as the price which would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market.

For financial instruments listed on active markets, fair value is determined on the basis of the official prices prevailing on the principal market, or alternatively the most advantageous market to which the Group has access; such instruments are thus said to be marked to market. A market is defined as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For instruments not listed on an active market or in cases where the market is not functioning properly (when the market does not have a sufficient and continuous number of transactions, or sufficiently low bid-ask spreads and volatility), valuation models using market inputs are used instead, such as:

- Valuations of instruments with similar characteristics or values recorded in recent comparable transactions;
- Discounted cash flows;
- Derivatives fair value determination models, prudentially adjusted to reflect the illiquid nature of some market data and other risks associated with specific transactions (reputational risk, replacement risk, etc.). These valuation models, their inputs and fair values or Independent Price Verification adjustments, are mapped in the Product Catalogue and the Group's official Fair Value and Independent Price Verification operating procedures.

If no market inputs are available, valuation models based on data estimated internally are used.

As a further guarantee that the valuations deriving from the measurement models the Group uses remain objective, independent price verification processes (IPVs) are also carried out, in which a unit unrelated to the one assuming the risk checks the prices of the individual financial instruments on a daily basis, using data provided by information providers as its reference.

Fair value is reported according to rankings based on the quality of the input parameters used to determine it.

The fair value of the financial assets and liabilities is stated according to a hierarchy based on the quality of the input parameters used to determine it,[36] as provided by IFRS 13 and Bank of Italy circular no. 262.

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

In particular, financial assets and liabilities measured at fair value are classified according to different levels that assign decreasing priority to measurements based on different market parameters. The highest priority (level1) is assigned to measurements based on prices quoted (un-adjusted) on an active market for identical assets or liabilities; while the lowest of priority (level3) is assigned to valuations deriving predominantly from unobservable inputs.

Three levels in particular are distinguished:

- Level 1: valuations based on quoted prices (single and unadjusted) in active markets for the individual financial instrument being measured.
- Level 2: valuations based on valuation techniques using inputs that are observable on the market either directly (prices) or indirectly (price derivatives). In this case fair value is measured via a comparable approach, or by using a pricing model which is commonly used by other financial operators with inputs observable on the market or estimated internally but which have a limited impact on fair value.
- Level 3: valuations based on valuation techniques using significant inputs which are either unobservable on the market and/or reflect complex pricing models subject to uncertainty. In this case the fair value is set based on assumptions of future cash flows, which could lead to different estimates by different observers of the value of the same financial instrument.

In cases where the input data used to value an asset or liability has different levels, the decision as to the fair value level is guided by the significance of the input data itself.

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

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

However, all instruments whose fair value measurement is primarily determined by unobservable inputs (such as, for example, the volatility above certain thresholds, or the equity and credit correlation, etc.), or contains adjustments that significantly alter the most liquid inputs used, are classified as Level 3[37].

All level 3 instruments are subject to additional price verification procedures, including: revision of relevant historical data, analysis of profits and losses, individual measurement of each single component in a structured component, and benchmarking. This approach involves the use of

[37] See IFRS 13, paragraphs 73 and 75.

subjective parameters and judgements based on experience, and adjustments may therefore be required to valuations to take account of the bid-ask spread, liquidity or counterparty risk, and the type of measurement model adopted. All models in any case, including those developed internally, are verified independently and validated by different Group units, thus ensuring an independent control structure.

The Independent Price Verification unit also runs a further independent control on the parameters used, by running a comparison with similar inputs from different sources.

For further information, please see Part A of the Notes to the Accounts for the year ended 30 June 2022.

16.3.1 Fair value adjustments for financial instruments

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

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

The accounting taxonomy is aligned with the prudential taxonomy (CRR Article 105, "Requirements for Prudent Valuation" with impact on capital), so the scope of fair value adjustments therefore includes the following categories:

- Close-Out Costs: these refer to the uncertainty related to the liquidity cost that the Bank might incur in the event of the disposal, partial or total, of a position recognized at fair value;
- Investing and Funding Costs: these reflect the costs of financing or refinancing a position recognized at fair value;
- Market Price Uncertainty: this represents the uncertainty inherent in a valuation based on market prices;
- Concentrated Positions: this reflects uncertainty in the valuation of the exit price for positions defined as concentrated;
- Model Risk: adjustments to mitigate the risk of misalignment with market practice in the valuation of a product regarding the choice and implementation of the relevant pricing model.

16.3.2 Prudent value of financial instruments

The EU regulations require that positions recognized at fair value and held as part of either the banking or trading books must be measured to an adequate degree of certainty. To meet this objective, financial institutions must implement and maintain processes and controls to ensure that the valuation estimates are prudent and reliable.

The Prudent Value Adjustment, defined as all Additional Valuation Adjustments added together, is subtracted directly from CET1.

The process of defining and certifying the positions subject to calculation of AVAs requires the following to be identified:

- An individual scope of application, consisting of all asset and liabilities held on the balance sheet and recognized at fair value for every bank and/or company forming part of the Banking;
- A consolidated scope of application, consisting of all asset and liabilities held on the balance sheet and recognized at fair value, for the Banking Group as a whole.

Regulation (EU) no. 575/2013, Part 2, Title I, Chapter 2, Article 34, requires that institutions shall apply the requirements of Article 105 to all their assets measured at fair value. The combined provisions of Articles 34 and 105 of Regulation (EU) no. 575/2013 imply that the scope of prudent valuation for financial instruments includes all positions measured at fair value, regardless of whether they are accounted for as part of the banking or trading book.

The positions measured at fair value in both books as defined by the International Financial Reporting Standards (IFRS), are, on the asset side of the balance sheet, as follows:

- Financial assets recognized at Fair Value Through Profit and Loss (FVTPLT);
- Financial assets classified as Fair Value Option (FVOPT);
- Financial assets recognized at Fair Value Through Other Comprehensive Income (FVOCI) (only for positions not subject to the prudential filter);
- Financial assets classified Mandatorily at Fair Value Through Profit and Loss (FVTPLM/FVTPLM_OICR);

and on the liability side of the balance sheet:

- Financial liabilities recognized at Fair Value Through Profit and Loss (FVTPLT);
- Financial liabilities recognized at Fair Value Option (FVOPT);

- Financial liabilities classified as Mandatorily at Fair Value Through Profit and Loss (FVTPLM/FVTPLM_OICR).
- Financial liabilities classified as Fair Value Liabilities (FVL).

Starting from the scope defined as above, and in accordance with the provisions of Commission Delegated Regulation (EU) 2016/101, Chapter 3, fair-valued positions for which a change in accounting valuation has a partial or zero impact on CET1 capital are excluded.

In particular:

- AFS positions (FVOCI), to the degree to which the changes in valuation are subject to prudential filters;[38]
- Back-to-back positions;
- Positions subject to hedge accounting.

To comply with the regulatory requirements in terms of CoRep reporting, each indicator is calculated for the general scope as defined in the relevant section, and also for the narrower scope of trading instruments only.

The following table shows the calculation of the AVA indicator at 30 June 2021, with a breakdown of the various categories:

38 The inclusion or exclusion of such instruments from the scope for calculation of prudential valuation is established by Regulation (EU) no. 575/2013 Part 10, Title I, Chapter 1, Articles 467-68, taking into account the adjustment made via Regulation (EU) no. 445/2016, Chapter V, Articles 14-15.

Template EU PV1: List of financial instrument subject to Prudent Valuation

Table 15.3: List of financial instruments subject to prudent valuation

Type			Inclusion/ exclusion	Inclusion/ exclusion Trading book	Notes
FVTPLT	Financial and credit derivatives	Back to back	Exclusion	Exclusion	As required by the Delegated Regulation (EU) 2016/101
		Non back to back	Inclusion	Inclusion	
	Debt securities		Inclusion	Inclusion	
	Equities		Inclusion	Inclusion	
	UCITS		Inclusion	Inclusion	
	Loans		Inclusion	Inclusion	
	NPE		Inclusion	Inclusion	
FVOPT	Equities		Inclusion	Inclusion	
	UCITS		Inclusion	Inclusion	
	Loans		Inclusion	Inclusion	
	NPE		Inclusion	Inclusion	
FVOCI	Debt securities	EU government	Partial	Exclusion	An exception is foreseen with the exclusion until the entry into force of Regulation (EU) 2016/445 (01/10/2016) which rectifies the provisions of Regulation (EU) 2013/575
		Non-EU government	Partial	Exclusion	The inclusion / exclusion percentages are variable and follow the regulatory provisions of Regulation (EU) 2013/575 and Circular 285 of the Bank of Italy
		Non-government	Partial	Exclusion	
	Equities		Partial	Exclusion	
	UCITS		Partial	Exclusion	
	Loans		Partial	Exclusion	
	NPE		Inclusion	Exclusion	
FVTPLM/ FVTPLM_OICR	Debt securities		Inclusion	Exclusion	
	Equities		Inclusion	Exclusion	
	UCITS		Inclusion	Exclusion	
FVL	Debt securities		Inclusion	Exclusion	
Hedge accounting	Fair Value Hedge		Exclusion	Exclusion	As required by the Delegated Regulation (EU) 2016/101
	Cash Flow Hedge		Exclusion	Exclusion	The Cash Flow Hedge is subject to a prudential filter

At the consolidated level, each bank and/or company forming part of the Banking Group must apply the percentage stated in Bank of Italy circular no. 285, while at the individual level, each bank or company in the Group is subject to the provisions laid down by its local regulator.

The table below shows the calculation for the AVA indicator as at 30 June 2022, with a breakdown of the various catregories:

Template EU PV1: Prudent Valuation Adjustments (PVA) (1/2)

	Category level AVA	a	b	c	d	e
		Risk category				
		Equity	Interest Rates	Foreign exchange	Credit	Commodities
1	Market price uncertainty	15,779	9,921	766	16,164	—
3	Close-out cost	18,904	9,846	766	8,812	—
4	Concentrated positions	6,004	—	—	—	—
5	Early termination	64	29	3	26	—
6	Model risk	12,721	—	2	242	—
7	Operational risk	1,734	1,028	77	1,476	—
10	Future administrative costs	4	—	—	1	—
12	**Total Additional Valuation Adjustments (AVAs) as at 30 June 2022**					
	Total Additional Valuation Adjustments (AVAs) as at 30 June 2021					

Template EU PV1: Prudent Valuation Adjustments (PVA) (2/2)

	Category level AVA	EU e1	EU e2	f	g	h
		Category level AVA - Valuation uncertainty		Total core approach		
		Unearned credit spreads AVA	Investment and funding costs AVA		of which: in the trading book	of which: in the banking book
1	Market price uncertainty	2,271	401	22,651	20,748	1,903
3	Close-out cost	2,271	401	20,499	20,397	102
4	Concentrated positions			6,004	—	6,004
5	Early termination			122	122	—
6	Model risk	803	106	6,937	—	—
7	Operational risk			4,315	4,114	201
10	Future administrative costs			5	—	5
12	**Total Additional Valuation Adjustments (AVAs) as at 30 June 2022**			**60,533**	**52,318**	**8,215**
	Total Additional Valuation Adjustments (AVAs) as at 30 June 2021			**50,372**	**44,589**	**5,784**

16.4 Hedging

With reference to the requirements of IFRS 9 on the new hedging model, the standard aims to simplify the accounting treatment by guaranteeing greater alignment between the accounting representation of the hedge and the underlying rationale behind it (risk management). In particular, the new model provides for an extension to the hedge accounting rules with reference to hedging instruments and related eligible risks. The standard provides for the possibility of continuing to use the hedging rules introduced by IAS 39; however, the Group has chosen to use the new criteria introduced for general hedging (opt-in), which has had no material impact.

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. 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).[39]

Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate, price or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. It is principally the fixed-rate, zero coupon and structured bond issues that are fair-value hedged. If structured bonds in particular do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposite sign.

Fair value hedges are used by Mediobanca S.p.A. to hedge fixed-rate transactions involving corporate loans and securities recognized at fair value through other comprehensive income or at amortized cost, and also to mitigate price risk on equity investments recognized at FVOCI. Like-for-like books of fixed-rate mortgage loans granted by CheBanca! are also fair value-hedged, as is the stable component of demand deposits modelled at fixed rate.

Cash flow hedges

These are used chiefly as part of certain Group companies' operations, in particular those operating in consumer credit and leasing. In these cases the numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform floating-rate deposits into fixed rate positions, correlating the relevant cash flows. Normally the Group uses the derivative to fix the expected cost of deposits over the reference period, to cover floating-rate loans outstanding and future transactions linked to systematic renewals of such loans upon their expiring.

39 This target is maintained even in the presence of hedging contracts with market counterparties with netting agreements and CSAs (collateralized standard agreements) have been entered into, the valuation of which is made on the basis of Eonia interest rates.

Section 17 – Concentration risk and large exposures

For purposes of reporting the large exposures referred to in CRR II, the limit set is 10% of CET 1 capital (referring to the nominal value of the exposures), whereas the concentration limit is 25% again of CET1 capital (in this case, however, referring to the weighted value following application of the Credit Risk Mitigation based on the methodology applied by the Group, i.e. the comprehensive method for real financial guarantees, and transfers for personal guarantees.

No counterparty exceeded the concentration limit, with the exception of Assicurazioni Generali, and no particular difficulties in operations during the financial year were noted, thanks to the ongoing monitoring of the exposures.

Quantitative information

As at 30 June 2022, the exposures reported (including market risks and equity investments) to a total of seven groups of clients (two fewer than last year) were in excess of 10% of CET1 regulatory capital, for a gross exposure of €8.9bn (€6.7bn, taking into account guarantees and weightings), fewer than the respective figures at end-June 2021 (€9.9bn and €8.5bn respectively). In detail the seven exposures are to one industrial group, one insurance company and five banking groups.

Section 18 – Remunerations and incentivization systems and practices

Qualitative information

The Remuneration and Incentivization Policies are a fundamental instrument used to support the Group's medium- and long-term strategies. The policies serve to attract, motivate and retain staff, creating a sense of identity and developing a culture based on performance and merit.

For information on remuneration policies, see the Annual Report on the Group's remuneration and incentivization policy approved by shareholders in Annual General Meeting, and published in the "Governance: Remuneration" section of the www.mediobanca.com website.

The Mediobanca Group's remuneration policy is drawn up, including all information required by Article 450 of the CRR, paying constant attention to the Italian and EU regulations, including in the light of the new documents published by the supervisory authorities.

In FY2021-22, the governing bodies of Mediobanca have revised the Group's Remuneration Policy and Report, to align it further with the new regulations and best practices.

Compared to the previous version, the new Mediobanca Group policy:

— Provides additional details on the structure of the remuneration package for the Chief Executive Officer, the Group General Manager, other management with strategic responsibilities and the Group's leading Material Risk Takers;

— Analyses aspects by which the Group's incentivization system is aligned with its risk profile, with a focus on the KPIs identified to support effective pay for performance and on the operating instruments adopted for such purposes;

— Focuses on the improvement in the governance process, with the broader involvement of the Risks Committee and the increased role of the Remunerations Committee;

— Adopts the provisions of the new Bank of Italy Supervisory Instructions for application of the sector regulations to the non-banking activities represented within the Group and subject to different regulations;

— Improves some of the wording to guarantee increasing transparency and clarity of exposition.

In line with the past, the policy:

— Highlights the link between remuneration policy, corporate sustainability and ESG objectives;

— Complies with the applicable regulations;

— Enables the areas of the Bank and Group which create value, including in corporate social responsibility terms, to be suitably rewarded based on objective measurement criteria;

— Allows the Group to attract and retain professionals with skills and capabilities appropriate to its needs;

— Is aligned with the policies adopted by other leading Italian and international operators.

A cap on variable remuneration continues to be adopted, set at 200% of fixed remuneration, with the exception of recipients working for companies subject to other sector regulations (such as asset management or investment companies), for whom different limits are set.

The Remunerations Committee consists of five non-executive members, all of whom qualify as independent. In FY 2021-22 the Committee met on ten occasions, and the meetings on average lasted around 2 hours. The Committee's duties include proposing compensation for staff whose remuneration is decided by the Board of Directors. It serves in an advisory capacity for decisions regarding the criteria to be used for compensation payable to all identified staff, with a focus on senior management and the heads of the principal business units in particular, along with the CEOs/General Managers of the main Group Legal Entities if they also qualify as Group Material Risk Takers; and monitors application of the rules governing the remuneration of the heads of the company's control units, working closely with the Statutory Audit Committee in this connection. It works together with the other internal committees, in particular the Risks and CSR Committees; and ensures that all relevant company units are involved in compiling and checking the remuneration and incentivization policies and practices. It gives its opinion on the results of the Material Risk-Takers identification process, including any exclusions, and on whether the performance objectives to which the incentivization schemes are linked have been reached. It establishes whether the other conditions precedent to payment of compensation have been met, on the basis *inter alia* of information received from the other company units; monitors the policy's gender neutrality; and provides feedback on the activities performed to the governing bodies.

The Remunerations Committee chose to retain an independent advisor in the performance of its duties for FY 2021-22, which contributes to the debate on the main items on the agenda, giving its opinion on the policies adopted and on certain aspects of process, including including through the issue of fairness opinion on specific topics. Deloitte Consulting was chosen as the advisor, and accordingly took part in the Remunerations Committee meetings.

The Mediobanca Group Policy, which forms part of the parent company's activities of direction and co-ordination of its own Group companies, ensures that the remuneration and incentivization systems operating within the Banking Group are consistent, while respecting the specific nature of

their sectors of operation and applying the relevant sector regulations, organizational structures, regulations applicable according to type of business and geographical location. In particular, the parent company manages the process of defining Identified Staff, issues guidance to be adopted, and takes part in drafting documents relating to the remunerations policies to be compiled by the subsidiaries.

The Group's remuneration and incentivization policy seeks to generate sustainable value over the long term via:

- Pre-established governance mechanisms involving various different bodies, organizational units and parties, to guarantee that the processes followed are structured, controlled, and verifiable *ex post*;
- An overall remuneration package which reflects a balanced pay mix between fixed and variable components according to company role, and does not encourage or promote risky behaviour or conduct that is unduly geared to achieving short-term results;
- A fair level of remuneration reflecting the competences, abilities and professional experience of each staff member, ensuring that the principle of equal opportunities is applied in practice;
- A short- and long-term incentive structure based on risk-adjusted indicators and aligned to the Risk Appetite Framework with a view to achieving business continuity and sustainable results over the long term;
- Correlation of the incentivization system to the principles set out in the Group Sustainability Policy and the Group ESG Policy; inclusion of sustainability issues in the Group's strategies;
- Limits or cap on variable remuneration;
- Ongoing monitoring of the staff remuneration package's positioning relative to the reference market, and close scrutiny of the gender pay gap;
- Individual performances are evaluated clearly and transparently, based on merit and in accordance with the principle of equal opportunities;
- Deferral and payment of variable remuneration over a time horizon of several years, including in the form of equity instruments, in order to link incentives to the creation of value over the long term;
- Centrality of reputational issues, *ex ante* and *ex post*, in the form of malus and clawback mechanisms for the remuneration;
- Pre-established, transparent means of treatment for staff in the event of their employment with the Mediobanca Group ceasing, with pre-established caps in terms of the maximum number of monthly salaries that can be paid and the absolute value of the severance payable;
- Transparency in reporting.

The Group Remuneration Policy and Report is approved by shareholders in Annual General Meeting, after being approved first by the Board of Directors with the opinion of the Remunerations

Committee. The Group HR, Planning, Accounting and Financial Reporting, Group Risk Management, Compliance and Group Audit Units all play an active part in the process, according to their respective areas of responsibility. The activities are suitably tracked and documented.

Material Risk-Takers, i.e. staff members whose professional activity may impact substantially on the Mediobanca Group's risk profile, are identified annually at the end of a formalized process involving Mediobanca S.p.A. and the other Group companies. The information collected is then sent to Mediobanca S.p.A. to be consolidated, whereas for the other, non-banking subsidiaries, the parent company carries out its own assessment.

For definition of its identified staff, Mediobanca adopts the regulatory technical standards provided in Commission Delegated Regulation (EU) No. 2021/923 of 25 March 2021, published in the Official Journal of the European Union on 9 June 2021. The criteria are:

- Qualitative: linked to role (including for non-executive directors) and to decision-making powers assigned and responsibilities taken within the Group structure, consistent with the nature, range and complexity of the activities performed. Factors considered include organizational position within the Group, materiality of the business unit (not just in terms of the capital allocated to them, but also of volumes and complexity), risk profile, including with reference to reputation, participation in internal Group committees, independence in terms of decision-making and operations, geographical location of the office at which they work (in view of the pay differences between different countries), and specific characteristics of the sectors concerned (e.g. asset management).
- Quantitative: based on the total overall remuneration received in the previous financial year.

The definition of Material Risk-Taker also includes financial and insurance brokers and financial advisors authorized to offer products door-to-door.

The scope also includes agents in financial activities, insurance agents and financial advisors authorized to offer their services outside their offices.

Subject to approval by shareholders in Annual General Meeting, in accordance with national and supranational regulations, the maximum limit set for the variable remuneration of all Mediobanca Group employees, and hence all identified staff, is 200% of their fixed remuneration. The remuneration package for the Group's identified staff members who work for the control units (Group Audit, Compliance, Risk Management) is structured to comprise a fixed component representing the majority and a variable component awarded annually based on qualitative criteria and linked to the effectiveness and quality of control action. Their variable remuneration is capped at 33% of the fixed component, and that of the heads of these units is decided annually by the Board of Directors, based on the Remuneration Committee's proposal. Different limits apply to staff working in asset management.

Variable remuneration and the correlation between risks and performance are determined via a process which aims to reward staff based on the Bank's and the Group's risk-adjusted performances, in line with the risk profile defined in the Risk Appetite Framework (RAF), with a view to achieving business continuity and sustainable results over the long term. Distribution of the variable remuneration earmarked for the remuneration of the "identified staff" in each Group organizational division only takes place if the following indicators or "gateways" are met:

- Capital adequacy and liquidity requirements at levels which are higher than those stated in the Risk Appetite Framework approved by the Board of Directors, which are the primary indicators taken into consideration in the ICAAP. These are: CET 1 ratio, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, and Net Stable Funding Ratio.
- Positive operating profit delivered at Group level.

The annual variable remuneration payable to the Group's divisions and business units, including the share attributable to identified staff, is calculated based on the risk-adjusted earnings performances of the respective divisional areas (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and on other secondary quantitative and qualitative objectives.

The individual incentive system and the allocation of variable remuneration to individual beneficiaries are determined through an annual performance evaluation process based on merit and professional quality, with particular attention to reputational issues.

The Board of Directors, at the Chief Executive Officer's proposal and with the Remunerations and Related Parties' Committees in favour, may approve payment of variable remuneration in favour of Identified Staff in order to safeguard the most critical professional capabilities, even if the gateways have not been met. The possibility of paying variable remuneration for retention purposes is assessed in the light of the causes for the individual gateways not being met, and the impact of the individual indicator on the Group's capital adequacy, liquidity and profitability, including through assessment of the causal link with the Group's various divisions. Furthermore, if the gateways are met but an Economic Profit or other divisional indicator is delivered which is negative or small, the Chief Executive Officer may also propose a variable remuneration floor pool for identified staff, agreeing the rationale for distributing the proceeds with the governing bodies based on the individual contributions of the business activities to the company's results.

For staff employed in the control, staff and support units the variable component, which is usually small, is not related to earnings performance or the Group's results but to individual qualitative performance (value of staff, quality of performance, retention strategies) and to the role's positioning relative to the reference market. For staff employed in the internal control units (i.e. Group Audit, Compliance and Risk Management), assessment is made of the continuous monitoring and control of the Bank's processes and operations carried out by them, independently

and autonomously, to prevent risk situations developing and ensure irregular behaviour or events is picked up swiftly. Also evaluated is these units' continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units; correct development of models, methodologies and metrics with which to measure market, credit and operational risks, producing adequate reporting for monitoring processes; and accurate analysis of new products and their risk profiles.

The Mediobanca Group has adopted a New Joiner Policy, which provides for the allocation of buyout, sign on and entry bonuses for particularly important profiles, exclusively at the recruitment stage, and for the first year of their employment by the company. The New Joiner Policy also provides for the possibility of an amount being paid at recruitment to compensate for any loss in earnings from previous jobs, in accordance with consolidated sector practice. Such amounts are decided and paid in accordance with the policy and regulations in force. Application of the other constituents of the Policy (such as deferral, payment in cash and equity, payment being subject to malus and clawback provisions) ensures that the compensation structure is aligned with risks at all times and with the objective of achieving sustainability over the long term.

As provided by the regulations and the Articles of Association, the shareholders in ordinary general meeting are responsible for determining the compensation to be awarded in cases where beneficiaries leave office or the employment arrangement is terminated early, including the limits set on such compensation in terms of the annual fixed salary and the maximum amount deriving from applying them.

A substantial proportion of the variable component is deferred in time and distributed in the form of equity instruments, in order to link incentives to the objective of value creation in the long term, and to allow the continuity of the company's positive results to be verified. Payments are made through annual pro rata instalments and depends on the beneficiary's role and the variable remuneration payable to them.

For details, see Section 6 "Incentivization System - e) Payment of variable component" in the Group Remuneration Policy.

The incentivization system provides gateways for payment of the bonus pool to Identified Staff and quantification of the aggregate variable remuneration, based on the risk-adjusted earnings performances of the respective divisions (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and on other secondary quantitative and qualitative objectives which allow the bonus pool to be sized based on results delivered (pay for performance). The Board of Directors, at the Chief Executive Officer's proposal and with the Remunerations and Related Parties' Committees in favour, may approve payment of variable remuneration in favour of Identified Staff in order to safeguard the most critical professional capabilities, even if the gateways have not been met. The

possibility of paying variable remuneration for retention purposes is assessed in the light of the causes for the individual gateways not being met, and the impact of the individual indicator on the Group's capital adequacy, liquidity and profitability, including through assessment of the causal link with the Group's various divisions. Furthermore, if the gateways are met but an Economic Profit or other divisional indicator is delivered which is negative or small, the Chief Executive Officer may also propose a variable remuneration floor pool for identified staff, agreeing the rationale for distributing the proceeds with the governing bodies based on the individual contributions of the business activities to the company's results.

A substantial proportion of the variable component is deferred in time and distributed in the form of equity instruments, in order to link incentives to the objective of value creation in the long term, and to allow the continuity of the company's positive results to be verified. Payments are made through annual pro rata instalments and depends on the beneficiary's role and the variable remuneration payable to them.

For directors with executive duties and senior management (i.e. groups 2 and 3 in the table of Identified Staff), the deferral period is always five years. The deferred component is:

— 60% (55% in equities and 45% in cash), for variable remuneration equal to or higher than €404,000;
— 50% (56% in equities and 44% in cash) for variable remuneration of less than €404,000.

For other Identified Staff, deferral is over a four-year time horizon, made up as follows:

— 60% (50% in equities and 50% in cash), for variable remuneration equal to or higher than €404,000;
— 40%, (50% in equities and 50% in cash), for variable remuneration of less than €404,000.

For the Material Risk-Takers, the upfront component is paid half in cash and half in Mediobanca shares. For Identified Staff, the deferral mechanism does not apply if their annual variable remuneration does not exceed the materiality threshold of €50,000 and does not represent more than one-third of their total compensation.

After the vesting period, the shares are subject to a further retention holding period of one year.

Variable remuneration components may only be assigned, when awarded and when deferred payment takes place, if the beneficiary has not committed any of the instances contemplated in the Group Directive on Compliance Breaches (i.e. has not been subject to disciplinary proceedings based *inter alia* on the provisions of the Code of Ethics, Organizational Model instituted pursuant to Italian Legislative Decree 231/01, or violations of the Business Conduct policy and/or the other internal guidelines issued by Mediobanca), and if no losses are attributable to their actions. The deferred variable remuneration component is paid, after the performance evaluation process has

been completed over the relevant timeframe, i.e. annual (short-term incentive) or long-term (long-term incentive), provided that:

- The beneficiary is still a Group employee and not serving a period of notice for resignation or dismissal;
- In each of the financial years, the performance conditions (i.e. the gateways) are met;
- The beneficiaries' business units post a positive risk-adjusted result net of extraordinary items and the effects of strategic decisions, as validated by the Risk Management unit.

Mediobanca reserves the right to take all measures necessary to claim back variable remuneration already paid (the "clawback" mechanism) in the event of damages emerging to the integrity of its capital, profitability and earnings/financial or reputational situation, which are attributable to the conduct of individual staff members even without fraud and/or wilful misconduct being established.

Clawback clauses can be applied to Identified Staff up to the fifth year following payment of variable remuneration, upfront or deferred, and up to one year for other staff.

The Chief Executive Officer is required to hold a number of Mediobanca shares equal in value to twice the amount of his fixed salary (including the emolument payable for holding such office, as measured at the end of the financial year and based on the average Mediobanca stock market price recorded in the same financial year), and the Group General Manager one time the amount of his fixed salary, even after the shares deriving from the award of the variable component have actually been assigned, until the respective vesting/holding periods expire. The equivalent amount of shares, to be delivered in a timespan of five years from the date of their first award, must be held throughout the duration of their terms of office, to ensure their interests are aligned with those of the shareholders (the "stock ownership requirement").

The total remuneration for each member of the management body or senior management is stated in the "Tables of analytical quantitative data" contained in the Report on Remuneration and Compensation Paid.

The Mediobanca Group benefits from the exemption provided for under Article 94(3)(b) of the CRD. A total of 14 staff members benefit from this exemption, with an aggregate total compensation of €2,547,000, of which €2,082,000 fixed and €1,465,000 variable.

For the quantitative information on the collective compensation paid to the Board of Directors, see the "Tables of analytical quantitative data" contained in the Report on Remuneration and Compensation Paid.

Quantitative information

Template EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	13	2	10	86
2		Total fixed remuneration	4,822,344	4,274,115	8,871,929	39,365,790
3		of which: cash-based	4,514,021	3,500,000	8,230,001	38,085,487
EU-4a		of which: shares or equivalent ownership interests	—	—	—	—
5		of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
EU-5x		of which: other instruments	—	—	—	—
7		of which: other forms	308,323	774,115	641,928	1,280,303
9	Variable remuneration	Number of identified staff		2	10	70
10		Total variable remuneration	—	4,425,000	12,502,000	18,538,603
11		of which: cash-based	—	2,079,750	6,740,900	9,764,028
12		of which: deferred	—	1,194,750	2,904,900	4,406,531
EU-13a		of which: shares or equivalent ownership interests	—	2,345,250	5,761,100	8,524,575
EU-14a		of which: deferred	—	1,460,250	3,557,100	4,256,530
EU-13b		of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
EU-14b		of which: deferred	—	—	—	—
EU-14x		of which: other instruments	—	—	—	250,000
EU-14y		of which: deferred	—	—	—	150,000
15		of which: other forms	—	—	—	—
16		of which: deferred	—	—	—	—
17	**Total remuneration (2 + 10)**		**4,822,344**	**8,699,115**	**21,373,929**	**57,904,393**

Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	—	—	1	2
2	Guaranteed variable remuneration awards -Total amount	—	—	4,800,000	1,050,000
3	of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	—	—	1,600,000	450,000
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	—	—	1	1
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	—	—	203,573	21,837
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	—	—	—	—
7	Severance payments awarded during the financial year - Total amount	—	—	—	—
8	of which paid during the financial year	—	—	—	—
9	of which deferred	—	—	—	—
10	of which severance payments paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
11	of which highest payment that has been awarded to a single person	—	—	—	—

Template EU REM3 - Deferred remuneration (1/2)

	Deferred and retained remuneration	a	b	c	d
		Total amount of deferred remuneration awarded for previous performance periods	of which due to vest in the financial year	of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year
1	MB Supervisory function	—	—	—	—
2	Cash-based	—	—	—	—
3	Shares or equivalent ownership interests	—	—	—	—
4	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
5	Other instruments	—	—	—	—
6	Other forms	—	—	—	—
7	MB Management function	8,340,268	1,942,870	6,397,398	—
8	Cash-based	4,343,370	663,720	3,679,650	—
9	Shares or equivalent ownership interests	3,996,898	1,279,150	2,717,748	—
10	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
11	Other instruments	—	—	—	—
12	Other forms	—	—	—	—
13	Other senior management	11,468,899	1,910,482	9,558,417	—
14	Cash-based	5,791,029	477,329	5,313,700	—
15	Shares or equivalent ownership interests	5,677,870	1,433,153	4,244,717	—
16	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
17	Other instruments	—	—	—	—
18	Other forms	—	—	—	—
19	Other identified staff	25,219,447	6,288,930	18,930,517	—
20	Cash-based	12,518,146	1,785,566	10,732,580	—
21	Shares or equivalent ownership interests	12,308,201	4,344,264	7,963,937	—
22	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
23	Other instruments	393,100	159,100	234,000	—
24	Other forms	—	—	—	—
25	**Total amount**	**45,028,614**	**10,142,282**	**34,886,332**	**—**

Template EU REM3 - Deferred remuneration (2/2)

	Deferred and retained remuneration	e	f	EU-g	EU-h
		Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i,e,changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	—	—	—	—
2	Cash-based	—	—	—	—
3	Shares or equivalent ownership interests	—	—	—	—
4	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
5	Other instruments	—	—	—	—
6	Other forms	—	—	—	—
7	MB Management function	—	541,830	1,942,870	1,279,150
8	Cash-based	—		663,720	
9	Shares or equivalent ownership interests	—	541,830	1,279,150	1,279,150
10	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
11	Other instruments	—	—	—	—
12	Other forms	—	—	—	—
13	Other senior management	—	799,983	1,910,482	1,433,153
14	Cash-based	—		477,329	
15	Shares or equivalent ownership interests	—	799,983	1,433,153	1,433,153
16	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
17	Other instruments	—	—	—	—
18	Other forms	—	—	—	—
19	Other identified staff	—	1,489,452	6,288,930	4,503,364
20	Cash-based	—		1,785,566	
21	Shares or equivalent ownership interests	—	1,489,452	4,344,264	4,344,264
22	Share-linked instruments or equivalent non-cash instruments	—	—	—	—
23	Other instruments	—	—	159,100	159,100
24	Other forms	—	—	—	—
25	**Total amount**	**—**	**2,831,265**	**10,142,282**	**7,215,667**

Template EU REM4 - Remuneration of 1 million EUR or more per year

	EUR	a
		Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	12
2	1 500 000 to below 2 000 000	3
3	2 000 000 to below 2 500 000	3
4	2 500 000 to below 3 000 000	2
5	3 000 000 to below 3 500 000	—
6	3 500 000 to below 4 000 000	2
7	4 000 000 to below 4 500 000	1
8	4 500 000 to below 5 000 000	1
9	5 000 000 to below 6 000 000	—
10	6 000 000 to below 7 000 000	1
11	7 000 000 to below 8 000 000	—

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (1/2)

		a	b	c	d	e
		Management body remuneration			Business areas	
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking
1	**Total number of identified staff**					
2	of which: members of the MB	13	2	15		
3	of which: other senior management				6	3
4	of which: other identified staff				31	22
5	**Total remuneration of identified staff**	**4,822,344**	**8,699,115**	**13,521,459**	**40,013,993**	**28,447,378**
6	of which: variable remuneration	—	4,425,000	4,425,000	22,255,000	5,580,953
7	of which: fixed remuneration	4,822,344	4,274,115	9,096,459	17,758,993	22,866,425

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (2/2)

	f	g	h	i	j
	Business areas				Total
	Asset management	Corporate functions	Independent internal control functions	All other	
1 **Total number of identified staff**					**111**
2 of which: members of the MB					
3 of which: other senior management	—	1	—	—	
4 of which: other identified staff	1	11	21	—	
5 **Total remuneration of identified staff**	**874,015**	**5,150,773**	**4,792,163**	—	
6 of which: variable remuneration	500,000	1,648,500	1,056,150	—	
7 of which: fixed remuneration	374,015	3,502,273	3,736,013	—	

Declaration by Head of Company Financial Reporting

As required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98 the undersigned hereby declares that the financial information contained in this document corresponds to that contained in the company's documents, account books and ledger entries.

Milan, 22 September 2022

Head of
Company Financial Reporting

Emanuele Flappini

Auditor's Report on Basel III Pillar 3