Basel III pillar 3
Disclosure to the public

Situation as at 31 March 2023

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.

Contents

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".

There have been no changes or updates to the Pillar III guidance provided by the European Banking Authority (EBA), for which reference is made to the Basel III Pillar 3 disclosure to the public as at 30 June 2022, published at www.mediobanca.com.

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. The contents of the document are consistent with the reporting used by the senior management and Board of Directors in their risk assessment and management.[1]

Figures are in €'000, unless otherwise specified.

The Group publishes an updated version of this document on its website at www.mediobanca.com.

[1] The documentation is available on the Bank's website at www.mediobanca.com.

References to EBA requirements
(Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12)

Regulation (EU) 637/2021, EBA/GL/2020/07 and EBA/GL/2020/12		**Pillar III as at 31/9/22**
Tables	**Type of disclosure**	**Section (qualitative/quantitative disclosure)**
EU KM1 IFRS9-FL EU OV1	Quantitative Qualitative/quantitative Quantitative	Section 1 - Capital adequacy
EU LIQ1	Qualitative/quantitative	Section 2 – Liquidity risk
EU CR4 EU CR8	Qualitative/quantitative	Section 3 – Credit risk
EU MR1	Qualitative	Section 4 - Market risk

Section 1 – 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 appetite 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.[2]

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 through checking the capital ratios according to the rules established by the Capital Requirements Regulation (CRR/CRR2) - Circular 285.

[2] The most recent stress testing exercise confirmed the Group's solidity, with an adverse impact on CET1 fully loaded of just 478 bps, in line with other EU banks and one of the lowest of all Italian banks.

Quantitative information

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

		a	b
		03/31/2023	12/31/2022
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	7,792,732	7,952,591
2	Tier 1 capital	7,792,732	7,952,591
3	Total capital	8,881,224	8,815,257
Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	51,006,378	52,573,562
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.2780%	15.1266%
6	Tier 1 ratio (%)	15.2780%	15.1266%
7	Total capital ratio (%)	17.4120%	16.7675%
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 (%)	1.6800%	1.5800%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.9450%	0.8888%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.2600%	1.1850%
EU 7d	Total SREP own funds requirements (%)	9.6800%	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 (%)	0.0655%	0.0546%
EU 9a	Systemic risk buffer (%)	—	—
10	Global Systemically Important Institution buffer (%)	—	—
EU 10a	Other Systemically Important Institution buffer	—	—
11	Combined buffer requirement (%)	2.5655%	2.5546%
EU 11a	Overall capital requirements (%)	12.2455%	12.1346%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.7320%	7.1875%
Leverage ratio			
13	Leverage ratio total exposure measure	97,374,969	97,091,818
14	Leverage ratio	8.0028%	8.1908%
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)	9,058,043	8,538,573
EU 16a	Cash outflows - Total weighted value	8,929,307	8,908,444
EU 16b	Cash inflows - Total weighted value	3,144,587	3,467,424
16	Total net cash outflows (adjusted value)	5,784,720	5,441,019
17	Liquidity coverage ratio (%)	156.4409%	156.5643%
Net Stable Funding Ratio			
18	Total available stable funding	61,478,643	63,687,682
19	Total required stable funding	53,187,229	54,622,821
20	NSFR ratio (%)	115.5891%	116.5954%

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

		c	d	e
		09/30/2022	06/30/2022	03/31/2022
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	7,772,263	7,894,334	7,525,655
2	Tier 1 capital	7,772,263	7,894,334	7,525,655
3	Total capital	8,700,388	8,874,429	8,569,605
Risk-weighted exposure (amounts)				
4	Total risk-weighted exposure amount	51,941,615	50,377,953	49,624,684
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	14.9635%	15.6702%	15.1651%
6	Tier 1 ratio (%)	14.9635%	15.6702%	15.1651%
7	Total capital ratio (%)	16.7503%	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%	1.5800%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.8888%	0.8888%	0.8888%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.1850%	1.1850%	1.1850%
EU 7d	Total SREP own funds requirements (%)	9.5800%	9.5800%	9.5800%
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 (%)	0.0143%	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 (%)	2.5143%	2.5105%	2.5091%
EU 11a	Overall capital requirements (%)	12.0943%	12.0895%	12.0891%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.1703%	8.0357%	7,2673%
Leverage ratio				
13	Leverage ratio total exposure measure	94,732,558	94,489,799	89,759,946
14	Leverage ratio	8.2044%	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%	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)	7,675,732	7,321,186	7,220,701
EU 16a	Cash outflows - Total weighted value	8,763,037	8,540,162	8,198,835
EU 16b	Cash inflows - Total weighted value	3,708,220	3,709,129	3,471,268
16	Total net cash outflows (adjusted value)	5,054,816	4,831,033	4,727,567
17	Liquidity coverage ratio (%)	152.0742%	151.8353%	153.1799%
Net Stable Funding Ratio				
18	Total available stable funding	62,533,883	64,024,588	62,705,795
19	Total required stable funding	54,841,752	55,422,760	56,454,021
20	NSFR ratio (%)	114.0260%	115.5204%	111.0741%

Temp. EU IFRS9 – 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)

		03/31/2023	12/31/2022	09/30/2022	06/30/2022	03/31/2022
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	7,792,732	7,952,591	7,772,263	7,894,334	7,525,655
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,765,927	7,925,787	7,745,460	7,840,726	7,472,048
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	7,792,732	7,952,591	7,772,263	7,894,334	7,525,655
3	Tier 1 capital	7,792,732	7,952,591	7,772,263	7,894,334	7,525,655
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,765,927	7,925,787	7,745,460	7,840,726	7,472,048
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	7,792,732	7,952,591	7,772,263	7,894,334	7,525,655
5	Total capital	8,881,224	8,815,257	8,700,388	8,874,429	8,569,605
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,854,419	8,788,453	8,673,585	8,820,822	8,515,997
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	8,881,224	8,815,257	8,700,388	8,874,429	8,569,605
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	51,006,378	52,573,562	51,941,615	50,377,953	49,624,684
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	50,981,582	52,548,769	51,916,825	50,328,366	49,575,098
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15.2780%	15.1266%	14.9635%	15.6702%	15.1651%
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	15.2328%	15.0827%	14.9190%	15.5791%	15.0722%

*The figures as at 30 September and 31 March have been calculated excluding the profit generated for the respective periods.

Temp. EU IFRS9 – 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)

		03/31/2023	12/31/2022	09/30/2022	06/30/2022	03/31/2022
	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	15.2780%	15.1266%	14.9635%	15.6702%	15.1651%
11	Tier 1 (as a percentage of risk exposure amount)	15.2780%	15.1266%	14.9635%	15.6702%	15.1651%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.2328%	15.0827%	14.9190%	15.5791%	15.0722%
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	15.2780%	15.1266%	14.9635%	15.6702%	15.1651%
13	Total capital (as a percentage of risk exposure amount)	17.4120%	16.7675%	16.7503%	17.6157%	17.2688%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.3679%	16.7244%	16.7067%	17.5265%	17.1780%
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	17.4120%	16.7675%	16.7503%	17.6157%	17.2688%
	Leverage ratio					
15	Leverage ratio total exposure measure	97,374,969	97,091,818	94,732,558	94,489,799	89,759,946
16	Leverage ratio	8.0028%	8.1908%	8.2044%	8.3547%	8.3842%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.9753%	8.1632%	8.1761%	8.2980%	8.3245%
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	8.0028%	8.1908%	8.2044%	8.3547%	8.3842%

*The figures as at 30 September and 31 March have been calculated excluding the profit generated for the respective periods.

As at 31 March 2023, the Common Equity Ratio, calculated as Common equity tier 1 capital as a percentage of total risk-weighted assets, amounted to 15.28% (calculated without including the net profit generated during the period net of the 70% payout ratio); the approx. 40 bps reduction from the ratio as at 30 June 2022 (15.67%) is attributable to the higher prudential deductions for the Assicurazioni Generali investment (which accounted for 55 bps) and to the increase in the LGD parameter for the Large Corporate Model introduced on 30 September 2022 following the completion of the Internal Model Inspection (accounting for 45 bps), most of which was absorbed by the retained earnings for the period (which added 35 bps), the lower RWAs (which added 15 bps) and the optimization actions (which jointly added 10 bps, including the benefit deriving from introduction of the fourth ECAI). The total capital ratio decreased from 17.62% to 17.41%, due to the CET1 reduction and the increase in RWAs, despite the new Tier 2 issue worth a nominal amount of €300m.

The ratios, fully-loaded and without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (which accounted for €1,297.42m, including indirect effects), and with full application of the IFRS 9 effect (which accounted for €26.8m), came in at 14.24% (CET1 ratio) and 16.64% (total capital ratio) respectively.

Template EU OV1 - Overview on risk-weighted exposures (RWAs)

		RWA		Capital requirements
		a	b	c
		03/31/2023	12/31/2022	03/31/2023
1	Credit risk (excluding CCR)	42,796,695	44,008,760	3,423,736
2	of which the standardised approach	30,029,343	30,899,148	2,402,347
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	12,767,353	13,109,612	1,021,388
6	Counterparty credit risk - CCR	1,788,587	1,977,903	143,087
7	of which the standardised approach	457,869	577,079	36,630
8	of which internal model method (IMM)	—	—	—
EU 8a	of which exposures to a CCP	10,258	5,320	821
EU 8b	of which credit valuation adjustment - CVA	430,250	376,659	34,420
9	of which other CCR	890,210	1,018,845	71,217
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	92,131	92,194	7,371
17	of which SEC-IRBA approach	—	—	—
18	of which SEC-ERBA (including IAA)	39,810	34,498	3,185
19	of which SEC-SA approach	52,321	57,696	4,186
EU 19a	of which 1250%/ deduction	—	—	—
20	Position, foreign exchange and commodities risks (Market risk)	2,059,778	2,225,519	164,782
21	of which the standardised approach	2,059,778	2,225,519	164,782
22	of which IMA	—	—	—
EU 22a	Large exposures	—	—	—
23	Operational risk	4,269,186	4,269,186	341,535
EU 23a	of which basic indicator approach	4,269,186	4,269,186	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)	811,550	958,781	64,924
29	**Total**	**51,006,378**	**52,573,562**	**4,080,510**

Section 2 – Liquidity risk

Quantitative information

The LCR reading at 31 March 2023 was 157%. The ratio reflected an average reading for the three months of around 152%, slightly lower than the six-monthly average reading recorded at end-December 2022 (161%).

The numerical evidence is in line with the target reading set by management for the current year. In a still uncertain scenario, threatened by geopolitical risk and with interest rates rising, Group Treasury governed highly liquid assets by seeking to combine commercial strategies with the need to have an instrument available which is adequate in both quantitative and qualitative terms.

In order to keep its liquidity position stable and carry on its own funding strategies, the Group has been quick to leverage the positive market conditions that have arisen, successfully completing a series of bond issues. Furthermore, during the three months under review funding opportunities have been taken by exploiting all channels available (in addition to bonds, also short- and medium-/long-term securities, interbank loans, and corporate and retail banking deposits).

All these initiatives have contributed to keeping the Group’s funding and liquidity position stable, allowing two tranches of the TLTRO to be repaid early, involving a total amount of €1.8bn, and a further tranche is expected to be repaid in the course of the current six-month period in a total amount of €2.5bn.

The trend in HQLAs is impacted by the amount of Level 1 assets (Article 10 of Commission Delegated Regulation (EU) No. 2015/61), which are used by Group Treasury as its principal risk control and mitigation instrument. For the same reason, for both inflows and outflows, the cash movements linked to secured operations always have a significant and variable impact over time. Furthermore, the main items impacting the outflows are the retail and wholesale deposits, and the potential cash outflows linked to the irrevocable credit lines. Among the inflows, the most influential components are the amounts collected from corporate and financial clients.

The table below shows the quantitative information for the Group’s Liquidity Coverage Ratio (LCR), measured in accordance with the EU regulations (in particular the CRR and CRD IV) reported monthly to the competent national supervisory authority (the indicator includes the prudential estimate of “additional liquidity outflows for other products and services” in compliance with Article 23 of Commission Delegated Regulation (EU) No. 2015/61). The data shown have been calculated as the simple average of month-end readings recorded in the twelve months prior to the end of each quarter (Regulation (EU) No. 2021/637).

Template EU LIQ1 : Quantitative information for LCR (1/2)

Data in millions of euros		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	03/31/2023	12/31/2022	09/30/2022	06/30/2022
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:	20,914	20,918	20,697	20,488
3	*Stable deposits*	12,207	12,340	12,392	12,402
4	*Less stable deposits*	8,211	8,320	8,239	8,064
5	Unsecured wholesale funding	7,365	7,376	7,195	6,715
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	*6,871*	*6,883*	*6,709*	*6,347*
8	Unsecured debt	*494*	*492*	*486*	*368*
9	Secured wholesale funding				
10	Additional requirements	10,016	9,685	9,337	8,979
11	Outflows related to derivative exposures and other collateral requirements	*399*	*376*	*348*	*335*
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	*9,617*	*9,309*	*8,989*	*8,644*
14	Other contractual funding	2,075	1,964	1,927	2,192
15	Other contingent funding obligations	4,323	4,595	4,563	4,424
16	**TOTAL CASH OUTFLOWS**				
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	2,426	2,780	3,197	3,487
18	Inflows from fully performing exposures	1,987	2,002	1,949	1,921
19	Other cash inflows	2,207	2,158	2,050	1,902
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**	**6,620**	**6,940**	**7,196**	**7,310**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	*6,507*	*6,807*	*7,101*	*7,251*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER				
22	TOTAL NET CASH OUTFLOWS				
23	LIQUIDITY COVERAGE RATIO (%)				

Template EU LIQ1 : Quantitative information for LCR (2/2)

Data in millions of euros		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	03/31/2023	12/31/2022	09/30/2022	06/30/2022
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)**	**9,058**	**8,539**	**7,676**	**7,321**
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	1,684	1,680	1,679	1,663
3	*Stable deposits*	610	617	620	620
4	*Less stable deposits*	1,074	1,063	1,059	1,043
5	Unsecured wholesale funding	3,860	3,868	3,810	3,574
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	*3,366*	*3,376*	*3,324*	*3,206*
8	Unsecured debt	*494*	*492*	*486*	*368*
9	Secured wholesale funding	*524*	*610*	*644*	*617*
10	Additional requirements	1,853	1,814	1,836	1,813
11	Outflows related to derivative exposures and other collateral requirements	*399*	*363*	*316*	*285*
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	1,454	1,452	1,520	1,528
14	Other contractual funding	629	565	452	542
15	Other contingent funding obligations	380	371	343	332
16	**TOTAL CASH OUTFLOWS**	**8,929**	**8,908**	**8,763**	**8,540**
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	587	869	1,174	1,286
18	Inflows from fully performing exposures	1,482	1,501	1,460	1,418
19	Other cash inflows	1,076	1,097	1,074	1,005
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**	**3,145**	**3,467**	**3,708**	**3,709**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	*3,145*	*3,467*	*3,708*	*3,709*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER	9,058	8,539	7,676	7,321
22	TOTAL NET CASH OUTFLOWS	5,785	5,441	5,055	4,831
23	LIQUIDITY COVERAGE RATIO (%)	156.4409%	156.5643%	152.0742%	151.8353%

Other information on liquidity risk

Misalignment of currencies in calculating the Liquidity Coverage Ratio

To manage and monitor the misalignment of currencies, the Group carries out regular checks to ascertain if the liabilities held in a given currency are equal to or higher than 5% of its total liabilities. If this limit, set by Regulation (EU) 575/2013, is breached for a given currency, it means that the currency concerned qualifies as "significant" and that the LCR must be calculated in that currency. As at 31 March 2023, 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.

Exposures in derivatives and potential requests for collateral

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. The amounts thus determined are included in the additional outflows for the LCR indicator, and so also in the minimum Liquidity Buffer. The risk of incurring such outflows is thus mitigated by holding highly liquid assets to cover them.

Concentration of liquidity and funding sources

The adequacy of the structure and cost of funding is assured through ongoing diversification. Monitoring is carried out through preparing reports on lending concentration by product and counterparty. 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.

Description of liquidity reserves

Liquidity reserves are the most effective mitigation instrument against the negative effects of liquidity risk, which is precisely why the Group monitors its available liquidity reserves on an ongoing basis.

As at 31 March 2023, the counterbalancing capacity totalled €15.8bn, and was made up as follows: €3.1bn in level 1 tradable assets, €5.8bn in central bank reserves and bank notes, €6.2bn in ECB eligible receivables, and €0.7bn in non-HQLA assets. The figure is lower than at end-December 2022 (€16.5bn). The abundant liquidity reserve, which is accumulated at the end of the year for prudential reasons, has been used for the TLTRO repayments scheduled for the quarter. The amount of securities eligible for refinancing with the ECB in order to obtain immediate liquidity amounts to €10bn. The balance of collateral held with the ECB is €12.6bn, approx. €6.4bn of which is immediately available as cash but not used, hence is included in the counterbalancing capacity (as at end-December 2022 the figures were €13bn and €5.1bn respectively).

Scope of consolidation (consolidated)	Unencumbered (net of haircuts)	
Currency and units (million Euro)	03/31/2023	12/31/2022
TOTAL GROUP LIQUIDITY RESERVES	**15,827**	**16,516**
Total high-quality liquid assets (HQLA)	**8,974**	**10,995**
Cash and deposits held with central banks (HQLA)	5,827	9,375
Highly liquid securities (HQLA)	3,147	1,620
of which:		
Level 1	*3,137*	*1,615*
Level 2	*10*	*5*
Other eligible reserves	**6,853**	**5,521**

Other items of relevance for liquidity risk not included in EU LIQ1

The Group monitors intraday liquidity risk carefully using the monitoring instruments introduced by the Basel Committee on Banking Supervision (BCBS).

As an intraday liquidity risk mitigation instrument, Group Treasury must maintain a minimum quantity of highly liquid reserves to meet any unexpected payments that may arise in the course of the day.

Section 3 – Credit risk

3.1 ECAIs

Qualitative information

Mediobanca uses the following ECAIs in order to determine risk weightings in connection with the standardized method:[3]

— Moody's Investors Service;

— Standard & Poor's Rating Services;

— Fitch Ratings;

— Modelfinance.

The 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* *Modelfinance*	*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*	

[3] External Credit Assessment Institution.

Quantitative information

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

	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	Esposizioni fuori bilancio	On-balance sheet exposures	Off-balance sheet exposures
		a	b	c	d	a	b
1	Central governments or central banks	13,342,035	—	14,437,760	8,155	7,685	0.0532%
2	Regional governments or local authorities	202	—	202	—	40	19.9996%
3	Public sector entities	199,103	8	199,103	2	93,395	46.9074%
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	41,234	—	41,234	—	—	—
6	Institutions	2,384,536	2,583,112	1,984,023	311,583	923,200	40.2159%
7	Corporates	9,111,275	2,331,289	6,511,491	729,881	6,227,050	85.9927%
8	Retail	15,384,926	2,623,923	14,988,221	344,727	10,738,349	70.0345%
9	Secured by mortgages on immovable property	1,295,527	54,015	1,275,681	26,714	478,075	36.7074%
10	Exposures in default	473,827	527	458,491	518	476,510	103.8128%
11	Higher-risk categories	2,658	137,834	2,658	137,834	210,739	150.0000%
12	Covered bonds	55,799	—	55,799	—	5,580	10.0000%
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	collective investments undertakings	560,850	20,591	560,850	20,591	1,100,359	189.2469%
15	Equity	2,576,709	—	2,576,709	—	8,048,935	312.3727%
16	Other items	1,828,505	16	1,828,505	3	1,719,426	94.0343%
17	**Total as at 03/31/2023**	**47,257,187**	**7,751,315**	**44,920,727**	**1,580,009**	**30,029,343**	**64.5782%**
	Total as at 06/30/2022	**48,037,763**	**7,506,088**	**46,016,270**	**1,796,307**	**30,788,013**	**64.3931%**

3.2 Credit risk: disclosure on portfolios subject to AIRB methods

Qualitative information

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

The table below shows the change in RWAs calculated with application of the IRB in the three months from end-December 2022 to end-March 2023, with details of the reasons for such change.

In the three months there was a slight decrease in RWAs, principally due to a reduction in the exposure for the "Other companies" segment, as a result of certain positions being repaid and to a slight improvement in credit quality. In the mortgage lending segment, there has been a slight increase in the exposure and a slight increase in the credit quality. There were no material changes due to the exchange rate effect.

		a	b
		RWA	Capital requirements
1	**Risk weighted exposure amount as at the end of the previous reporting period (12/31/2022)**	**13,109,612**	**1,048,769**
2	Asset size	(227,715)	(18,217)
3	Asset quality	(94,633)	(7,571)
4	Model updates	—	—
5	Methodology and policy	—	—
6	Acquisitions and disposals	—	—
7	Foreign exchange movements	(19,911)	(1,593)
8	Other	—	—
9	**Risk weighted exposure amount as at the end of the reporting period (03/31/2023)**	**12,767,353**	**1,021,388**

Section 4 – Market risk

Quantitative information

4.1 Market risk using management methodology

The aggregate value-at-risk on the trading book in the three months ranged from a low of €2.5m to a high of €15.3m, with an average reading of approx. €9.2m, stable versus the figure reported for the previous quarter (€9.0m), with fluctuations basically within the same range.

The point-in-time VaR reading at 31 March 2023 was €9.3m, higher than the figure recorded at end-December 2021 (€5.4m); the highest risk factors are EUR and USD interest rates, Italian government security rates, and also equity risk, the latter in connection with positions held in equity-linked certificates. A material increase in volatility was recorded in the month of March 2023 (US short-term interest rates reported the largest movement ever recorded in a single trading session, decreasing by 70 bps) due to the crisis triggered by SVB in which Credit Suisse was subsequently involved.

The expected shortfall shows an average figure of €15.3m for the three months, higher than the figure recorded for 2Q FY 2022-23 (€12.1m), consistent with the VaR data.

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) show three departures from VaR in the three months, due to the high volatility levels reported on the stock market and in interbank markets during the month of March 2022.

Template EU MR1 - Market risk (standardized approach)

		03/31/2023	06/30/2022
		a	a
		RWEAs	RWEAs
	Outright products		
1	Interest rate risk (general and specific)	1,426,680	1,450,353
2	Equity risk (general and specific)	111,571	132,095
3	Foreign exchange risk	—	—
4	Commodity risk	—	—
	Options		
5	Simplified approach	—	—
6	Delta-plus approach	449,215	772,504
7	Scenario approach	—	—
8	Securitisation (specific risk)	72,312	76,016
9	**Total**	**2,059,778**	**2,430,969**

The risk-weighted assets for market risk, calculated according to the standard methodology, reflect a decrease for the three months of approx. €370m.

The other main changes during the three months under review were as follows:

- An increase of €50m in the credit risk for debt instruments due to DVA risk portfolio management in relation to the issue of certificates classified as part of the trading book;
- A reduction of approx. €200m in the RWAs for the reduced exposure to generic interest rate risk.

The capital absorption for positions in funds and for the gamma and vega risk in options remained stable, while the limited position in exchange rate risk remained below the regulatory threshold permitted and so does not trigger any capital requirement.

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, 6 July 2023

Head of
Company Financial Reporting

Emanuele Flappini