MEDIOBANCA

Basel III pillar 3
Disclosure to the public

Situation as at 30 September 2024

MEDIOBANCA

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 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.

MEDIOBANCA

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Introduction

Banking supervision is governed by the Capital Requirements Directive IV and Capital Requirements Regulation (the "CRD IV/CRR/CRR II Package") enacted in Italy under Bank of Italy circular no. 285 issued in 2013 as amended. The body of regulations on prudential supervision and corporate governance for banks reflects the "Global Regulatory Framework for More Resilient Banks and Banking Systems" issued by the Basel Committee.

With reference to the Pillar III guidance provided by the European Banking Authority (EBA), there have been no material updates or revisions since the 30 June 2024 balance-sheet. Please refer to the "Introduction" of the "Basel III Pillar III Disclosure to the public" document as at 30 June 2024, published on the Bank's website at www.mediobanca.com for further details.

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 this 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 30/9/24**
Templates	**Type of disclosure**	**Section (qualitative/quantitative disclosure)**
EU KM1 EU OV1	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 analysis is 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 (known as "stress testing"), in order to appraise its capital resources even in extreme conditions.

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/CRR II) - Circular 285.

Quantitative information

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

		a	b
		09/30/2024	06/30/2024
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	7,181,600	7,222,482
2	Tier 1 capital	7,181,600	7,222,482
3	Total capital	8,350,763	8,438,028
Risk-weighted exposure (amounts)			
4	Total risk-weighted exposure amount	47,242,035	47,621,975
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.2017 %	15.1663 %
6	Tier 1 ratio (%)	15.2017 %	15.1663 %
7	Total capital ratio (%)	17.6766 %	17.7188 %
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 (%)	1.7500 %	1.7500 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.9844 %	0.9844 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.3125 %	1.3125 %
EU 7d	Total SREP own funds requirements (%)	9.7500 %	9.7500 %
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 (%)	0.1420 %	0.1451 %
EU 9a	Systemic risk buffer (%)	—	—
10	Global Systemically Important Institution buffer (%)	—	—
EU 10a	Other Systemically Important Institution buffer	0.1250 %	0.1250 %
11	Combined buffer requirement (%)	2.7670 %	2.7701 %
EU 11a	Overall capital requirements (%)	12.5170 %	12.5201 %
12	CET1 available after meeting the total SREP own funds requirements (%)	7.8892 %	7.8538 %
Leverage ratio			
13	Leverage ratio total exposure measure	100,888,390	102,160,733
14	Leverage ratio	7.1184 %	7.0697 %
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)	8,046,360	8,347,415
EU 16a	Cash outflows - Total weighted value	8,536,416	8,390,922
EU 16b	Cash inflows - Total weighted value	3,530,468	3,302,068
16	Total net cash outflows (adjusted value)	5,005,948	5,088,853
17	Liquidity coverage ratio (%)	161.0369%	164.3688%
Net Stable Funding Ratio			
18	Total available stable funding	64,968,817	64,388,321
19	Total required stable funding	56,245,529	55,111,150
20	NSFR ratio (%)	115.5093%	116.8336%

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

		c	d	e
		03/31/2024	12/31/2023	09/30/2023
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	7,285,014	7,532,255	7,649,149
2	Tier 1 capital	7,285,014	7,532,255	7,649,149
3	Total capital	8,549,769	8,546,270	8,705,615
Risk-weighted exposure (amounts)				
4	Total risk-weighted exposure amount	48,648,623	49,088,358	50,127,112
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	14.9748 %	15.3443 %	15.2595 %
6	Tier 1 ratio (%)	14.9748 %	15.3443 %	15.2595 %
7	Total capital ratio (%)	17.5745 %	17.4100 %	17.3671 %
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 (%)	1.8200 %	1.6800 %	1.6800 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.0238 %	0.9450 %	0.9450 %
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.3650 %	1.2600 %	1.2600 %
EU 7d	Total SREP own funds requirements (%)	9.8200 %	9.6800 %	9.6800 %
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 (%)	0.1309 %	0.1329 %	0.1309 %
EU 9a	Systemic risk buffer (%)	—	—	—
10	Global Systemically Important Institution buffer (%)	—	—	—
EU 10a	Other Systemically Important Institution buffer	0.1250 %	—	—
11	Combined buffer requirement (%)	2.7559 %	2.6329 %	2.6309 %
EU 11a	Overall capital requirements (%)	12.5759 %	12.3129 %	12.3109 %
12	CET1 available after meeting the total SREP own funds requirements (%)	7.6098 %	7.7300 %	7.6871 %
Leverage ratio				
13	Leverage ratio total exposure measure	99,096,659	96,164,675	97,937,127
14	Leverage ratio	7.3514 %	7.8327 %	7.8103 %
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)	8,733,591	9,004,160	9,516,211
EU 16a	Cash outflows - Total weighted value	8,324,063	8,323,472	8,542,700
EU 16b	Cash inflows - Total weighted value	3,110,835	2,871,156	2,826,122
16	Total net cash outflows (adjusted value)	5,213,228	5,452,315	5,716,578
17	Liquidity coverage ratio (%)	167.6031%	165.9504%	167.0313%
Net Stable Funding Ratio				
18	Total available stable funding	61,780,945	62,742,958	60,444,308
19	Total required stable funding	54,005,663	52,482,253	51,728,394
20	NSFR ratio (%)	114.3972%	119.5508%	116.8494%

As at 30 September 2024, the Common Equity Ratio – CET1 as a percentage of total risk-weighted assets with application of the Danish Compromise – amounted to 15.2% (calculated without including the profit earned during the period net of the 70% payout ratio), in line with the ratio at 30 June 2024: the higher deductions for the Assicurazioni Generali investment (which accounted for 20 bps) were completely offset by the recovery of the FVOCI reserves (which added 10 bps) and other effects (adding 10 bps, including the sale of treasury shares to make the pro rata deferred payment for the Arma Partners acquisition).

Similarly, the Total Capital ratio was stable at 17.7%.

The ratios fully loaded, without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (which accounted for €1,293.3m, including the indirect effects) were 14.1% (CET1 ratio) and 16.9% (total capital ratio respectively). Starting from 2025, when CRR III comes into force, the Danish Compromise will become a permanent rule, enabling the 370% weighting to be definitively applied rather than deducted from own funds.

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

		RWA		Capital requirements
		a	b	c
		09/30/2024	06/30/2024	09/30/2024
1	Credit risk (excluding CCR)	37,961,437	38,699,710	3,036,915
2	of which the standardised approach	18,741,128	19,108,602	1,499,290
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	19,220,309	19,591,107	1,537,625
6	Counterparty credit risk - CCR	1,908,424	1,956,530	152,674
7	of which the standardised approach	648,710	723,977	51,897
8	of which internal model method (IMM)	—	—	—
EU 8a	of which exposures to a CCP	16,130	25,532	1,290
EU 8b	of which credit valuation adjustment - CVA	342,388	325,421	27,391
9	of which other CCR	901,197	881,600	72,096
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	194,955	167,694	17,467
17	of which SEC-IRBA approach	27,139	24,571	2,171
18	of which SEC-ERBA (including IAA)	79,314	51,345	6,345
19	of which SEC-SA approach	88,502	91,778	7,080
EU 19a	of which 1250%	—	—	—
20	Position, foreign exchange and commodities risks (Market risk)	2,060,551	1,681,374	164,844
21	of which the standardised approach	2,060,551	1,681,374	164,844
22	of which IMA	—	—	—
EU 22a	Large exposures	—	—	—
23	Operational risk	5,116,667	5,116,667	409,333
EU 23a	of which basic indicator approach	5,116,667	5,116,667	409,333
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)	975,252	426,130	78,020
29	**Total**	**47,242,035**	**47,621,975**	**3,781,233**

Section 2 – Liquidity risk

Quantitative information

As at 30 September 2024, eligible reserves held at the European Central Bank totalled €19.4bn, €17.9bn of which in securities exchangeable for cash by the ECB; the balance of the collateral established at the European Central Bank amounted to approx. €12bn. During the three months there was an increase in the Counterbalancing Capacity, following the T-LTRO repayment which released assets for lending, while the adverse impact on cash was offset by the pre-funding activity.

Scope of consolidation (consolidated)	Unencumbered (net of haircuts)	
Currency and units (million Euro)	**09/30/2024**	**06/30/2024**
TOTAL GROUP LIQUIDITY RESERVES	**19,405**	**18,330**
Total high-quality liquid assets (HQLA)	**6,839**	**7,040**
Cash and deposits held with central banks (HQLA)	1,477	3,136
Highly liquid securities (HQLA)	5,362	3,904
of which:		
Level 1	*5,321*	*3,878*
Level 2	*0,041*	*0,026*
Other eligible reserves	**12,566**	**11,290**

During the three months under review, all the earnings indicators have shown that the Group continues to maintain an adequate level of liquidity on a stable basis. As for the regulatory indicators, the European Union has introduced a minimum short-term requirement, known as the Liquidity Coverage Ratio (LCR), under Commission Delegated Regulation (EU) No 2015/61 as amended and supplemented, of 100% as from 1 January 2018. The following table 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.

Template EU LIQ1: Liquidity Coverage Ratio (1/2)

Currency and units (XXX million)		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	09/30/2024	06/30/2024	03/31/2024	12/31/2023
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:	20,450	20,534	20,741	20,820
3	*Stable deposits*	*11,923*	*11,830*	*11,802*	*11,819*
4	*Less stable deposits*	*7,306*	*7,395*	*7,632*	*7,757*
5	Unsecured wholesale funding	6,398	5,994	5,854	6,136
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	*6,029*	*5,656*	*5,525*	*5,782*
8	Unsecured debt	*368*	*339*	*329*	*355*
9	Secured wholesale funding				
10	Additional requirements	9,937	9,814	9,818	9,951
11	Outflows related to derivative exposures and other collateral requirements	*459*	*468*	*467*	*462*
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	*9,478*	*9,345*	*9,350*	*9,489*
14	Other contractual funding	3,093	2,844	2,677	2,389
15	Other contingent funding obligations	5,127	4,715	4,057	3,495
16	**TOTAL CASH OUTFLOWS**				
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	4,525	3,751	3,037	2,362
18	Inflows from fully performing exposures	2,080	2,112	2,170	2,079
19	Other cash inflows	2,086	2,058	1,988	2,045
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**	**8,690**	**7,921**	**7,195**	**6,485**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	*8,665*	*7,895*	*7,165*	*6,442*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER				
22	TOTAL NET CASH OUTFLOWS				
23	LIQUIDITY COVERAGE RATIO (%)				

Template EU LIQ1: Liquidity Coverage Ratio (2/2)

Currency and units (XXX million)		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	09/30/2024	06/30/2024	03/31/2024	12/31/2023
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)**	**8,046**	**8,347**	**8,734**	**9,004**
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	1,679	1,677	1,705	1,714
3	*Stable deposits*	*596*	*592*	*590*	*591*
4	*Less stable deposits*	*1,082*	*1,086*	*1,115*	*1,123*
5	Unsecured wholesale funding	3,525	3,355	3,194	3,311
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	—	—	—	—
7	Non-operational deposits (all counterparties)	*3,156*	*3,016*	*2,864*	*2,956*
8	Unsecured debt	*368*	*339*	*329*	*355*
9	Secured wholesale funding	*394*	*316*	*258*	*275*
10	Additional requirements	1,727	1,761	1,779	1,809
11	Outflows related to derivative exposures and other collateral requirements	*458*	*468*	*467*	*462*
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	*1,269*	*1,293*	*1,312*	*1,347*
14	Other contractual funding	858	948	1,048	905
15	Other contingent funding obligations	354	334	340	309
16	**TOTAL CASH OUTFLOWS**	**8,536**	**8,391**	**8,324**	**8,323**
	CASH – INFLOWS				
17	Secured lending (e.g. reverse repos)	978	*764*	620	425
18	Inflows from fully performing exposures	1,524	1,552	1,599	1,536
19	Other cash inflows	1,029	986	891	910
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**	**3,530**	**3,302**	**3,111**	**2,871**
EU-20a	*Fully exempt inflows*	—	—	—	—
EU-20b	*Inflows subject to 90% cap*	—	—	—	—
EU-20c	*Inflows subject to 75% cap*	*3,530*	*3,302*	*3,111*	*2,871*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER	8,046	8,347	8,734	9,004
22	TOTAL NET CASH OUTFLOWS	5,006	5,089	5,213	5,452
23	LIQUIDITY COVERAGE RATIO (%)	161.0369%	164.3688%	167.6031%	165.9504%

The factors driving the LCR trend may be split into the following categories: drivers with significant influence on the amount of HQLAs, cash outflows and cash inflows. 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 contemplated by Commission Delegated Regulation (EU) No. 2015/61 and the Group's business model, which also takes great care to diversify the forms of funding equally between retail and institutional, reflect a higher impact on outflows from wholesale funding, which is considered to be less stable than retail funding in this operating scenario. Also significant in this respect is the outflow from credit lines, this too a consequence of the Group's business model.

The LCR has remained stable at an average value of approx. 161% in the past twelve months, lower than the annual average reading last year. The reduction in the annual average is due primarily to the approx. €1.3bn T-LTRO repayment made during the quarter. The annual average result is in line with the regulatory limits, internal target value and risk appetite expressed by the governing bodies. This stability has been achieved through careful management by Group Treasury, and in part also of the substantial portfolio of HQLAs consisting of reserves held with the ECB and high-quality debt securities and equities. The unit, as has already been mentioned, performs active and centralized management of this portfolio guided by internal forward-looking instruments. From a forward-looking perspective, an estimate of the liquidity coverage ratio is defined, and the estimated value is brought back towards the internal target, primarily through securities financing transaction instruments to lend or borrow high-quality assets.

Although the portfolio of highly liquid assets is the main instrument used to control and stabilize the ratio, Group Treasury also has other tools at its disposal. These include diversifying funding sources and liquidity reserves, which are fundamental. 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. It 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 demonstrated the effectiveness deriving from maintaining them at an adequate level. The average level of High-Quality Liquid Assets (HQLA) for the twelve months immediately available to the Group amounted to €7.8bn, and approx. 97% of them are Level 1 assets.

The amount of HQLA held includes:

- A share held to cover potential outflows that could result from the exposures in derivatives and potential collateral call deriving 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 held in USD to cover potential currency conversion risks. 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 30 September 2024, the "significant" currencies for the Mediobanca Group were 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 able to manage any such imbalances, partly through holding HQLA in USD, and partly because of ability to tap the FX market easily in order to transform excess liquidity in EUR 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.

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: [2]

— Moody's Investors Service;

— Standard & Poor's Rating Services;

— Fitch Ratings;

— Modefinance.

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	ECAI	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 institutions	*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* *Modefinance*	*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*	

[2] External Credit Assessment Institution.

Quantitative information

Template EU CR4 - Standardised 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	11,396,595	152,753	11,971,959	155,434	8,167	0.0673 %
2	Regional governments or local authorities	13,618	—	13,618	—	43	0.3127 %
3	Public sector entities	139,492	2	139,492	0	68,792	49.3161 %
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	273,986	—	273,986	—	—	—
6	Institutions	3,783,309	26,329	2,237,910	7,840	1,012,975	45.1063 %
7	Corporates	8,198,921	3,154,045	5,370,102	691,379	4,741,419	78.2221 %
8	Retail	2,985,627	1,033,694	2,698,763	183,877	1,457,741	50.5696 %
9	Secured by mortgages on immovable property	1,182,100	37,591	1,160,484	18,507	441,075	37.4112 %
10	Exposures in default	131,649	655	89,653	642	109,889	121.7008 %
11	Higher-risk categories	4,509	92,623	4,509	92,623	145,699	150.0000 %
12	Covered bonds	46,819	—	46,819	—	4,682	10.0000 %
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	collective investments undertakings	661,910	4,948	661,910	4,948	1,375,111	206.2075 %
15	Equity	2,420,920	—	2,420,920	—	7,553,342	312.0030 %
16	Other items	1,962,293	—	1,962,293	—	1,822,193	92.8604 %
17	**Total as at 09/30/2024**	**33,201,747**	**4,502,640**	**29,052,418**	**1,155,251**	**18,741,128**	**62.0410 %**
	Total as at 06/30/2024	**35,084,451**	**10,136,630**	**30,970,346**	**1,256,873**	**19,108,603**	**59.2934 %**

3.2 Credit risk: disclosure on portfolios subject to AIRB methods

Qualitative information

3.2.1 Scope of application of IRB model

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, for the Mediobanca Premier loan book, and, from the reporting as at end-September 2023, for the Compass Banca credit cards and consumer credit portfolio.

InJune 2024 the Group submitted an application for a model change for the revised Corporate PD model in order to solve the findings issued following the 2022 authorization. The Internal Model investigation by ECB for approval of the model change is currently underway, the outcome of which will be formalized in the first half of 2025.

As regards the process of aligning the currently approved models to the new regulations (ECB Guide to internal models. ECB Guidelines on the application of the definition of default, ECB Guidelines on the estimation of LGD under an economic downturn), the following developments should be noted:

- During FY 2023-24, Mediobanca Premier implemented the updated version of the internal models authorized by the ECB, and completed the process of updating the rating system undertaken in 2019 with the re-estimate of the LGD model. In particular, starting from the regulatory reporting as at 31 December 2023, the capital requirements for credit risk in relation to the mortgage lending to private individuals segment have been calculated using the new PD and LGD recalibrated to the new DoD;
- Following the first-time adoption of the AIRB PD and LGD models to the Compass Banca credit cards and consumer credit portfolio from September 2023, the initial extra approx. €900m in RWAs relative to the standard value calculated had reduced by approx. €300m through an *ex-ante* model change which factored in the models' recalibration and the resolution of some of the findings from the inspection.

As at 30 September 2024, internal models are used for the following companies:

- 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;

— Mediobanca Premier, for the Italian mortgage loan book;

— Compass Banca, for the credit cards and consumer credit portfolio.

3.2.2 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 for rating upgrades.

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 and two financial variables representing the counterparty's profitability and capital structure.

Under the model adopted for the non-performing exposures, coverage is used as the Expected Loss Best Estimate and to quantify the Unexpected component based on the variability between the coverage value recorded each month and the final LGD, taking into account the amount of time the position has been in default status (vintage positions).

There is at present a regulatory floor on the LGD which has been set at 45% and which is used solely in order to calculate the capital requirements.

3.2.3 Mortgage rating system structure

The Mediobanca Premier 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 by the Mediobanca Premier French branches, which ceased operations in 2009). Accordingly, for French mortgage portfolio, permanent exemption from application of the AIRB method has been applied for and obtained.

The Mediobanca Premier 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 Mediobanca Premier, divided into the following macro-categories:

- Accepted category: this consists of the exposures actually originated by Mediobanca Premier;
- Rejected category; this consists of rejected practices and therefore has no observed performance;
- Declined category; this consists of those practices that, although approved by Mediobanca Premier, 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 Mediobanca Premier 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 Mediobanca Premier 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.

3.2.4 Credit cards and consumer credit rating system structure

The Compass Banca rating system covers activities in credit cards and consumer credit, i.e. The various products underlying personal loans, special purpose loans and automotive finance, but not the salary-backed finance component. These products are included in the "Other retail exposures", "Other SME Retail Exposures", and "Qualified revolving retail exposures" regulatory asset classes.

The Compass internal rating system has been developed using an approach at the individual lending transaction level, by following a statistical approach based on data 100% observed internally.

The sub-modules are structured as follows:

- PD acceptance model, further sub-divided into five sub-modules for different products or lending channels with different risks, financial characteristics and available information. It factors in the product's characteristics, socio-demographic features, and previous internal or internal behaviour, and is the sole driver considered for exposures with less than three months' seniority. The development process also includes a step based on statistical inference of performances based on historical unsettled positions;
- PD behavioural model, further sub-divided into five purely behavioural sub-modules, in turn distinguished between consumer credit/credit cards, amount, and whether or not they show delays in payment. These sub-modules are then combined with the PD acceptance score after the first three months, as the latter, although it decreases in terms of statistical relevance, still remains important through the entire life of the position;
- Performing LGD model, which distinguishes risk differentiation and calibration for both the consumer credit and credit cards scopes. The performance, fully obtained from the internal recovery processes, is the behaviour observed throughout the entire recovery cycle considered as a single span, and regressed relative to the risk drivers observed in the months preceding the default;
- Non-performing LGD model, which too distinguishes between consumer credit and credit cards, and is constructed from a cross between the purely statistical dimension and a significant state concept which uses the different stages of the internal recovery process as opposed to the vintage in timing terms, from each of which the single-span performance until the end of the credit recovery process can be observed.
- EAD model, which applies an estimated CCF to the credit cards portfolio only, that works differently on positions with exposures depending on how near or otherwise they are to the maximum credit limit granted.

The various parameters are then calibrated to long-term metrics, although a lower weighting is introduced for the older default cycles on the LGD side as a precautionary measure. On the PD side, a single masterscale is populated by realigning the default rates observed in the various segments. There are no cases of overrides given the product's characteristics.

The downturn too is estimated exclusively on the basis of data available internally on both the LGD and the EAD sides. The ELBE is obtained by means of an adjustment made by applying the long-term metric based on the same satellite model used for provisioning.

Template EU CR8: 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 ended 30 September 2024, plus a breakdown by the reasons for such changes.

For the "Other companies" segment, there has been a slight reduction in RWAs due primarily to a reduction in the exposure following debt repayments and a slight improvement in credit quality. There were no material changes for the "Mortgage loans" segment, while there was a slight reduction in RWAs for the "Retail exposures" segment, due to an update to the model in the form of an *ex-ante* model change which factors in the model's recalibration plus the resolution of certain findings from the inspection.

		a	b
		RWA	Capital requirements
1	**Risk weighted exposure amount as at the end of the previous reporting period (06/30/2024)**	**19,591,107**	**1,567,289**
2	Asset size	71,939	5,755
3	Asset quality	(148,491)	(11,879)
4	Model updates (*)	(262,118)	(20,969)
5	Methodology and policy	—	—
6	Acquisitions and disposals	(16,970)	(1,358)
7	Foreign exchange movements	(15,157)	(1,213)
8	Other	—	—
9	**Risk weighted exposure amount as at the end of the reporting period (09/30/2024)**	**19,220,309**	**1,537,625**

(*) Refers to recalibration of the AIRB model in Consumer Finance

Section 4 – Market risk

Quantitative information

4.1 Market risk with management methodology

During the three months, the aggregate value-at-risk on the trading book ranged from a low of €4.4m to a high of €8.9m, with an average reading of around €6.4m, slightly higher than the average reading recorded in FY 2023-24(€5.9m).

The point-in-time reading for VaR at 30 September 2024 was €7.2m, lower than the figure recorded at the end of June (€5.4m the main risk factors were interest rates and credit spreads (for Italian government bonds in particular) for the Proprietary Trading division, and equity risk, linked to positions in equity-linked certificates held by the Markets Division.

The expected shortfall showed an average reading for the three months of €9.3m.

The results of the daily back-testing on the trading book (based on comparison with the theoretical profits and losses) showed no departures from the VaR.

Template EU MR1: Market risk based on standardized approach

		09/30/2024	06/30/2024
		a	a
		RWEAs	RWEAs
	Outright products		
1	Interest rate risk (general and specific)	1,566,108	1,225,007
2	Equity risk (general and specific)	127,989	83,554
3	Foreign exchange risk	—	—
4	Commodity risk	—	—
	Options		
5	Simplified approach	—	—
6	Delta-plus approach	325,669	309,848
7	Scenario approach	—	—
8	Securitisation (specific risk)	40,785	62,965
9	**Total**	**2,060,551**	**1,681,374**

The risk-weighted assets for market risk, calculated according to the standardized approach, rose by €380m in the three months, due to the increase in the outright position on interest rate risk (in a period of high uncertainty) linked to the portfolio that dynamically faces the banking book securities. The other risks remained virtually stable.

Declaration by Head of company financial reporting

As required by Article154-bis, paragraph 2 of Italian Legislative Decree 58/98, the undersigned hereby declares that the stated accounting information contained in the report conforms to the documents, account ledgers and book entries of the company.

Milan, 18 November 2024

Head of company
Financial Reporting

Emanuele Flappini