MEDIOBANCA

Interim Report

for the six months ended 31 December 2022

MEDIOBANCA

SOCIETÀ PER AZIONI (JOINT-STOCK CORPORATION)
CAPITAL € 444,153,715.00
REGISTERED ADDRESS IN MILAN - PIAZZETTA ENRICO CUCCIA 1

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

Interim Report

for the six months ended 31 December 2022

(as required pursuant to Article 154-ter of the Italian Consolidated Financial Act)

Mediobanca S.p.A.
Registered Office: Piazzetta Enrico Cuccia, 1 - Milan, Italy
Tel. +39 02 88291 – Fax +39 02 8829.550
Enrolled in the Bank of Italy Register of Banks as No. 4753
Parent Company of Mediobanca Banking Group
Enrolled in the Register of Banking Groups with ABI code No. 10631.0
www.mediobanca.com;
Tax code and Milan-Monza-Brianza-Lodi Companies' Register Enrolment No. 00714490158
V.A.T. No. 10536040966
Share capital €444,153,715.00
Member of the Interbank Deposit Guarantee Fund and the National Guarantee Fund
Ordinary shares listed on MTA Market

www.mediobanca.com

BOARD OF DIRECTORS

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

* Member of Executive Committee

STATUTORY AUDIT COMMITTEE

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

* * *

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

CONTENTS

REVIEW OF GROUP OPERATIONS

REVIEW OF GROUP OPERATIONS

Mediobanca reported a net profit of €555.1m for the six months (up 5.6%), a result which brings the Group close to its 2019-23 Strategic Plan targets (ROTE: 12%; EPS: €1.1). The effectiveness of its business model has enabled Mediobanca to leverage the market scenario effectively, with all income streams growing (net interest income and fee income in particular). Revenues totalled almost €1.7bn (up 13.6%; 56% of the Strategic Plan target).

Commercial activity remained strong despite the market uncertainty. Total Financial Assets (TFAs) rose by €3bn to €83.2bn, driven by Net New Money (NNM) of €3.4bn (€2.3bn of which in 2Q, consisting almost entirely of AUM/AUA), at best sector levels. Healthy liquid assets inflows, driven by promotional campaigns for the CheBanca! deposit account and by liquidity events in Private and Investment Banking, enabled the stock of deposits to be preserved despite substantial conversions to AUM (mostly with Group products). In CIB there was strong growth in advisory services, both domestic and international, a growing contribution from lending business (in terms of both volumes and margins), high levels of activity in Solutions activities, and a recovery in ECM/DCM during 2Q. Loans and advances to customers rose to €53.6bn (up 6% vs end-December 2021), with growth in all segments, in Retail Banking in particular (Consumer Finance up 6.3%, mortgage lending up 6.5%).

Gross operating profit from ordinary activities totalled €811.2m, up 17.8%, with the cost/income ratio declining to 41.7% and the cost of risk increasing from 55 bps to 59 bps, despite the higher writedowns in corporate lending. Portfolio quality remains excellent, reflected in a gross NPL ratio at the exceptionally low level of 2.4%, with the overlay stock virtually intact (€282m, €13.4m of which in Corporate and Investment Banking). The increase in net profit was driven by Consumer Finance, which contributed €195.9m (€190.1m), Insurance-Principal Investing with €182.8m (€184.6m), Corporate and Investment Banking (CIB) with €147.1m (€150.9m), and Wealth Management (WM) with €82.2m (€72.4m), while the net loss reported by Holding Functions (HF) decreased to €44.9m (from €71.9m).

* * *

Strong growth in revenues, up 13.6% from €1,459.4m to €1,658.5m (€901.5m in 2Q, up 19.1%) reflects good performances by all the divisions (CIB: up 20.3%; Wealth Management: up 11.9%; Consumer Finance: up 6.7%), plus a positive contribution from treasury operations after several years of negative performances.

The main income items performed as follows in the six months:

- Net interest income grew by 14.9%, from €733.5m to €842.9m, accelerating significantly in 2Q (€446.6m), driven by the sharp rise in interest rates which impacted on the cost of funding only to a limited extent, thus encouraging the growth in lending volumes. Consumer Finance delivered NII of €492.4m (up 6.5% YoY), with an excellent performance in new business (€3.9bn) despite the stricter lending policies and repricing, to ensure that the cost of coverage is addressed promptly and to preserve asset quality; Wealth Management contributed €172.2m (up 17.5%), helped by the sensitivity of Private Banking operations to interest rates and by higher volumes in the Premier segment. Treasury operations posted NII of €6.4m, reaching breakeven ahead of expectations, due to coupons received on inflation-linked BTPs (€25m), which offset the higher cost of the T-LTRO. Corporate and Investment Banking, meanwhile, posted net interest income of €135.2m (up 8.2%), on higher volumes and spreads in Wholesale Banking (Lending and Structured Finance) in particular;
- Net fee and commission income increased by 6.5%, to €472.1m, reaching the impressive level of €260m for the quarter, well above last year's high of €240m. Fees earned by Wealth Management were up 7.9% to €230m (roughly half the total), with the management fee component totalling €164.7m (up 5.1%) and placement fees for bonds and structured instruments growing strongly (upfront fees rose by 9.7%, to €38.6m). The increase in fees earned by Corporate and Investment Banking (which were up 9.4%, to €185.3m) reflects the recovery in placement activities (ECM), and also, on the Lending side (€48.8m), the closure of several acquisition finance deals; M&A operations also repeated last year's excellent performance, at €98.6m;
- Net trading income soared to €148.1m (up 52.7%), half of which from the proprietary trading book (€73.3m) helped by its good positioning, which offset the lack of gains realized on banking book securities (impacted by the reduction in market valuations). Income from client activities also grew, by 34% (from €46.3m to €62m), driven by the interest in fixed-income products (the contribution from which rose from €5.5m to €18.4m), with the equity segment repeating last year's outstanding performance (€43.6m);

– The contribution from Assicurazioni Generali which is equity-accounted totalled €194.4m, higher than last year (€186.5m), following a very positive performance by the company in 2Q (€107.8m) helped by the rise in interest rates.

Operating costs totalled €690.9m, up 9.1%, with the increase split equally between the divisions (Corporate and Investment Banking up 12.7%, Consumer Finance up 10.3%, and Wealth Management up 7.2%), reflecting the gradual return of operations and commercial activities to normal levels, plus the completion of the projects provided for in 2019-23 Strategic Plan. Labour costs totalled €359.8m (up 9.5%), reflecting the stronger workforce with 156 employees added (making a total headcount of 5,129) and a focused talent retention policy. The growth in administrative expenses, of 8.6% (to €331.1m) was concentrated in IT expenses (up 8%, to €112.3m) and marketing costs (up 28.5%, to €22.8m).

The increase in loan loss provisions, from €137.3m to €156.4m, was due to the higher lending volumes, with the Group's cost of risk still at low levels, at 59 bps. Adjustment to reflect the new macro scenario was more negative than at end-June 2022, and mainly involved Corporate and Investment Banking (for which loan loss provisions of €36.2m were booked), which reflects the reclassification of a relevant position as UTP with no writebacks (as expected, compared with €25.2m last year), and only limited use of the overlays (€12m, compared with €45m six months previously). Furthermore, no extraordinary provisions were necessary for the NPL portfolio (compared with the €35m provisions taken last year), as the disposal programme is now well underway. Overall credit quality remains very good, and the provisioning level is high (NPLs: 73.2%; performing:1.34%), in view *inter alia* of the substantial overlays still in place (€282m, €216.2m of which in Consumer Finance, unchanged).

The net profit of €555.1m for the six months also reflects:

– Net provisions for other financial assets totalling €22.7m, due mostly to holdings in funds being measured at their fair value as at end-December 2022 (valuations were negative for credit products);

– Other items totalling €38.1m, €25m of which refers to the payment made to the Deposit Guarantee Fund, €8m to transfers to the provision for risks and other expenses (to cover Lexitor cases, disputes in relation to the recruitment of bankers in the Premier segment, and leasing operations), and €5m to charges in connection with acquisitions (adjustments to certain items for Soisy, changes to the valuation of the put & call agreements, and other one-off incentives paid to the Bybrook partners);

– Income tax of €191.2m, corresponding to a tax rate of 25.5%, with no non-recurring items (unlike last year).

* * *

Total assets grew in the six months, from €90.6bn to €93.7bn:

– Customer loans increased from €51.7bn to €53.6bn (up 3.7%), driven primarily by the good performance in Wealth Management (up 7.4% from end-June 2022, from €15.3bn to €16.4bn), Consumer Finance (up 2.9%, from €13.8bn to €14.1bn), and Corporate and Investment Banking (up 2.7%, from €20.6bn to €21.3bn). New mortgages taken out in the six months totalled €1.4bn (up 63.2%); while new business in Consumer Finance rose to €3.9bn (up 4.5%), and turnover in Factoring operations to €6bn (up 5.9%). Conversely, new Corporate loans fell by 8.7% to €4.5bn;

– Stage 2 positions stood at €2,915.6m, down from €3,029.7m, due primarily to mortgages for which Covid-related moratoria had been granted two years ago having completed the probation period;

– Gross non-performing loans totalled €1,304.1m (2.4% of gross total loans), lower than last year (€1,327.3m) due to disposal plan in leasing against very minor inflows. Net NPLs reduced from €384.4m to €349.6m, with net bad loans once again very low (€45.7m); this heading does not include NPLs not originated by the Group, which decreased from €350.6m to €256.2m following a major disposal made on the secondary market;

– Net treasury assets totalled €6.1bn; the €1.1bn reduction reflects the reduction in equity holdings, while the increase in liquid assets on deposit at the ECB (up €1.9bn, to €8.8bn) is the result of repo market arbitrage activity over the turn of the year; banking book securities remained stable at €8.6bn, with the sovereign debt portfolio worth €6.2bn (65% of which in Italian government securities);

– Funding totalled €62bn, €28.8 of which is attributable to Wealth Management deposits (46.6% of the total, and basically flat in the six months), €20.6bn in debt securities (up €2bn), and €12.5bn in other forms, €8bn of which in relation to the T-LTRO (down €500m, due to launch of the repayment schedule).

TFAs totalled €83.2bn, the €3bn increase in the six months (penalized by the €421m market effect) concentrated in indirect funding, and split equally between Private Banking and the Premier segment; while deposits were unchanged, with the approx. €2bn in new inflows being offset by the conversion of deposits to assets under administration). AUM/AUA totalled €54.5bn, €17.9bn of which in the Premier segment (up 9%); €24.5bn in Private Banking (up 6.4%), and €25.5bn in Asset Management (up 0.2%), €13.5bn of which placed by Group networks. The stock of deposits totalled €28.7bn, €11.7bn of which attributable to Private Banking and €17bn to Premier Banking.

The capital ratios were once again comfortably above the SREP levels, which since 1 January 2023 have been 7.95% [1] of CET1 and 12.18% of Total Capital; the increase in the additional P2R requirement (up 10 bps to 1.68%) exclusively regards the progressive application of the calendar provisioning regulations to the stock of non-performing exposures outstanding prior to 26 April 2019, which are already in the process of being deleveraged.

The phase-in CET1 ratio stood at 15.1% (14% fully loaded[2]), down approx. 55 bps in the six months, reflecting the impact of the LGD Foundation being restored for the Large Corporate portfolio, accounting for 45 bps [3] (roughly half of which was offset by optimization actions [4]), plus the deduction for the Assicurazioni Generali investment in relation to earnings booked but not yet distributed (which accounted for 34 bps). Retained earnings for the six months (which added 34 bps) confirm the payout ratio of 70%, and were almost entirely offset by the growth in RWAs (which accounted for 30 bps, attributable to CIB and Consumer Finance); the valuation reserve effect for proprietary holdings in both equities and bonds was virtually nil, while the reduction pro rata to the holding in Assicurazioni Generali was entirely offset by the lower deductions.

The Total Capital ratio declined from 17.6% to 16.8% (15,9% fully loaded) due to progressive amortization of the subordinated liabilities.

* * *

[1] The minimum ratios do not include the Counter-Cyclical Buffer, the value of which depends on Mediobanca's exposure to the various countries for which the CcB is set on a quarterly basis (as at 31/12/22 the CCyB was 0.05%).

[2] The fully loaded ratio of 14.0% has been calculated with the Assicurazioni Generali investment deducted in full (accounting for106 bps) and the IFRS 9 FTA effect also applied in full (accounting for 4 bps).

[3] The increased burden due to the Internal Model Investigation (IMI) is expected to end in January 2025 with the introduction of Basel IV (40%).

[4] The optimization actions, which together added some 21 bps, chiefly involved application of the new weighting factor for the acquired NPLs, plus the introduction of a new External Credit Assessment Institution (ECAI) for the Corporate loan book using the standard methodology.

The divisional performances for the six months were as follows:

– *Wealth Management* (WM): this division reported a net profit of €82.2m (up 13.5%), with ROAC at 35%, and the cost/income ratio declining to 67.3%. Continuing growth in TFAs (which were up 3.7% YoY to €83.2bn, €54.5bn of which were AUA/AUM) is reflected in the increase in total revenues to €407.3m (up 11.9%), €230m of which in fee income (up 7.9%) and €172.2m in net interest income (up 17.5%). Operating costs rose by 7.2% to €274.1m. Premier Banking delivered a net profit of €36m, on revenues of €211.9m (cost/income ratio: 69.8%); Private Banking posted a net profit of €41.2m, on revenues of €144.9m (cost/income ratio: 60.5%); while Asset Management delivered a net profit of €5m;

– *Consumer Finance* (CF): this division reported a net profit of €195.9m (up 3.1%), driving ROAC up to 34% (with a cost/income ratio of 29.3% and a CoR of 144 bps); the loan stock of €14.1bn helped drive growth in revenues to €559.8m, an increase of 6.7%, €492.4m of which in net interest income (up 6.5%) and €67.8m in fees (up 8.3%). Costs were up 10.3% to €163.8m, due to the increasing burden of marketing and credit recovery expenses. Loan loss provisions remained at the low level of €100.3m (split equally between the two quarters), on excellent asset quality (gross NPL ratio 5.5%; net NPL ratio 1.2%), with overlays maintained at a substantial level (€216.2m). In October 2022 Compass completed the acquisition of two fintech operators (100% Soisy, 19.5% of HeidiPay) to develop the BNPL business, combining technology, commercial agreements, geographical diversification and growing the client base;

– *Corporate and Investment Banking* (CIB):[5] this division reported a net profit of €147.1m, slightly lower than last year (€150.9m), with ROAC at 16% and a cost/income ratio of 37.7%; the healthy performance in revenues, which were up 20.3% (to €430m), was driven by trading income (up €46.2m to €109.5), NII (up 8.2%, to €135.2m), and fees (up 9.4% YoY, to €185.3m); while costs were up 12.7%, to €162.3m; and loan loss provisions of €36.2m, as mentioned previously, reflect both the new scenario and one exposure being reclassified as UTP (exacerbated by the lack of writebacks). Wholesale Banking (WSB) delivered a net profit of €136.3m, on revenues of €396.7m, with a cost/income ratio of 37%; while Specialty Finance (SF) reported a bottom line of €10.8m, on revenues of €33.3m (cost/income ratio 46.2%);

[5] Since 1 July 2022, the NPL acquisition business of MBCS has been transferred to the Holding Functions division and is being managed from a deleveraging perspective.

– *Insurance – Principal Investing* (PI): this division reported a net profit of €182.8m, virtually the same as last year; the higher contribution from Assicurazioni Generali investment (up €7.9m, to €194.4m) was offset by the reduction in dividends and other income from funds totalling €5.7m (€12.5m), and by the losses realized on holdings in funds (€11.5m), concentrated in funds with credit products was the underlying instrument;

– *Holding Functions* (HF): [5] the net loss reported by this division decreased to €44.9m, on revenues of €81.5m, almost €30m of which derived from treasury operations (with €6m in net interest income, plus €26.4m in trading activity). Operating costs totalled €98.3m, with the central cost component accounting for 7.5% of the Group total. Leasing operations delivered a net profit of €2.3m and NPL management a minor loss (of €1.6m, with the stock of NPLs falling to €256.2m). Regulatory indicators at all-time highs: NSFR 117%, LCR 172%, CBC €16.5bn.

* * *

Significant events in the six months include the following:

– The cancellation of 16,500,000 treasury shares acquired under the share buyback scheme approved by shareholders at the Annual General Meeting held in October 2021;

– Placement of a €500m Sustainable Senior Preferred Bond on the institutional market, with a six-year duration and fixed rate at 4.625%; the bond was issued as part of the Green Social and Sustainability Bond Framework approved in June 2022, and is the Group's second ESG issue;

– The results of the SREP 2022 Decision process, which has entailed an increase in the Pillar 2 Capital Requirement (P2R) to 1.68% (an increase of 10 bps), to factor in the calendar provisioning for the non-performing exposures on the Bank's books at 31 December 2021 and originated prior to 26 April 2019. [6] Mediobanca must therefore maintain a minimum CET1 ratio at the consolidated level of 7.95%, a minimum Tier 1 ratio of 9.76%, and a minimum Total Capital Ratio of 12.18%; [7]

[6] The increase is divided equally between one large corporate exposure outstanding at 31 December 2021, which exited UTP status during 2022, and the portfolio of NPLs acquired now owned by Revalea, which is in the process of being deleveraged. Based on estimates for 31 December 2023, the P2R requirement for the calendar provisioning component only should be in line with the current figure.

[7] The minimum ratio levels do not include the Countercyclical Buffer, the value of which depend on Mediobanca's exposure to the various countries whose CCyB is established on a quarterly basis (as at 31/12/22 the CCyB was 0.05%).

– Notification of the Group's MREL requirement, which is 22.13% of RWAs [8] and 5.91% of leverage ratio exposures ("LRE"), the majority of which is met without even referring to senior preferred liabilities. As from 2025 Mediobanca will also be subject to a subordination requirement, which should have no impact given that MREL eligible subordinated liabilities are currently around 20% (and are expected to remain so);

– Two acquisitions as part of the strategy to grow Compass Banca's Buy Now, Pay Later (BNPL) business; a 19.5% stake was acquired in Heidi Pay, a fintech company based in Switzerland, and specialized in the development of digital platforms to support BNPL in the e-commerce segment; and the acquisition of 100% of Soisy, an Italian fintech with strong expertise in granting special purpose loans for the purchase of goods and services using e-commerce platforms;

– Revalea S.p.A. has commenced operations, after obtaining authorization from the Bank of Italy (the MBCredit Solutions NPL management business had been spun off to this company);

– The rebranding of Cairn Capital as Polus Capital Management, following the strategic combination with Bybrook Capital, in the alternative credit segment (NPLs and performing);

– Ruling no. 263 of the Italian Constitutional Court in December 2022, which unexpectedly held Italian Decree Law No. 73 of July 2021 to be unconstitutional, making the "Lexitor" ruling applicable to consumer credit and salary-backed finance contracts repaid in advance even after 25 July 2021. The provision has therefore been increased by €3.3m to €15m.

* * *

The Group takes environmental issues very seriously, and has once again confirmed its commitment to contributing actively to the climate transition.

Climate neutrality has again been achieved in 2022 through the Group offsetting its remaining CO_2 emissions. The commitment to climate neutrality has also been enhanced with the first interim targets for cutting indirect emissions being set, in line with the Bank's membership of the Net-Zero Banking Alliance (NZBA), promoted by the United Nations with the objective of accelerating the international banking sector's transition towards a sustainable economy.

[8] The requirement includes the Combined Buffer Requirement (CBR) applicable at the reference date, and is set to increase to 23.10% of RWAs starting from 2024 (calculated with a P2R of 1.58%) and to 5.91% of Leverage Ratio Exposures ("LREs") in 2024 and to 5.99% starting from 2025.

The carbon offset initiative developed in conjunction with non-profit organization Rete Clima has enabled Mediobanca to neutralize a carbon footprint of 4,240.51 tons of CO_{2eq} by acquiring credits generated from environmental protection projects in developing countries: the Tamil Nadu Wind Power Project, a wind power station located in India, and the Cordillera Azul National Park REDD Project, a forest conservation project in Peru to counter the illegal deforestation activities being practised, with the involvement of the local communities.

The reforestation activity promoted by the Bank within Italian territory has also served a similar purpose, with a total of two thousand trees planted in the months of October and November 2022: a thousand in the Madonie Regional Natural Park in Sicily, and a thousand in the Milan province, with the participation of volunteers from among the Group's staff.

The Group's ongoing commitment to include ESG criteria in all areas of its operations has been acknowledged by the leading ESG ratings agencies:

- MSCI has raised the Group's rating from "A" to "AA";
- S&P Global has confirmed Mediobanca's inclusion in its Sustainability Book for 2023;
- The Bloomberg Gender-Equality Index (GEI) has included Mediobanca for the fifth year running.

On social issues, Mediobanca, in partnership with the *Fondazione Il Bullone*, has recently participated with its volunteers in a project entitled "Scars: The Art of Starting Over", an initiative in which art and psychology come together to help participants express their "scars" and represent them on a statue.

On the issue of the income divide and in accordance with the programme undertaken as part of the "toDEI" diversity and inclusion project, Mediobanca has entered into agreements with the University of Sant'Anna in Pisa and the Polytechnic Universities of Milan and Turin, committing to support grant-holders selected on merit from the most vulnerable economic categories, and helping them as they approach the workplace through mentoring activities and the offer of internships.

* * *

Developments on capital markets

The six months under review have seen a widespread rise in interest rates, driven by the main western central banks' concerns over the persistently high rates of inflation in their respective countries.

At the same time, the Chinese authorities have continued their action to address the pandemic in accordance with the Zero Tolerance Policy adopted, at the cost, however, of triggering a pronounced economic slowdown and heightened social unrest, culminating in widespread protests in the main cities during the month of November. Towards the end of the reporting period, the Chinese authorities finally abandoned this policy, triggering a huge increase in the number of infections, and causing a slowdown in GDP growth as a result.

The tighter monetary policy stance adopted since the start of 2022 has caused the leading world economies to lag, but in 2H 2022 they showed signs of being less weak than expected. The reasons for this unexpected resilience are to be located in the substantial supplies of gas sourced during the summer months, and helped by the particularly mild winter in Europe, which have alleviated the concerns over whether or not the energy resources would be sufficient to supply production.

Overall global growth slowed in the six months compared to the previous half-year, reflecting annualized average growth for the period of 0.6% (compared to 1.3% for the previous period). In Europe the economy grew by 0.3% QoQ in 3Q 2022, in the United States by 0.8%, and in China 3.9% (in 4Q 2021 the Chinese economy had shrunk by 2.4%).

Inflation is expected to come down rapidly, due to the significant reduction in the cost of raw materials. The combination of wage growth driven by low unemployment and the Chinese economy reopening, against the economic slowdown caused by the restrictive monetary policies, is helping to fuel uncertainties over the speed with which inflation is likely to reduce in the various geographies. For example, inflation in the United States has fallen from 9.1% YoY to 6.5%; while in the Eurozone it rose from 8.6% to 10.6% by October, and to 9.2% by December. In the Eurozone, the trajectory should correct further in the next three years, reaching 6.3%, 3.4% and 2.3% respectively according to the ECB estimates, still above the policy objective of 2%. The risk of further increases is also acknowledged, including in Europe, as a result of wage increases that would consolidate inflationary pressure.

In the six months under review, international markets have benefited from the continued presence of the central banks on the market, plus the enhanced spending capabilities of households that are still able to draw on the savings they accumulated during the pandemic.

Stock market performance for the period has been positive on the whole, despite some significant volatility which peaked at the time when concerns over companies' ability to source sufficient energy resources were at their highest (the MSCI World index put on 2.2%, S&P 1.4%, Eurostoxx 600 4.3%, and FTSEMIB 11.3%). This performance helped mitigate the widespread reduction in share prices across the calendar year as a whole (the MSCI World index shed 19.5%, S&P 19.4%, Eurostoxx 600 12.9%, and FTSEMIB 13.3% in 12M 2022).

High-risk credit asset prices have mirrored the high volatility of share prices, and like them have increased overall in the six months (the US CDX High Yield fell from 576 bps to 484 bps, having reached a high of 631 bps, while the European CDS iTraxx Crossover decreased from 598 bps to approx. 475 bps, having reached a high of 677 bps).

In the same period, interest rates on long-term expiries have risen significantly as a result of the tighter monetary policy stance adopted by the authorities since June 2022: the 10Y US rate has risen from 3.01% to 3.87%, while the German 10Y rate has increased from 1.33% to 2.56%. The inflation priced in by the market for the same time horizon has remained largely unchanged at around 2.30% for the US market, and rising from 2.03% to 2.27% for the German market.

The summer months saw strong appreciation by the US dollar (the increase in the international trade weighted index was 5%) and the share index volatility also reached its peak in these months. These phenomena had already retreated by 4Q 2022 as concerns over energy sources diminished, and the first signs from the monetary authorities that the tightening of the financial conditions would be calibrated based on a weakening of the economic momentum rather than a brusque slowdown in activity.

Economic activity levels in the six months slowed almost continuously, driven by uncertainty over how the Russia/Ukraine conflict would play out, which serious affected household confidence levels, and by uncertainty over energy resources in the first quarter in particular. Unless the Russia/Ukraine conflict worsens sharply, the prospects for European growth remain promising, and rely mainly on China reopening to international trade, and to the monetary authorities' ability to dampen inflation without at the same time making it too expensive to finance industrial activities.

With regard to the latter point, while the price of industrial raw materials in EUR decreased by 9.2% in the six months, the ongoing tensions on the labour market (the unemployment rate was 6.5% in November), high and robust wage increases, and indications from the inflation data stripped of the more volatile elements that are still not compatible with the monetary policy targets (core inflation was 5.2% YoY in December) could cause the European Central Bank to adopt a more restrictive stance that would inevitably penalize growth.

Against this backdrop, despite the parliamentary elections and the new government that was eventually appointed, throughout the six months the Italy credit risk has been boosted by the highly liquid domestic government security market, the attractive yields offered, and the ongoing efforts by the government in accordance with the directions set by the EU institutions (having achieved 55 of the targets and objectives set in the NRRP for 2022, the government has applied for the funds earmarked for them, for a total of €19bn). The BTP-Bund spread rose by approx. 22 bps in the period, to 214 bps, in response to the widespread increase in interest rates.

For Italy, a factor of key importance continues to be succeeding in implementing the programme of structural reforms and investments associated with Next Generation EU and documented in the NRRP.

* * *

Consolidated profit-and-loss/balance-sheet data

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

CONSOLIDATED BALANCE SHEET

(€m)

	31/12/22	30/6/22	31/12/21
Assets			
Financial assets held for trading	8,689.7	9,530.9	12,123.2
Treasury financial assets and cash	15,247.7	12,800.8	10,436.3
Banking book securities	8,627.2	8,577.3	7,889.8
Customer loans	53,600.8	51,701.4	50,804.9
Equity Investments	3,147.9	4,046.2	4,726.7
Tangible and intangible assets	1,370.4	1,350.2	1,337.7
Other assets	3,054.1	2,561.6	1,777.9
Total assets	**93,737.8**	**90,568.4**	**89,096.5**
Liabilities and net equity			
Funding	61,952.8	61,169.4	59,285.8
Treasury financial liabilities	8,290.0	5,905.8	7,061.2
Financial liabilities held for trading	9,534.2	9,206.7	9,337.9
Other liabilities	4,090.7	3,377.9	2,163.0
Provisions	164.6	159.7	163.5
Net equity	9,047.8	9,740.3	10,460.9
Minority interests	102.6	101.6	98.4
Profit for the period	555.1	907.0	525.8
Total liabilities and net equity	**93,737.8**	**90,568.4**	**89,096.5**

Key Performance Indicators (KPIs)

	31/12/22	30/6/22	31/12/21
CET 1 capital	*7,952.6*	*7,894.3*	*7,352.4*
Total capital	*8,815.3*	*8,874.4*	*8,457.9*
RWA [1]	*52,573.6*	*50,378.0*	*47,842.2*
CET1 ratio [2]	*15.1%*	*15.7%*	*15.4%*
CET1 ratio (Fully loaded) [3]	*14.0%*	*14.5%*	*14.1%*
RWA Density [4]	*56.09%*	*55.62%*	*53.70%*
Total capital ratio	*16.77%*	*17.62%*	*17.68%*
Leverage ratio [5]	*8.2%*	*8.4%*	*8.2%*
Gross NPL / Gross loans ratio [6]	*2.40%*	*2.50%*	*2.80%*
Net NPL / Net loans ratio [7]	*0.70%*	*0.70%*	*1.00%*
No. shares (m)	*849.2*	*864.7*	*864.7*

[1] Risk Weighted Assets.

[2] CET1/RWAs.

[3] CET1/RWAs (calculated including the overall impact of IFRS 9 and with the Assicurazioni Generali investment fully deducted).

[4] RWAs/total assets.

[5] CET1/total leveraged exposures.

[6] Gross NPLs (net of positions acquired by MBCredit Solutions)/gross loans.

[7] Net NPLs (net of positions acquired by MBCredit Solutions)/net loans.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(€m)

	6 mths ended 31 December 2022	12 mths ended 30 June 2022	6 mths ended 31 December 2021	Chg. (%)
Profit-and-loss data				
Net interest income	842.9	1,479.2	733.5	14.9%
Net treasury income	148.1	161.8	97.0	52.7%
Net fee and commission income	472.1	850.5	443.2	6.5%
Equity-accounted companies	195.4	359.3	185.7	5.2%
Total income	**1,658.5**	**2,850.8**	**1,459.4**	**13.6%**
Labour costs	(359.8)	(671.5)	(328.6)	9.5%
Administrative expenses	(331.1)	(640.6)	(304.8)	8.6%
Operating costs	**(690.9)**	**(1,312.1)**	**(633.4)**	**9.1%**
Loan loss provisions	(156.4)	(242.6)	(137.3)	13.9%
Provisions for other financial assets	(22.7)	(37.4)	1.2	n.m.
Other income (losses)	(38.1)	(90.1)	(34.5)	10.4%
Profit before tax	**750.4**	**1,168.6**	**655.4**	**14.5%**
Income tax for the period	(191.2)	(250.3)	(120.4)	58.8%
Minority interest	(4.1)	(11.3)	(9.2)	-55.4%
Net profit	**555.1**	**907.0**	**525.8**	**5.6%**

Key Performance Indicators (KPIs)

	6 mths ended 31 December 2022	12 mths ended 30 June 2022	6 mths ended 31 December 2021
ROTE [1]	*13.8%*	*10.3%*	*10.5%*
Cost / Income ratio [2]	*41.7%*	*46.0%*	*43.4%*
CoR (bps) [3]	*59*	*48*	*55*
EPS [4]	*0.65*	*1.05*	*0.61*

[1] Return On Tangible Equity (adjusted).

[2] Cost/income.

[3] Cost of Risk.

[4] Earnings Per Share.

[5] Dividend Per Share.

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

(€m)

6 mths ended 31/12/22	Wealth Management	Consumer Banking	Corporate and Investment Banking	Principal Investing	Holding Functions	Group [1]
Profit-and-loss						
Net interest income	172.2	492.4	135.2	(3.5)	31.8	842.9
Net treasury income	5.1	—	109.5	5.7	26.4	148.1
Net fee and commission income	230.0	67.8	185.3	—	23.3	472.1
Equity-accounted companies	—	(0.4)	—	195.8	—	195.4
Total income	**407.3**	**559.8**	**430.0**	**198.0**	**81.5**	**1,658.5**
Labour costs	(143.7)	(54.0)	(95.2)	(2.0)	(64.7)	(359.8)
Administrative expenses	(130.4)	(109.8)	(67.1)	(0.5)	(33.6)	(331.1)
Operating costs	**(274.1)**	**(163.8)**	**(162.3)**	**(2.5)**	**(98.3)**	**(690.9)**
Loan loss provisions	(5.8)	(100.3)	(36.2)	—	(14.1)	(156.4)
Provisions for other financial assets	(2.5)	(0.1)	(10.2)	(11.5)	1.5	(22.7)
Other income (losses)	(7.4)	(4.7)	—	—	(26.3)	(38.1)
Profit before tax	**117.5**	**290.9**	**221.3**	**184.0**	**(55.7)**	**750.4**
Income tax for the period	(34.7)	(95.0)	(72.2)	(1.2)	12.3	(191.2)
Minority interest	(0.6)	—	(2.0)	—	(1.5)	(4.1)
Net profit	**82.2**	**195.9**	**147.1**	**182.8**	**(44.9)**	**555.1**
Cost/Income (%)	67.3	29.3	37.7	n.m.	n.m.	41.7
ROAC adj [2]	*35%*	*34%*	*16%*	*26%*	—	
Balance-sheet data						
Loans and advances to customers	16,430.8	14,142.7	21,290.2	—	1,737.1	53,600.8
Risk-weighted assets	5,812.6	13,154.1	21,802.3	8,535.4	3,269.1	52,573.6
No. of staff	2,140	1,507	632	10	840	5,129

Notes:

* Divisions comprise:

– Wealth Management (WM): this division brings together all portfolio management services offered to the various client segments, plus asset management. It includes CheBanca!, which targets the Premier client bracket; the MBPB and CMB Monaco private banking networks, and the asset management companies (Polus Capital, Mediobanca SGR, Mediobanca Management Company, and RAM Active Investments), plus Spafid;

– Consumer Finance (CF): this division provides retail clients with the full range of consumer credit products, ranging from personal loans to salary-backed finance to BNPL/Pagolight (Compass Banca and Compass RE);

– Corporate & Investment Banking (CIB): this division brings together all services provided to corporate clients in the following areas: Investment Banking (lending, advisory, capital markets activities) and proprietary trading (businesses performed by Mediobanca and Mediobanca International, Mediobanca Securities and Messier et Associés); and Specialty Finance, which in turn consists of factoring and credit management activities for third parties performed by MBFACTA and MBCredit Solutions;

– Insurance - Principal Investing (PI): division which brings together the Group's portfolio of equity investments and holdings;

– Holding Functions: division which includes SelmaBipiemme Leasing, MIS, NPL management and other minor companies, plus the following Group units: Treasury and ALM, Operations, support and control, as well as the senior management of Mediobanca S.p.A.; for further details please refer to p. 60.

[1] The sum of divisional data differs from Group total due to adjustments/differences arising on consolidation between business areas (equal to €8m).

[2] Return On Tangible Equity (adjusted).

(€m)

6 mths ended 31/12/21	Wealth Management	Consumer Banking	Corporate and Investment Banking	Principal Investing	Holding Functions	Group [1]
Profit-and-loss						
Net interest income	146.6	462.2	125.0	(3.5)	(10.2)	733.5
Net treasury income	4.1	—	63.3	12.5	15.7	97.0
Net fee and commission income	213.2	62.6	169.3	(0.7)	25.5	443.2
Equity-accounted companies	—	—	—	185.7	—	185.7
Total income	**363.9**	**524.8**	**357.6**	**194.0**	**31.0**	**1,459.4**
Labour costs	(130.7)	(51.3)	(83.1)	(1.6)	(61.7)	(328.6)
Administrative expenses	(125.0)	(97.2)	(60.9)	(0.5)	(33.6)	(304.8)
Operating costs	**(255.7)**	**(148.5)**	**(144.0)**	**(2.1)**	**(95.3)**	**(633.4)**
Loan loss provisions	(8.4)	(95.9)	25.2	—	(58.1)	(137.3)
Provisions for other financial assets	3.0	—	(1.1)	0.2	(1.1)	1.2
Other income (losses)	—	—	(0.1)	—	(33.8)	(34.5)
Profit before tax	**102.8**	**280.4**	**237.6**	**192.1**	**(157.3)**	**655.4**
Income tax for the period	(30.2)	(90.3)	(77.7)	(7.5)	85.4	(120.4)
Minority interest	(0.2)	—	(9.0)	—	—	(9.2)
Net profit	**72.4**	**190.1**	**150.9**	**184.6**	**(71.9)**	**525.8**
Cost/Income (%)	70.3	28.3	40.3	n.m.	n.m.	43.4
ROAC adj [2]	*30%*	*35%*	*17%*	*15%*	—	
Balance-sheet data						
Loans and advances to customers	14,772.5	13,305.0	20,630.8	—	2,096.6	50,804.9
Risk-weighted assets	5,219.9	12,139.9	19,988.4	6,898.3	3,595.7	47,842.2
No. of staff	2,087	1,451	605	10	820	4,973

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

[2] Return On Tangible Equity (adjusted).

Balance sheet

The Group's total assets rose from €90.6bn to €93.7bn, with parent company Mediobanca's contribution unchanged at 55%. The main balance-sheet items showed the following trends for the six months under review (comparative data as at 30 June 2022).

Funding – funding rose to €62bn, despite the uncertain economic scenario which impacted on the second half of 2022; the increase was mainly due to the debt security component (which rose from €18.5bn to €20.6bn), on the back of unexpectedly strong primary market issuance activity, with synergies between Group Treasury and the Wealth Management division being leveraged to guarantee effective use of the Premier and Private Banking channels which accounted for €3bn of the €3.9bn placed, twice the amount of the issues falling due, at a cost of approx. 140 bps. Wealth Management deposits were stable at €28.8bn, thanks to an impressive commercial effort in an increasingly competitive scenario, which has managed to preserve the cost of a form of funding which, despite rising (to 28 bps), remains extremely cheap. The T-LTRO facility repayment process was launched at the end of the period, with a view to optimizing the cost of funding and liquidity ratios: accordingly, the balance now stands at €8bn.

	31/12/22		30/6/22		Chg.
	(€m)	%	(€m)	%	
Debt securities (incl. ABS)	20,584.8	33%	18,536.9	30%	11.0%
CheBanca! retail funding	17,042.3	28%	17,449.8	29%	-2.3%
Private Banking deposits	11,799.4	19%	11,347.5	19%	4.0%
LTRO	7,980.3	13%	8,442.2	14%	-5.5%
Interbank funding (+CD/CP)	4,546.0	7%	5,393.0	9%	-15.7%
Total funding	**61,952.8**	**100%**	**61,169.4**	**100%**	**1.3%**

Interest rate risk hedging activity, which is used for virtually all the Bank's funding using plain vanilla swaps with qualified market counterparties, regards the transformation to floating rate (for bond issues and part of the modelled deposits) and lending (fixed-rate CheBanca! mortgages Consumer Finance loans). The sharp increase in interest rates in September 2022 drove a significant increase in the fair value adjustments for fixed-rate funding, which rose from minus €1.4bn to minus €2.1bn, perfectly matched by the valuations for the derivatives (booked as other liabilities).

Loans and advances to customers – the loan book continued to grow, up 3.7% (from €51.7bn to €53.6bn) albeit at a slower rate than in previous half-years. All sectors performing well, in particular Wealth Management, where customer loans climbed 7.4% (from €15.3bn to €16.4bn), with good flows of mortgages (up 5.4%, from €11.4bn to €12bn including €731.3m in downward adjustments to reflect the fair value of the mortgages hedged) and Private Banking loans (up 13.2%, from €3.9bn to €4.4bn). Lending transactions in Corporate and Investment Banking increased from €20.7bn to €21.3bn, the increase being split equally between Wholesale Banking (up 1.4%, to €18.2bn) and Specialty Finance/Factoring (up 11.3%, to €3.1bn). Customer loans in Consumer Finance were up 2.9%, from €13.8bn to €14.1bn, with the highest growth in the automotive and special purpose finance segments (up 7%, from €4.4bn to €4.7bn), and also, to a lesser extent in personal loans (up 0.5%, from €6.9bn to €7bn).

New loans in Wholesale Banking for the first six months amounted to €4.6bn, almost 20% lower than last year, €4.5bn of which regards the Lending and Structured Finance area; while new business in Consumer Finance totalled €3.9bn for the six months (up 4.5%), just under half of which in personal loans, whereas new mortgages more than doubled to €1.4bn. Turnover in factoring business remained strong, reflecting an increase of 5.9%, to €6bn.

	31/12/22		30/6/22 *		Chg.
	(€m)	%	(€m)	%	
Corporate & Investment Banking	21,290.2	40%	20,734.1	40%	2.7%
Consumer Banking	14,142.7	26%	13,750.1	27%	2.9%
Wealth Management	16,430.8	31%	15,297.9	30%	7.4%
Holding Functions (leasing)	1,737.1	3%	1,919.3	3%	-9.5%
Total loans and advances to customers	**53,600.8**	**100%**	**51,701.4**	**100%**	**3.7%**

(€m)

	31/12/22				30/6/22 *			
	Performing		NPL [1]	Total	Performing		NPL [1]	Total
	Stage 1	Stage 2				Stage 2		
Corporate & Investment Banking	20,662.2	576.9	51.1	21,290.2	20,118.4	590.9	24.8	20,734.1
Consumer Banking	12,510.3	1,466.8	165.6	14,142.7	12,091.7	1,476.7	181.7	13,750.1
Wealth Management	15,591.4	749.5	89.9	16,430.8	14,346.3	838.1	113.5	15,297.9
Holding Functions (leasing)	1,315.5	122.4	299.2	1,737.1	1,380.2	124.0	415.0	1,919.2
Total loans and advances to customers	**50,079.4**	**2,915.6**	**605.8**	**53,600.8**	**47,936.6**	**3,029.7**	**735.0**	**51,701.4**
As % of total	**93.5%**	**5.4%**	**1.1%**	**100%**	**92.7%**	**5.9%**	**1.4%**	**100%**
Total loans and advances to customers*	**50,079.4**	**2,915.6**	**349.6**	**53,344.6**	**47,936.6**	**3,029.7**	**384.4**	**51,350.8**
As % of total	93.9%	5.5%	0.7%	100%	93.4%	5.9%	0.7%	100%

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

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

(€m)

	31/12/22			30/06/2022 *		
	Gross	Net	Coverage ratio %	Gross	Net	Coverage ratio %
Corporate Investment Banking	141.5	51.1	63.9%	106.1	24.8	76.6%
Consumer Banking	853.0	165.6	80.6%	858.2	181.7	78.8%
Wealth Management	191.5	89.9	53.0%	222.2	113.5	48.9%
Holding Functions (leasing)	118.1	43.0	63.6%	140.7	64.4	54.2%
Total net non-performing loans **	**1,304.1**	**349.6**	**73.2%**	**1,327.3**	**384.4**	**71.0%**
- of which: bad loans	*407.6*	*45.7*		*419.1*	*53.5*	
As % of total loans and advances	**2.4%**	**0.7%**		**2.5%**	**0.7%**	

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

** Excluding purchased NPLs.

Gross NPLs decreased from €1,327.3m to €1,304.1m, and declined also in relative terms, to 2.4% of total loans, again near the lowest levels ever posted by the Group. Consumer Finance continues to show extremely low default rates (approx. 30% below pre-Covid levels), despite the introduction of stricter forbearance and UTP classification rules, a trend which offsets the effects of a relevant CIB counterparty being classified as UTP (for a gross value of €50m). The prudent provisioning policy (with the coverage ratio rising from 71% to 73.2%) is reflected in the reduction in net NPLs (from €384.4m to €349.6m, €45.7m of which bad debts), which represent less than 1% of total loans, in line with the figure reported at end-June 2022 (0.7%). This item does not include the NPLs acquired by the Group and managed by Revalea (formerly MBCredit Solutions), which in any case decreased from €350.6m to €256.2m as a result of a good performance in terms of collections, plus one major disposal on the secondary market.

Stage 2 positions decreased from €3,029.8m to €2,915.6m and represent 5.4% of total loans on a net basis, €1,466.8m of which regard Consumer Finance (10.2% of the stock), €576.9m CIB (2.7%), €749.5m Wealth Management (4.6%), and €122.4m Leasing.

The coverage ratio for the Group's total performing loans is 1.34%, basically unchanged since end-June 2022, and slightly higher (2 bps) in Consumer Finance (compared with 3.62% in 2019).

9 The Finrep gross NPL ratio (calculated net of NPLs acquired) was stable at 1.9%, the same as at 30 June 2022; please see Part and of the Notes the Accounts for further details.

10 In December 2022 Revalea S.p.A. received Bank of Italy clearance as the beneficiary of the MBCredit Solutions NPL management business unit.

Direct exposures outstanding versus the Russian Federation, Ukraine and Belarus are immaterial: they consist of approx. €16m in Corporate and Investment Banking, €185m in Private Banking (all of which secured by luxury properties in the Monaco/Côte d'Azur area), and €98m in Consumer Finance and Premier exposures to persons of Russian or Ukrainian nationality who are resident in Italy (€28m in respect of mortgages guaranteed by properties in Italy, virtually all of which are classified as Stage 1); the few indirect exposures which the Group has involve mainly counterparties either with good credit standing and/or guarantors.

The effects of inflation, including the increase in energy costs, have not impacted significantly on corporate counterparties operating in the sectors potentially most exposed to such effects (in particular the automotive and manufacturing industries). In any case it should be noted that such counterparties represent only a marginal percentage of the total loan book.

Investment holdings [11] – the decline in this heading, from €4bn to €3.1bn, involves the IAS 28 investments accounted for using the equity method (€2.3bn), in particular the Assicurazioni Generali investment, the value of which reflects the impact of insured parties' policies being recognized at current interest rates has had on its net equity.

Indeed, the book value of the Group's investment in Assicurazioni Generali decreased from €3,069.4bn to €2,175.4m despite the company posting profits of €194.4m for the period, and the shortfall on the valuation reserve is now €1.1bn. The market value of the Group's investment is still close to the end-June 2022 level, which incidentally increases the unrealized gain.

The Group's investment in IEO (25.37%) remained at €39m; the holding in Finanziaria Gruppo Bisazza S.r.l. (22.67%) was booked at €7.7m (30/6/22: €7.4m); while the investment in CLI Holdings II Limited declined from €41.8m to €36.7m after €5.5m in dividends was collected.

The newly-acquired associate company HeidiPay (in which Compass Banca acquired a 19.45% stake) was also recognized for the first time at a book value of €7.1m.

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

12 Please refer to section 10 of the Notes to the Accounts for further details on the two positions which are now subject to IAS 28 accounting.

Holdings in investments in funds increased from €627.7m to €634.9m; approx. €400m of which involve funds managed by the Group (seed capital), which decreased by some €6m during the period, after downward adjustments to reflect fair value at end-December 2022 of €7.3m; other holdings in funds (mostly private equity) totalled €236.7m, after investments of €30.3m and downward valuations of €3.4m.

Holdings in equities (including equity-like instruments) decreased from €260.7m to €246.9m, following redemptions totalling approx. €30m, only in part absorbed by the Tirreno Power equity-like instrument being recognized at fair value (adding €15.4m to a nominal value of €26m), in view of the company's improved earnings and financial situation.

(€m)

	31/12/22		30/06/22	
	Book value	**HTC&S reserve**	**Book value**	**HTC&S reserve**
IAS28 investments	2,266.0 [1]	n.d.	3,157.8 [1]	n.d.
Listed shares	113.3	55.1	114.6	56.3
Other unlisted shares	133.6	102.1	146.1	118.0
Seed capital	398.2	—	404.3	—
Private equity	125.7	—	103.8	—
Other funds	111.0	—	119.6	—
Total equity holdings	**3,147.8**	**157.2**	**4,046.2**	**174.3**

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

(€m)

	% ownership	31/12/22	30/6/22
Assicurazioni Generali	13.08	2,175.4	3,069.4
CLI Holdings II*	40.73	36.7	41.8
Finanziaria Gruppo Bisazza	22.67	7.7	7.4
Istituto Europeo di Oncologia	25.37	39.0	39.1
HeidiPay	19.45	7.1	n.d.
Total IAS28 holdings		**2,265.9**	**3,157.7**

* Percentage calculated based on nominal value of notes issued.

Banking book securities – Fixed-income securities held as part of the banking book totalled €8.6bn. The split between Hold to Collect & Sell/Hold to Collect was stable in the six months, with the two portfolios worth €3.9bn and €4.7bn respectively. The book's short duration has facilitated turnover (approx. €1.8bn), immediately exploiting the higher yields which in turn should increase net interest income going forward.

Conversely, the rise in interest rates is reflected in the stocks' valuations: the OCI reserve has declined further into negative territory, from minus €60.9m at 30 June 2022, to minus €83.1m; while unrealized losses on the Hold to Collect (which are recognized at cost) amount to €171m (€25.2m).

Approx. 72% of the banking book is made up of sovereign debt (€6.2bn), split equally between HTC and HTC&S, with a very short duration (approx. 2 years); the share accounted for by Italian government securities accounts for €4.2bn (approx. 49% of the entire banking book; with a duration of approx. 2.6 years).

(€m)

	31/12/22		30/6/22	
	(€m)	%	(€m)	%
Hold to Collect	4,745.3	55%	4,703.7	55%
Hold to Collect & Sell	3,881.4	45%	3,873.1	45%
Other (Mandatorily measured at FV)	0.5	n.m.	0.5	n.m.
Total banking book securities	**8,627.2**	**100%**	**8,577.3**	**100%**

	31/12/22			30/6/22		
	Book value		OCI reserve	Book value		OCI reserve
	HTC	HTC&S		HTC	HTC&S	
Italian government bonds	2,184.3	1,843.2	(29.7)	2,197.5	1,698.4	1.5
Foreign government bonds	1,188.7	979.3	(7.5)	1,090.9	1,198.5	(5.7)
Bond issued by financial institutions	523.4	588.9	(24.5)	534.5	458.5	(27.0)
Corporate bonds	132.8	239.5	(17.9)	135.6	242.1	(26.1)
Asset Backet Securities (ABS)	716.1	230.5	(3.5)	745.2	275.6	(3.6)
Total banking book securities	**4,745.3**	**3,881.4**	**(83.1)**	**4,703.7**	**3,873.1**	**(60.9)**

Net treasury assets – the approx. €1bn reduction in this item, from €7.2bn to €6.1bn, chiefly regards the equity component, which more than halved (from €1.9bn to €0.7bn). Conversely, the share of available liquid assets rose, largely in connection with the pre-funding activities completed during the period, ahead of what looks to be a challenging funding plan. Collateral market trends drove a significant increase in the liquid assets held on deposit at the European Central Bank (which rose from €6.9bn to €8.8bn), the higher margins on which have been financed from liabilities in repos, with good refinancing margins on assets obtained at the year-end.

	31/12/22	30/6/22	Chg.
	(€m)	(€m)	
Financial assets held for trading	8,689.7	9,530.9	-8.8%
Treasury financial assets and cash	15,247.7	12,800.8	19.1%

Financial liabilities held for trading	(9,534.2)	(9,206.7)	3.6%
Treasury financial liabilities	(8,290.0)	(5,905.8)	40.4%
Net treasury assets	**6,113.2**	**7,219.2**	**-15.3%**

	31/12/22 (€m)	30/6/22 (€m)	Chg.
Equities	701.9	1,900.9	-63.1%
Bond securities	855.7	576.1	48.5%
Derivative contract valuations	(170.8)	(326.1)	-47.6%
Certificates	(2,235.0)	(1,830.3)	22.1%
Trading loans	3.9	3.7	5.4%
Financial instruments held for trading	**(844.3)**	**324.3**	**n.m.**

	31/12/22 (€m)	30/6/22 (€m)	Chg.
Cash and current accounts	2,230.7	2,148.0	3.9%
Cash available at BCE	8,819.5	6,926.7	27.3%
Deposits	(4,092.7)	(2,179.8)	87.8%
Net treasury	**6,957.5**	**6,894.9**	**0.9%**

	31/12/22 (€m)		30/6/22 (€m)	
	Assets	Liabilities	Assets	Liabilities
Italian government bonds	1,838.6	(2,124.8)	1,435.6	(1,544.1)
Foreign government bonds	457.2	(1,667.4)	636.9	(1,945.3)
Bond issued by financial institutions	1,859.4	(15.1)	1,401.7	(8.3)
Corporate bonds	288.2	(2.2)	338.3	—
Asset Backet Securities (ABS)	221.8	—	261.3	—
Equities	937.1	(235.2)	2,132.8	(231.9)
Total securities	**5,602.3**	**(4,044.7)**	**6,206.6**	**(3,729.6)**

	31/12/22 (€m)		30/6/22 (€m)	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	545.8	(642.1)	1,089.3	(1,211.4)
Foreign exchange	593.9	(428.6)	699.0	(634.2)
Interest rate options/futures	23.7	(15.1)	11.9	(14.9)
Equity swaps e options	1,768.2	(1,969.0)	2,122.8	(2,323.7)
Credit derivatives (others)	151.9	(199.5)	232.4	(297.3)
Derivative contract valuations	**3,083.5**	**(3,254.3)**	**4,155.4**	**(4,481.5)**

	31/12/22 (€m)		30/6/22 (€m)	
	Assets	Liabilities	Assets	Liabilities
Securities lending/repos deposits	3,122.4	(5,595.9)	2,379.9	(3,749.0)

Stock lending deposits	208.2	(1,015.8)	248.1	(1,194.1)
Other deposits	776.6	(1,588.2)	1,098.0	(962.7)
Deposits	**4,107.2**	**(8,199.9)**	**3,726.0**	**(5,905.8)**

Tangible and intangible assets – these remained virtually stable at €1.4bn, with intangible assets slightly higher (from €838.3m to €841.1m) due to the Soisy acquisition completed by Compass Banca, which involved booking goodwill of €7.1m subject to Purchase Price Allocation (PPA) in the next twelve months. Software purchases amounted to €12.5m, and were more than offset by amortization (€15.1m) and exchange rate adjustments (€3,8m).

Tangible assets of €529.5m reflect the addition of a new property from a leasing agreement (€6.3m), plus as usual operations accounted for under IFRS 16 (€230.4m, largely attributable to leasing contracts) Depreciation charges totalled €30.5m (€21.5m of which under IFRS 16 and €8.2m in relation to properties and other tangible assets).

	31/12/22		**30/6/22**		**Chg.**
	(€m)	**%**	**(€m)**	**%**	
Land and properties	464.9	34%	456.7	34%	1.8%
- of which: core	*173.6*	*13%*	174.5	*13%*	*-0.5%*
buildings RoU ex IFRS16	*218.7*	*16%*	216.9	*16%*	*0.8%*
Other tangible assets	64.6	5%	55.2	4%	17.0%
- of which: RoU ex IFRS16	*11.7*	*1%*	*9.3*	*1%*	*25.8%*
Goodwill	622.7	45%	616.8	46%	*1.0%*
Other intangible assets	218.2	16%	221.5	16%	-1.5%
Total tangible and intangible assets	**1,370.4**	**100%**	**1,350.2**	**100%**	**1.5%**

(€m)

Operation	**31/12/22**	**30/6/22**
Polus Capital	55.1	56.9
MBPrivate Banking	52.1	52.1
RAM	49.2	48.7
Messier et Associés	93.2	93.2
Consumer	373.1	365.9
of which:		
- Soisy	*7.2*	–
- Compass-Linea	*365.9*	*365.9*
Total Goodwill	**622.7**	**616.8**

Provisions for liabilities and charges – these amounted to €164.6m, higher than the figure reported at end-June 2022 (€159.7m), following an increase in transfers to the provision for risks and charges, which rose accordingly from €113.4m to €120.6m; whereas provisions for commitments and guarantees decreased (from €24.3m to €22.8m), as did the provision for statutory end-of-term and post-retirement benefits (from €22m to €21.2m). The breakdown of the provision for liabilities and charges by legal entity is as follows: Mediobanca (€65.9m), Compass Banca (€21.1m, €15 in relation to Lexitor), CheBanca! (€18.5m, €12.5m of which in provisions for disputes involving the commercial network), and SelmaBipiemme (€6.7m).

Please refer to the Notes to the Accounts (Liabilities, section 10) for further details.

	31/12/22		30/6/22		Chg.
	(€m)	%	(€m)	%	
Commitments and financial guarantees given	22.8	14%	24.3	15%	-6.2%
Provisions for risks and charges	120.6	73%	113.4	71%	6.3%
Staff severance indemnity provision	21.2	13%	22.0	14%	-3.6%
of which: staff severance provision discount	*(0.5)*	—	*0.6*	—	*n.m.*
Total provision	**164.6**	**100%**	**159.7**	**100%**	**3.1%**

Net equity – the sharp decrease of approx. €1bn in the six months (from €10.6bn to €9.6bn) is due almost entirely to the inclusion of the AFS valuation reserve of Assicurazioni Generali (which is equity-consolidated). The increase in the cash flow hedge reserve (from €176.5m to €308.5m) offset the slight reduction in the proprietary OCI reserves which were in negative territory (at minus €42.1m).

It should be noted that the imminent transition to the new IFRS 17 and IFRS 9 by Assicurazioni Generali should drastically reduce the negative impact on the company's net equity and thus on the Group's net equity as well.

(€m)

	31/12/22	30/6/22	Chg.
Share capital	444.2	443.6	*0.1%*
Other reserves	9,190.3	8,863.1	3.7%
Valuation reserves	(586.7)	433.6	n.m.
- *of which:*			
Other Comprehensive Income	*91.4*	*123.0*	*-25.7%*
cash flow hedge	*308.5*	*176.5*	*74.8%*
equity investments	*(976.6)*	*133.5*	*n.m.*
Profit for the period	555.1	907.0	-38.8%
Total Group net equity	**9,602.9**	**10,647.3**	**-9.8%**

The OCI valuation reserve decreased from €123m to €91.4m, much of which was due to the valuations of Italian and core Europe government securities (down €37.3m); the reduction in the reserve for equities (including for equity-like instruments) refers exclusively to the Burgo instrument (€22m).

(€m)

	31/12/22	**30/6/22**	**Chg.**
Equity shares	156.8	174.3	*-10.0%*
Bonds	*(83.2)*	*(60.9)*	*n.m.*
of which: Italian government bonds	*(29.7)*	*1.5*	*n.m.*
Tax effect	17.8	9.7	n.m.
Total OCI reserve	**91.4**	**123.0**	**-25.7%**

Profit and loss account

Net interest income – net interest income rose to €842.9m (up 14.9% YoY, and up 12.8% QoQ), driven by the positive performance in lending business in both Consumer Finance and CIB, helped by the prompt repricing of interest-paying assets (which include the banking book securities), with the increase in the cost of funding considerably lower than the market rates for the Wealth Management deposits (which are substantial). Consumer Finance remains the leading contributor (NII up from €462.2m to €492.4m, an increase of 6.5% YoY), followed by Wealth Management (up 17.5% YoY, from €146.6m to €172.2m), Corporate and Investment Banking (up 8.2% YoY, from €125m to €135.2m). The sharp rise in short-term interest rates enabled treasury operations to recover the deficit it has been running for over eight years now, contributing NII of €6.4m for the six months (up €39.5m QoQ), due to the sensitivity to interest rates, plus the coupons collected on inflation-linked BTPs (approx. €25m), which offset the reduced benefit from the T-LTRO, the cost of which followed the increase in interest rates.

The cost of interest payable rose to 150 bps in the second quarter (compared with 30 bps last year and 50 bps in FY 2021-22 as a whole); Wealth Management deposits remain the cheapest, at a cost which, although higher in terms of the total rate (up 10 bps, to 28 bps), still offers a clear advantage in terms of the difference versus the trend in interest rates.

(€m)

	6 mths ended 31/12/22	6 mths ended 31/12/21	Chg.
Consumer Banking	492.4	462.2	6.5%
Wealth Management	172.2	146.6	17.5%
Corporate and Investment Banking	135.2	125.0	8.2%
Holding Functions and other (including IC)	43.1	(0.3)	n.m.
Net interest income	**842.9**	**733.5**	**14.9%**

Net treasury income – this item totalled €148.1m, a marked improvement on last year (€97m) due to the higher contribution from the proprietary portfolio (which more than doubled in size, at €73.3m) and the client activities performed by the Market Division (up 33.9%, from €46.3m to €62m). The fixed-income segment benefited from interest rates recovering and volatility stabilizing, which enabled it to make up the losses that had accrued on the outright positions, and also to increase client activity in credit products. The healthy trading results also offset the lack of gains on the banking book securities (which contributed €16.6m last year) and compensated for the lower dividends and other income in Principal Investing (down from €12.5m to €5.7m).

(€m)

	6 mths ended 31/12/22	6 mths ended 31/12/21	Chg.
Corporate Investment Banking	109.5	63.3	73.0%
of which: client fixed income	62.0	46.3	33.9%
Principal Investing	5.7	12.5	-54.4%
Holding Functions	26.4	15.7	68.2%
Other (including Intercompany)	6.5	5.5	18.2%
Net treasury income	**148.1**	**97.0**	**52.7%**

Net fee and commission income – fee income earned by the Group totalled €472.1m (6.5% higher than last year), on a 2Q contribution of €262.2m, easily beating the 2019-23 Strategic Plan target of approx. €200m in fees per quarter. Wealth Management was once again the leading contributor, with fees of €230m (up 7.9% YoY), once more with a strong recurring component (80%) and an increasing share of upfront fees (€38.6m) which remained at high levels in both quarters, in part due to renewed client interest in shares and bonds. Growth in Corporate and Investment Banking fees was even stronger, up 9.5% in the six months (from €169.3m to €185.3m), boosted by the closure of one important Equity Capital Market deal and some acquisition loans in Lending, with M&A advisory stable at €98.6m, despite a strong improvement in the contribution from domestic business of €75.4m (€19.5m of which in relation to the Mid-Corporate segment).

(€m)

	31/12/22	31/12/21	Chg
Wealth Management	230,0	213,2	7,9%
Corporate and Investment Banking	185,3	169,3	9,5%
Consumer Banking	67,8	62,6	8,3%
Holding Functions e altre (incluse IC)	(11,0)	(1,9)	n.m.
Commissioni ed altri proventi netti	**472,1**	**443,2**	**6,5%**

Insurance sector and other equity-accounted investments – this item increased from €185.7m to €195.8m, and reflects the contribution of Assicurazioni Generali (up from €186.5m to €194.4m), which delivered an excellent performance for the third quarter in a row, in life insurance business in particular; while the other investments contributed approximately €1m.

[13] Management and banking fees as a percentage of total fee income.

Operating costs – operating costs were up 9.1%, from €633.4m to €690.9m, reflecting the expansion of the commercial structures, IT investments (infrastructure consolidation and digital agenda), and the increase in business volumes and resumption of marketing/communication activities. The good performance in revenues allowed the cost/income ratio to be kept under control at 41.7%, one of the lowest figures ever (compared with 43.4% last year). The main cost components performed as follows:

- Labour costs rose by 9.5%, from €328.6m to €359.8m, with the fixed component reflecting the increase in headcount (from 4,973 to 5,129), initiatives to retain key figures in an increasingly competitive labour market, plus the accrual of the variable component aligned to the excellent results for the period. Wealth Management reflects labour costs of €143.7m (up 9.9%; 2,140 FTEs), Corporate and Investment Banking €95.2m (up 14.6%; 632 FTEs), and Consumer Finance €54m (up 5.3%; 1,507 FTEs);
- Administrative expenses grew by 8.6% (from €304.8m to €331m), reflecting the substantial growth in the Group's operations and the strong project activities, compounded in the six months by the generalized inflation plus the dollar's appreciation (several of the instalments for info-provider services are paid in USD). IT costs rose by 8% (from €103.9m to €112.3m), operations costs by 4% (from €52.5m to €54.4m) and marketing costs by 28.5% (from €17.7m to €22.7m). Wealth Management's share of the administrative expenses was €130.4m (up 4.2%), while Consumer Finance contributed €109.8m (up 13%), and Corporate and Investment Banking €67.1m (up 10.1%).

(€m)

	6 mths ended 31/12/22	6 mths ended 31/12/21	Chg.
Labour costs	359.8	328.6	9.5%
of which: directors	*6.6*	*3.8*	*n.m.*
stock option and performance share schemes	*6.3*	*5.7*	*n.m.*
Sundry operating costs and expenses	331.1	304.8	8.6%
of which: depreciations and amortizations (incl. IFRS16)	*45.6*	*42.3*	*7.8%*
administrative expenses	*285.4*	*262.5*	*8.7%*
Operating costs	**690.9**	**633.4**	**9.1%**

(€m)

	6 mths ended 31/12/22	6 mths ended 31/12/21	Chg.
Legal, tax and professional services	6.4	9.2	-30.4%
Other consultancy expenses	18.7	16.4	14.0%
Credit recovery activities	31.6	27.1	16.6%
Marketing and communication	22.8	18.2	25.3%
Rent and property maintenance	11.0	10.5	4.8%
EDP	76.9	70.2	9.5%
Financial information subscriptions	26.4	24.8	6.5%
Bank services, collection and payment commissions	16.4	15.3	7.2%
Operating expenses	33.0	29.5	11.9%
Other labour costs *	7.8	4.3	n.m.
Other costs	16.5	23.1	-28.6%
Direct and indirect taxes	17.9	13.9	28.8%
Total administrative expenses	**285.4**	**262.5**	**8.7%**

Loan loss adjustments – loan loss provisions totalled €156.4m, representing a still low CoR of 59 bps, slightly higher than last year (55 bps), and reflecting a particularly impressive performance in Consumer Finance (144 bps). Adaptation to a more uncertain macro scenario has chiefly affected the Corporate segment (where one position has been classified as UTP, adding approx. 9 bps to the Group's CoR), whereas the Retail segment has seen the lowest level of defaults recorded for several quarters. In the six months there were just €35m in non-recurring provisions, unlike last year, when €137.3m was set aside to facilitate the derisking process for the NPLs acquired and vintage non-performing items in leasing (a process already well underway in the six months), but this has been offset by the lack of writebacks in the CIB division (€25.2m). The use of overlays has been marginal and is limited to Corporate and Investment Banking to absorb the effects of adjustment to the new macro scenario on earnings. Overall the overlays amount to €282m: €216.2m of which for Consumer Finance (largely unchanged) and €44.3m in Corporate and Investment Banking (down €13.4m, €12m of which in Wholesale Banking).

(€m)

	6 mths ended 31/12/22	6 mths ended 31/12/21	Chg.
Corporate & Investment Banking	36.2	(25.2)	n.m.
Consumer Banking	100.3	95.9	4.6%
Wealth Management	5.8	8.4	-31.3%
Holding Functions (leasing)	14.1	58.1	-75.7%
Loan loss provisions	**156.4**	**137.3**	**13.9%**
Cost of risk (bps)	**59**	**55**	

Provisions for other financial assets [14] – these amount to €22.7m, €20m of which regard adjustments to reflect fair value of investment funds at the period-end, which were especially negative for credit products (including those with ABS as the underlying instrument). Adjustments to the provisioning for banking book securities in treasury management were limited, at just €2.5m.

(€m)

	6 mths ended 31/12/22	6 mths ended 31/12/21	Chg.
Hold-to-Collect securities	(3.4)	(2.2)	54.5%
Hold-to-Collect & Sell securities	0.7	(0.7)	n.m.
Financial assets mandatorily FVTPL	(20.0)	4.1	n.m.
Provisions for other financial assets	**(22.7)**	**1.2**	**n.m.**

Other gains (losses) – Other gains (losses) amounted to €38m (€34.5m), and as usual involve the payment to the Deposit Guarantee Scheme (€25m), plus non-recurring items of €13m, as follows:

- Adjustment to the Lexitor provision (€3.3m), to factor in the effects of the recent ruling by the Italian constitutional court, which could result in applications for refunds of fees in relation to previous repayments in consumer credit resuming;
- Costs related to the acquisitions completed, including the effects of the valuation of put-and-call agreements and the payment of performance conditions (€5m, €3.6m of which in relation to Bybrook deal, which is now part of Polus, and €1.4m in relation to the Soisy transaction;
- Other net transfers to the provision for risks and charges (€4.7m, €3m of which in connection with disputes arising over the recruitment of bankers and FAs in the Premier segment).

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

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

WEALTH MANAGEMENT

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

– Premier (CheBanca!);

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

Wealth Management also includes the Asset Management division itself (Mediobanca SGR, Polus Capital, RAM Active Investments and Mediobanca Management Company), [15] plus the fiduciary activities performed by Spafid, Spafid Family Office SIM and Spafid Trust.

(€m)

	31/12/22	30/6/22	31/12/21	Chg (%)
Profit-and-loss				
Net interest income	172.2	294.6	146.6	17.5
Net trading income	5.1	10.3	4.1	24.4
Net fee and commission income	230.0	421.6	213.2	7.9
Total income	**407.3**	**726.5**	**363.9**	**11.9**
Labour costs	(143.7)	(265.7)	(130.7)	9.9
Administrative expenses	(130.4)	(251.0)	(125.0)	4.3
Operating costs	**(274.1)**	**(516.7)**	**(255.7)**	**7.2**
Loan loss provisions	(5.8)	(14.0)	(8.4)	-31.0
Provisions for other financial assets	(2.5)	(0.1)	3.0	n.m.
Other income (losses)	(7.4)	(4.7)	—	n.m.
Profit before tax	**117.5**	**191.0**	**102.8**	**14.3**
Income tax for the period	(34.7)	(55.9)	(30.2)	14.9
Minority interest	(0.6)	(0.9)	(0.2)	n.m.
Net profit	**82.2**	**134.2**	**72.4**	**13.5**
Cost/Income (%)	*67.3*	*71.1*	*70.3*	

[15] The new name given to Cairn Capital following the rebranding after the Bybrook Capital integration.

	31/12/22	30/6/22	31/12/21
Balance-sheet data			
Loans and advances to customers	16,430.8	15,297.9	14,772.5
of which:			
Chebanca! mortgage loans	11,981.8	11,368.2	11,253.7
Private Banking	4,449.0	3,929.7	3,518.8
New loans	1,402.6	2,163.7	859.2
Risk-weighted assets	5,812.6	5,685.7	5,219.9
ROAC	35%	28%	30%
No. of staff	2,140	2,104	2,087

	31/12/22	30/6/22	31/12/21	Chg (%)
Commercial data				
Relationship managers	509	507	503	1.2%
Financial advisors	531	516	493	7.7%
No. of branches/agencies CheBanca!	207	207	204	1.5%
Private Banker	137	137	132	3.8%

Net profit for the six months stood at €82.2m (up 13.5%) on revenues of €407.3m (up 11.9%), driven by the recovery in net interest income (up 17.5%), with a growing contribution from fees (up 7.9%, which account for approx. 56% of the division's revenues). The excellent results posted by the division drove improvement both in ROAC, from 30% to 35%, and the cost/income ratio (from 70.3% to 67.3%).

Net New Money for the six months totalled €3.4bn, €2.3bn of which in 2Q (50% from asset management, 50% from securities placement), and contributed to the growth in TFAs which now stand at €83.2bn, €54.5bn of which in AUM/AUA, with a virtually neutral market effect (the €421m reduction in value representing less than 1% of the assets' aggregate value) thanks to the prudent asset allocation. Total deposits remained unchanged at €28.8bn, with healthy inflows (of approx. €2bn) offsetting the major transformation encouraged by the renewed interest in government securities and bonds, which in recent months have complemented the private markets offering for Private Banking clients. Average portfolio profitability was confirmed at 96 bps (95 bps).

In the six months under review, the distribution structure consisted of 1,177 people, following the recruitment of 17 professionals. Of these, 1,040 work in the Premier segment, split almost equally between bankers (509, two more than at end-June 2022) and FAs (531, fifteen more), at 106 branches and 101 points of sale. The Private Banking network comprises 137 bankers.

Review of the division's results for the six months cannot fail to take into account the backdrop against which the various business lines have had to operate. In a volatile macroeconomic and market scenario, Mediobanca Private Banking stands out for its capability to offer its UHNWI clients exclusive investment opportunities. In public markets, new thematic asset management products have been launched with buy & hold bond strategies, and approx. €1.1bn in certificates and credit investment notes have been placed and subscribed, which are able to guarantee clients a return consistent with the current scenario. In private markets, meanwhile, the partnership with BlackRock has continued (two direct co-investments have been completed in international, highly innovative companies operating in the digital marketing and aerospace sectors, for a total amount of approx. €90m); the fourth real estate initiative reserved for Mediobanca clients has been launched (€250m direct investment in luxury properties in Milan), and, as part of the TEC investment programme, a club deal has been executed to acquire a medium-size, high potential Italian company operating in the infotainment sector for a consideration of €35m. The co-operation with the Corporate & Investment Banking division also continued, providing combined coverage which enabled two major M&A deals to be intercepted, generating as much as €320m in new deposits; while €110m in inflows were intercepted through liquidity events.

CMB Monaco has continued with activities aimed at increasing yields for its clients, improving customer segmentation to tailor products and pricing to the different clusters most effectively, and leveraging on continual improvements in the technology infrastructure.

The range of products offered to Premier clients was further enhanced in the six months under review, in line with the aim of promoting sustainability in the investment world. The second Mediobanca SGR fund for which management has been sub-delegated to Nordea, has been launched, the objective of which is to accelerate the investee companies' transition to sustainability through active engagement by the fund manager. The project, which was launched in July, has obtained a good response in terms of subscriptions and performance. On the insurance side, the new Premier Life insurance policy has been launched in partnership with Genertel, which enables a progressive but cautious approach to be taken towards investing in markets, and includes a new, 100% ESG launch among its funds.

Mediobanca Asset Management strengthened its offering to the Group's clients by continuing to add to and innovate the range of Mediobanca SGR products offered, and in addition to the two thematic products for Private Banking clients already referred to,[16] has launched three new funds: two Target Maturity funds,[17] and one fund for which management has been delegated to an international partner.[18] Advisory and asset allocation services for Monégasque clients have also been strengthened. The Polus Capital Management special situations team was victorious at the HFM European Performance Award 2022 with its Master Fund, confirming the funds' good commercial performances (with €1bn in inflows of TFAs during 2022, approx. €60m of which in 3Q) and paving the way for the launch of a new Special Situation fund; conversely, the CLO market has remained largely stationary, but Polus is well positioned to exploit opportunities as and when it reopens, having obtained the highest ESG score of the year by rating agency Fitch for its CLO XV fund.

The principal RAM funds have confirmed their strategies' validity: the multi-asset and market neutral long/short funds showed resilience in the challenging markets of 2022, bearing out the good performances achieved in 2021, while the long-only Emerging Markets Equity fund continued to outperform its benchmark, proving to be one of the best products in its sector.

The growth in Total Financial Assets (TFAs), from €80.2bn to €83.2bn, was due to the Premier segment which contributed €35bn (up 3.2% in the six months), €17.9bn of which in AUM/AUA (up 9%), Private Banking, which contributed €36.2 (up 5.4%), €24.5bn of which in AUM/AUA, (up 6.4%) and Asset Management, which contributed €25.5 (up 0.2%). AUM/AUA increased from €51.5bn to €54.5bn (up 5.8%), with the Asset Management division's products placed within the Group rising to €13.5bn (in line with the figure reported at end-June 2022) due to the higher contribution from Mediobanca SGR.

[16] Buy & Hold, 4Y IG and 4Y IG Plus strategies.

[17] Diversified Credit Portfolio 2025, €25m and Credit Opportunities 2028, €35m.

[18] Mediobanca Nordea Global Climate Engagement, €53m.

Net TFAs	31/12/22	30/06/22	31/12/21	Chg. % Dec 22/Dec 21	Chg. % Dec 22/June 22
Affluent Banking	34,988	33,917	34,243	2.2%	3.2%
Private Banking	36,177	34,319	33,810	7.0%	5.4%
Asset Management	25,516	25,459	23,959	6.5%	0.2%
Intercompany	(13,464)	(13,450)	(12,629)	6.6%	0.1%
Wealth Management	**83,217**	**80,245**	**79,383**	**4.8%**	**3.7%**

Deposits	31/12/22	30/06/22	31/12/21	Chg. % Dec 22/Dec 21	Chg. % Dec 22/June 22
Premier Banking	17,042	17,450	17,028	0.1%	-2.3%
Private Banking	11,700	11,315	10,221	14.5%	3.4%
Asset Management	—	—	—	n.d.	n.d.
Wealth Management	**28,742**	**28,765**	**27,249**	**5.5%**	**-0.1%**

AUM/AUA	31/12/22	30/06/22	31/12/21	Chg. % Dec 22/Dec 21	Chg. % Dec 22/June 22
Premier Banking	17,946	16,467	17,215	4.2%	9.0%
Private Banking	24,477	23,003	23,589	3.8%	6.4%
Asset Management	25,516	25,459	23,959	6.5%	0.2%
Intercompany	(13,464)	(13,450)	(12,629)	6.6%	0.1%
Wealth Management	**54,475**	**51,479**	**52,134**	**4.5%**	**5.8%**

	2020-2021				2021-2022	
Net New Money	IQ	IIQ	IIIQ	IVQ	IQ	IIQ
Premier Banking	867	589	876	434	222	1,109
Private Banking	978	2,029	1,299	1,747	1,001	1,061
Asset Management	(416)	311	368	(70)	(85)	82
Wealth Management	**1,429**	**2,929**	**2,542**	**2,110**	**1,139**	**2,252**

Customer loans for the division totalled €16.4bn (30/6/22: €15.3bn), €12bn of which in residential mortgages (€11.4bn), and €4.4bn in Private Banking loans (€3.9bn). A healthy performance was posted in terms of new business in mortgage loans, which were up 63.2% YoY (to €1.4bn); while new business in Private Banking Lombard and other loans totalled €522m, €325m of which at CMB Monaco.

Gross NPLs decreased from €222.2m to €191.5m (equal to 1.2% of total loans), and mainly regard CheBanca! mortgage loans (€167m, representing 1.4% of the loan stock); while net NPLs accounted for 0.6% of total loans (€75.3m, €31.3m of which in bad debts), with the coverage ratio increasing to 54.9% (67.1% for the bad debts). Gross NPLs in Private Banking totalled €24.5m (0.5% of the stock, €12.3m of which attributable to CMB Monaco), while on a net basis the share accounted for declines to 0.3%. Premier mortgages classified as Stage 2 decreased from €781.5m to €695.1m (just under 5.8% of the total), while the Private Banking share decreased from €56.7m to €54.4m.

Direct exposures outstanding versus the Russian Federation, Ukraine and Belarus remain approx. €185m in Private Banking (all of which secured by luxury properties in the Monaco/Côte d'Azur area) and €28m in respect of CheBanca! mortgages guaranteed by properties located in Italy, virtually all of which are classified as Stage 1.

The higher net profit earned by the Wealth Management division, which was up from €72.4m to €82.2m (an increase of 13.5%), reflects an 11.9% increase in revenues (from €363.9m to €407.3m), which outpaced the growth in both costs (up 7.2%, from €255.7m to €274.1m) and loan loss provisions (down 31%, to €5.8m).

Revenues	**6 mths ended 31/12/22**	**12 mths ended 30/06/22**	**6 mths ended 31/12/21**	**Chg. %**
Affluent	211.9	393.0	195.4	8.4%
Private Banking	139.5	234.9	121.0	15.3%
Asset Management	50.6	89.7	43.1	17.4%
Other	5.3	8.9	4.4	21.9%
Total revenues	**407.3**	**726.5**	**363.9**	**11.9%**

The main income items performed as follows:

- Net interest income rose by 17.5% (from €146.6m to €172.2m), in Private Banking in particular (NII up 85.3%, from €27.3m to €50.6m), due to a portion of the loans being funded directly by customer deposits, the cost of which increased only marginally (from 0.17% to 0.48%). By contrast, the Premier segment reflected a much smaller increase in NII of 1.7% (from €119.5m to €121.4m), with hedging against interest rate and liquidity risk fully centralized at parent company level;
- Net fee and commission income grew by 7.9% (from €213.2m to €230m), with a significant contribution made by all forms: management fees rose by 5.1% (from €156.7m to €164.7m), in line with the trend in TFAs; banking fees were up 21.4% (from €40.2m to €48.8m), due to repricing in the Premier segment; upfront fees increased by 9.7% (from €35.2m to €38.6m), on a strong performance by placement fees (bonds, structured notes and private markets funds); performance fees, meanwhile, decreased by 30.9%, from €9.7m to €6.7m, €5.1m of which were generated by the Polus funds). Fees earned by the Premier segment were up 19.5% (from €75m to €89.7m), and offset the reduction in Private Banking fees, which were down 6.3% (from €90.3m to €84.6m) due to the lack of performance fees (totalling just €0.4m, compared to €6.8m last year); while fee income earned by the Asset Management division was up 15.9% (from €43.5m to €50.5m), driven by Polus (alternative business).

Commissions - segment	6 mths ended 31/12/22	12 mths ended 30/06/22	6 mths ended 31/12/21	Chg. %
Affluent	89.7	154.8	75.0	19.5%
Private Banking	84.6	167.9	90.3	-6.3%
Asset Management	50.5	90.0	43.5	15.9%
Other	5.3	8.9	4.3	n.m.
Total commissions	**230.0**	**421.6**	**213.2**	**7.9%**

Commissions - nature	6 mths ended 31/12/22	12 mths ended 30/06/22	6 mths ended 31/12/21	Chg. %
Management fees	213.5	406.2	196.9	8.4%
- of which: upfront fees	*164.7*	*321.5*	*156.7*	*5.1%*
- of which: banking fees	*48.8*	*84.7*	*40.2*	*21.4%*
Upfront Fees	38.6	61.1	35.2	9.7%
Performance Fees	6.7	10.0	9.7	-30.9%
Fees passive & Other	(28.8)	(55.7)	(28.6)	0.7%
Total commissions	**230.0**	**421.6**	**213.2**	**7.9%**

Operating costs were up 7.2%, from €255.7m to €274.1m, due to the 9.9% increase in operating costs (up from €130.7m to €143.7m), reflecting the strengthening of the workforce (with 52 new professionals recruited) and the variable remuneration component being aligned to the good results. Administrative expenses rose by 4.3% (from €125m to €130.4m), due chiefly to IT and project expenses (up 5%, to €54.4m [19]), ordinary overheads (up 19%, to €22m), and marketing and communication expenses (up 30%, to €7.8m).

Costs	6 mths ended 31/12/22	12 mths ended 30/06/22	6 mths ended 31/12/21	Chg. %
Affluent Banking	(147.9)	(282.8)	(141.0)	4.9%
Private Banking	(82.3)	(151.9)	(73.5)	12.0%
Asset Management	(38.5)	(72.3)	(36.2)	6.4%
Other	(5.4)	(9.7)	(5.0)	8.0%
Total costs	**(274.1)**	**(516.7)**	**(255.7)**	**7.2%**

Loan loss provisions reduced from €8.4m to €5.8m, due to the low default rates for CheBanca! mortgage loans, with a much higher provisioning level compared to last year, due to the significant reduction in Stage 2 positions; the contribution from Private Banking continues to be marginal (at just €0.2m). The division’s cost of risk declined accordingly, from 12 bps to 7 bps.

The results for the six months also reflect €2.5m in adjustments to holdings in funds, €3.8m in provisions for operating losses (€0.8m) and disputes in connection with the recruitment of bankers and FAs in the Premier segment (€3m), plus €3.5m in charges related to the acquisition of Bybrook, which is now part of Polus (put & call clause valuations and payment of bonuses to the former partners).

[19] New CheBanca! app, advisory platform, and work to improve payment services (plus developments to improve anti-fraud strategies).

CONSUMER FINANCE

This Division provides retail clients with the full range of consumer credit products: personal and special-purpose loans, salary-backed finance, credit cards, plus a buy-now-pay-later solution called "Pagolight". This year for the first time the division also includes the Group's investments in the two fintech operators HeidiPay and Soisy. Also included in Consumer Finance are Compass RE, which reinsures risks linked to insurance policies sold to clients, Compass Rent, which operates in second-hand vehicle and car hire, and Compass Link, which distributes Compass products and services via external collaborators.

(€ m)

	6 mths ended 31/12/22	12 mths ended 30/06/22	6 mths ended 31/12/21	Chg. (%)
Profit-and-loss				
Net interest income	492.4	934.3	462.2	6.5
Net fee and commission income	67.8	123.5	62.6	8.3
Total income	**559.8**	**1,058.2**	**524.8**	**6.7**
Labour costs	(54.0)	(105.9)	(51.3)	5.3
Administrative expenses	(109.8)	(208.9)	(97.2)	13.0
Operating costs	**(163.8)**	**(314.8)**	**(148.5)**	**10.3**
Loan loss provisions	(100.3)	(190.1)	(95.9)	4.6
Provisions for other financial assets	(0.1)	—	—	n.m.
Other income (losses)	(4.7)	—	—	n.m.
Profit before tax	**290.9**	**553.3**	**280.4**	**3.7**
Income tax for the period	(95.0)	(182.9)	(90.3)	5.2
Net profit	**195.9**	**370.4**	**190.1**	**3.1**
Cost/Income (%)	*29.3*	*29.7*	*28.3*	

	31/12/22	30/6/22	31/12/21
Balance-sheet data			
Loans and advances to customers	14,142.7	13,750.1	13,305.0
- *of which:*			
Personal loans	*6,970.1*	*6,934.7*	*6,776.1*
Salary-backed finance	*1,799.3*	*1,790.0*	*1,764.9*
New loans	3,869.0	7,658.6	3,702.7
Risk-weighted assets	13,154.1	12,981.1	12,139.9
ROAC	34%	33%	35%
No. of staff	1,507	1,454	1,451

	31/12/22	30/6/22	31/12/21	Chg. %
Commercial data				
Branches Consumer	181	181	179	1.1%
Agencies Consumer	67	65	58	15.5%

The Consumer Finance division reported a net profit of €195.9m up 3.1% on last year (31/12/21: €190.1m).

Further growth in loans drove a strong increase in net interest income, despite the rapid rises in interest rates (which are normally unfavourable for consumer credit operations), and despite also the introduction of lending policies intended to preserve asset quality. The division's ROAC grew to 34%, while the cost/income ratio remained below 30%.

The Italian consumer credit market reported flows of €41.3bn for the last six months of the 2022 calendar year, some 9.9% higher than the same period in 2021. This performance was largely due to the positive trend in special purpose loans (up 14.9%), followed by personal loans (up 7.8%), while salary-backed finance operations were basically flat (down just 0.1%). Special purpose automotive loans (cars and motorbikes) again recorded a negative performance but managed to slow the decline (down 2.6%), due to the government incentives resuming in the final months of 2022. The good market performance was driven by the credit card segment, which recorded growth of 15.5%. The performance as a whole should be seen against a backdrop of consumers and businesses regaining confidence.

In the six months under review, Compass reported a 4.5% increase in new business which totalled €3.9bn, taking its market share to 9.4%. [20] Of this amount, 43% was concentrated in personal loans (€1.7bn), where the growth posted by the proprietary network (€1.3bn, an increase of 18%) offset the reduction reported by the third-party channels, which also entailed an advantage in profitability terms; credit card operations grew by 2.2% (€472m), automotive finance by 8.6% (€805m), specialized loans by 8.7% (€614m), and salary-backed finance by 6.3% (€234m).

Expansion of the distribution network continued in the six months, with priority being given to variable cost solutions. Two new agencies were opened, bringing the total number of POS active in Italy to over 300.

The strengthening of the digital channels continues, the continuous simplification and optimization work carried out to which has facilitated access to consumer credit via them (approx. €400m in personal loans were applied for and granted via the internet, up 38% on last year), which now account for

[20] Based on Assofin data for the January-December 2022 period.

some 30% of the total personal loans through the direct channel (versus 26% last year). A new digital and automatic process known as "Personal loans in one minute" was launched in the six months, offering a user experience which is unique within the Italian market; and a small personal loan product (€500) was launched in partnership with REDO, based on an innovative credit rating methodology.

Strong digital innovation activity has involved consolidating Compass's footprint in the Buy Now Pay Later (BNPL) segment, with the acquisition of a 19.5% stake in HeidiPay, a Swiss-based fintech company in operation since 2021, which has developed agreements with important distributors and luxury brands, able to accelerate international growth, and acquisition of a controlling interest in Soisy, an Italian fintech operator with strong expertise in granting special purpose loans for the purchase of goods and services using e-commerce platforms. The acceleration in terms of technology and distributor/client networks, allied to Compass's risk assessment capability, including for amounts and durations typical of consumer credit operations, will enable the company to expand into new market segments identified as having high growth potential.

Loans and advances to customers totalled €14.1bn (30/6/22: €13.8bn), half of which were personal loans (€7bn, 63% of which direct), up 2.9% YoY, with the rest split between automotive finance, with €3.4bn (up 13.5%), special purpose loans, with €1.3bn (up 11%), and salary-backed finance, with €1.8bn (up 1.9%); the stock of BNPL loans now amounts to €64m.

The asset quality ratios remain extremely robust, with a coverage ratio for performing loans of 3.77%; gross NPLS of €853m represent 5.5% of the loan book, which is lower than at end-June 2022 (5.7%); while net NPLs constitute just 1.17% of the total loan book, with the coverage ratio rising to 80.6%. The non-payment level for the first six months was lower than expected, as was the collection cycle performance, with default rates confirmed at last year's low levels. As inflation has risen, Compass, aware of the impact this will have on households' disposable incomes, has introduced stricter lending policies.

Growth of 6.7% in revenues, from €524.8m to €559.8m, was in line with the increase in total loans (up 6.3%, the highest figure recorded in the period: an increase of €834m), and reflects the following performances:

– Net interest income recorded its highest-ever level of €492.4m (up 6.5%), improving QoQ; this good performance reflects the growth in customer loans, and also an improved mix in terms of more profitable products (direct personal loans). The result was boosted by the commercial actions implemented in recent months with a view to increasing the profitability of new business, in response to the increasing impact of covering interest rate costs on funding, which should generate increasing benefits as higher rates become normalized;

– Net fee and commission income rose from €62.6m to €67.8m, an increase of 8.3%, boosted by the contribution of Buy Now Pay Later activities (which at €5m is increasing in significance), lower rappel fees credited back to third party networks (which decreased from €8.7m to €7.9m), and a healthy performance in terms of fees from insurance activities which totalled €21.5m, despite the reduction in premium income.

Operating costs rose by 10.3%, from €148.5m to €163.8m, reflecting the increase due to investments to grow the division. Labour costs totalled €54m (up 5.3%), in line with the increase in headcount (with 56 FTEs added in the twelve months), while administrative expenses rose by 13% (to €109.8m), due to investments in marketing and commercial development (up 25%, to €13.5m) and IT costs (up 14%, to €20.5m), in support of the BNPL project in particular; credit recovery cost levels were up 8.3% to €29m, normalizing at their historical levels.

Loan loss provisions of €100.3m were slightly higher than last year (€95.9m), and were split equally between the two quarters. They translate to a cost of risk of 144 bps, in line with last year (146 bps); while the overlays have been kept at €216.2m, in view of the persistent upward trend in the risk indicators, allied to a macroeconomic scenario marked by unprecedented levels of inflation and strong uncertainty.

CORPORATE AND INVESTMENT BANKING

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

- Wholesale Banking: lending, capital market activities, advisory services, and trading (client and proprietary), performed by Mediobanca, Mediobanca International, Mediobanca Securities and Messier et Associés;
- Specialty Finance: factoring, performed by MBFACTA, and credit management (on behalf of third parties only), performed by MBCredit Solutions and MBContact Solutions [21].

(€ m)

	6 mths ended 31/12/22	12 mths ended 30/06/22	6 mths ended 31/12/21	Chg. (%)
Profit-and-loss				
Net interest income	135.2	252.5	125.0	8.2
Net treasury income	109.5	80.4	63.3	73.0
Net fee and commission income	185.3	306.3	169.3	9.4
Total income	**430.0**	**639.3**	**357.6**	**20.3**
Labour costs	(95.2)	(169.2)	(83.1)	14.6
Administrative expenses	(67.1)	(128.9)	(60.9)	10.1
Operating costs	**(162.3)**	**(298.1)**	**(144.0)**	**12.7**
Loan loss provisions	(36.2)	41.7	25.2	n.m.
Provisions for other financial assets	(10.2)	(3.8)	(1.1)	n.m.
Other income (losses)	—	(0.6)	(0.1)	n.m.
Profit before tax	**221.3**	**378.5**	**237.6**	**-6.9**
Income tax for the period	(72.2)	(122.9)	(77.7)	-7.1
Minority interest	(2.0)	(8.6)	(9.0)	n.m.
Net profit	**147.1**	**247.0**	**150.9**	**-2.5**
Cost/Income (%)	*37.7*	*46.6*	*40.3*	

	31/12/22	30/6/22	31/12/2021
Balance-sheet data			
Loans and advances to customers	21,290.2	20,734.1	20,630.8
of which: Corporate	*18,219.0*	*17,975.8*	*17,387.3*
Factoring	*3,071.2*	*2,758.3*	*3.243.5*
Corporate new loans	4,647.1	9,464.2	5,730.6
Factoring turnover	6,001.4	10,733.1	5,668.6
Risk-weighted assets	21,802.3	20,164.5	19,988.4
ROAC	16%	14%	17%
No. of staff	632	626	605
Front Office Wholesale	327	320	305

[21] As previously disclosed, last year the Group decided to spin off its NPL portfolio acquisition business unit, commencing a gradual and orderly disposal process. Accordingly, the business has been spun off to the newly-incorporated company Revalea (set up in April 2022 and 100%-owned by Compass. Thus from 1Q FY 2022-23, all NPL management activities have been transferred to the Holding Functions division.

The CIB division recorded one of its best commercial performances in the past decade in the six months, posting revenues of €430m (up 20.3% YoY and up 52.7% HoH), and delivering a new 3M record (with revenues of over €240m in 2Q), despite the deteriorating macroeconomic scenario and market uncertainty. The impressive performance was driven by all activities, and all income streams reported growth: fee income improved on last year's already high result (up 9.4%, to €185.3m), while net treasury income recorded its best performance ever (up 73%, to €109.5m), driven in particular by client solutions activities, and net interest income, up 8.2% (to €135.2m), was boosted by higher volumes and repricing. Conversely, the deteriorating macro scenario triggered loan loss provisions (€36.2m), unlike last year (when net writebacks of €25.2m were credited), impacting also on net profit, which came in at €147.1m (down 2.5%), of which Wholesale Banking contributed €136.3m (€139m) and Specialty Finance €10.8m (€11.9m), with ROAC of 16%.

In 2022, the global M&A market recorded a 37% contraction in terms of volumes and of 17% in the number of deals compared to 2021. [22] and the trend on the European market was similar (with a decrease of 39% in volume terms and of 12% in the number of deals). By contrast, the Italian market reflected growth of 7% versus 2021, due primarily to the takeover bid for Atlantia ($52bn), which in volume terms was the largest deal in the European panorama. Net of this deal, the Italian market would have reported a 50% drop in volumes in 2022 compared to 2021.

Despite the challenging operating scenario, the Bank delivered an excellent performance in advisory business, in line with the outstanding results posted last year, and participating in some of the most significant deals in the Italian and international arena: these include, in the Large-Cap segment: the takeover bid for Atlantia in the infrastructure sector, the acquisition of Doc Generici by Texas Pacific Group and the acquisition of Althea by a consortium made up of F2i and DWS in the healthcare sector, and the sale by Veolia of its UK assets to New Suez in the energy sector; while in the Mid-Cap space, Mediobanca confirmed its position as advisor of choice, completing over twenty deals in the course of the six months.

[22] Source Refinitiv, report on Global Mergers & Acquisitions – deals announced.

The pipeline for the next six months looks robust, given the deals already announced. However, there are still question marks over the macroeconomic scenario and the loan market situation, which could impact on client companies' growth plans, making it difficult for them to meet deadlines, and affecting the construction of the deadline for the next financial year.

With reference to Debt Capital Markets activity, following the reduction in primary market volumes in the month of July, from September onwards the Bank took part in the majority of the Italian bond issues (including A2A, AMCO, Banco BPM, Banca Mediolanum, BPER Banca, CDP Reti, Enel, FCA Bank, Iccrea Banca and Intesa Sanpaolo) and in major deals in its other core markets (including BPCE, Commerzbank, Crédit Agricole, EDP and Suez), growing its footprint in the ESG segment.

In Equity Capital Markets, too, despite the negative market conditions Mediobanca has supported Italian and international issuers in significant deals at European level, underwriting the capital increases by Banca Monte dei Paschi di Siena in Italy, by ALD in France, and by Credit Suisse in Switzerland. Mediobanca also acted as sole financial advisor in the Porsche IPO, the largest initial public offering in Europe since 1999. The Group's track record testifies to the increasingly pan-European nature of the franchise.

As for Lending, Mediobanca has financed corporates and sponsors in all the geographies it covers, supporting them both in their ordinary activities (including IGT, Alperia, Nexi, EDP and Liberty Global) and extraordinary activities (including Edizione/Blackstone in its takeover bid for Atlantia, Ali Group, Ardian in its acquisition of Inwit, Beretta, Suez and Entain); these efforts have been reflected in the increase in net interest income and in fees, due to the improved quality of the loan book, with Investment Grade counterparties now accounting for 69% (compared to 63% at end-June 2021).

The Markets division posted an excellent performance, as its positions showed good resilience in a turbulent market scenario. The performance was boosted by growing demand for certificates, as a result of strong commercial efforts by both retail and private banking networks.

* * *

Customer loans were up 2.7% in the six months, from €20.7bn to €21.3bn, with increases in both segments: in Wholesale Banking, from €18bn to €18.2bn, while customer loans in Specialty Finance totalled €3.1bn (€2.8bn).

Lending and Structured Finance reported redemptions totalling €4.2bn in the six months (€441m of which were early redemptions), against €4.5bn in new loans (down 9% on last year), 28% of which was drawn against revolving credit lines. Turnover in instalment factoring came to €6bn, up 5.9% on last year (€5.7bn).

	31/12/22		30/6/22		Chg (%)
	(€ m)	%	(€ m)	%	
Italy	11,281.6	53.0%	10,990.3	53.8%	2.7%
France	2,529.9	11.9%	2,432.8	11.5%	4.0%
Spain	1,697.4	8.0%	1,472.0	7.0%	15.3%
Germany	809.8	3.8%	980.5	4.7%	-17.4%
U.K.	1,178.3	5.5%	1,281.2	6.1%	-8.0%
Other non resident	3,793.2	17.7%	3,577.4	17.0%	6.0%
Total loans and advances to customers CIB	**21,290.2**	**100.0%**	**20,734.2**	**100.0%**	**2.7%**
- of which: Specialty Finance	*3,071.2*	*14.4%*	*2,758.3*	*14.7%*	*11.3%*

In the six months gross NPLs increased from €106.2m to €141.5m, and the gross NPL ratio rose slightly to 0.7% (30/6/22: 0.5%), due primarily to Wholesale Banking, after one counterparty was reclassified as unlikely to pay (gross exposure €50m) following a debt restructuring agreement; while net NPLs totalled €51.1m, with the coverage ratio falling to 63.9%.

Exposures classified as Stage 2 decreased from €631.8m to €612.5m (2.9% of total loans); while in Wholesale Banking such exposures increased from €518.8m to €521.9m, following individual ratings revisions and/or classifications to Watch List status, in part offset by the reclassification referred to in the previous paragraph.

The coverage ratio for performing loans (Stage 1 and Stage 2) was stable at 0.5%, with overlays amounting to €44m, concentrated in the Large Corporate segment (€33m, after €12m was used).

Total income rose by 20.3% (from €357.6m to €430m), with Wholesale Banking contributing €396.7m (up 23.5%) and Specialty Finance €33.3m (down 8.9%). The main income items performed as follows:

– Net interest income totalled €135.2m, up 8.2% on the first six months of last year (€125m):Wholesale Banking posted growth of 13% (from €103.3m to €116.6m), due to a significant increase in volumes in Lending and Structured Finance, plus the slight increase in spreads; whereas net interest income earned from factoring business slowed by 14% (from €21.7m to €18.6m), reflecting repricing difficulties due the high market competition levels;

– Net fee and commission income rose by 9.4% (from €169.3m to €185.3m), driven by a substantial contribution from Equity Capital Market activities (€20.7m); fees from Debt Capital Market totalled €6.7m (€11.1m), recovering in 2Q in particular. M&A advisory fees were stable at €98m, with an impressive contribution from the Mid-Corporate segment (€19m) and domestic corporate finance business, mainly in the Transportation & Infrastructure, Industrial & Automotive, Real Estate and TMT sectors. Lending fees were up 71%, from €28m to €48.8m, on the back of certain major acquisition finance deals being completed. Fees earned from Specialty Finance totalled approx. €14m, and include approx. €11m from the third party credit management and recovery activities performed by MBCS;

– Net treasury income soared by 73% (from €63.3m to €109.5m), on a growing contribution from the Markets Division (up 34%, da €46.3m to €62m), driven by the recovery in fixed-income trading (from €5.5m to €18.4m), helped by the widening spreads and market volatility, with equity matching last year's performance (increasing from €40.8m to €43.6m). The proprietary trading desk's contribution (equity and fixed-income) was €50.3m, more than half of which was due to positions taken versus USD exchange rate volatility regaining value after the losses reported last year.

Revenues	6 mths ended 31/12/22	12 mths ended 30/06/22	6 mths ended 31/12/21	Chg. (%)
Capital Market	27.8	42.7	21.6	28.7%
Lending	132.3	212.0	106.5	24.2%
Advisory M&A	98.6	158.9	98.4	0.2%
Trading Prop	50.1	(5.3)	20.3	n.m.
Market, sales and other gains	87.8	157.3	74.3	18.2%
Specialty Finance	33.4	73.7	36.5	-8.5%
Total Revenues	**430.0**	**639.3**	**357.6**	**20.2%**

Commissions	6 mths ended 31/12/22	12 mths ended 30/06/22	6 mths ended 31/12/21	Chg. (%)
Capital Market, Sales and other gains	23.1	56.8	28.0	-17.5%
Lending	48.8	61.2	28.5	71.2%
Advisory M&A	98.6	158.9	98.2	0.4%
Specialty Finance	14.8	29.4	14.6	1.4%
Total Commissions	**185.3**	**306.3**	**169.3**	**9.5%**

Operating costs rose by 12.7% (from €144m to €162.3m). Labour costs in particular rose by 14.6% (from €83.1m to €95.2m), chiefly reflecting the good performance in revenues. The 10.1% increase in administrative expenses, from €60.9m to €67.1m) is mainly attributable to commercial activities (travel and marketing expenses) which are now largely back to normal, and also reflect the appreciation of the dollar.

The bottom-line result was impacted by loan loss provisions totalling €36.2m, €34m of which in Wholesale Banking (cost of risk 38 bps). Wholesale Banking reflects the increase in provisioning for performing exposures deriving from application of the new macroeconomic scenario, which entailed a significant increase in credit risk for certain counterparties, resulting in their being transferred to Stage 2, plus one large corporate counterparty being classified as UTP. Overlays of €12m were released to partially absorb the increase in the risk indicators.

	6 mths ended 31/12/22	12 mths ended 30/06/22	6 mths ended 31/12/21	Chg. (%)
CIB	(34.0)	49.2	30.0	n.m.
Specialty Finance	(2.2)	(7.5)	(4.8)	-54.3%
Other financial assets	(10.2)	(3.8)	(1.1)	n.m.
Total provisions	**(46.4)**	**37.9**	**24.1**	**n.m.**

INSURANCE - PRINCIPAL INVESTING

The Insurance – Principal Investing (PI) division comprises the Group's portfolio of equity investments and holdings, including the 13.08% stake in Assicurazioni Generali. [23] The latter investment has been this division's main constituent for many years, and is distinguished for its sound management, consistency of results, high profitability and contributions in terms of diversification and stabilization of the Mediobanca Group's revenues. The division includes the Group's investments in funds and SPVs and/or managed by the Group's asset management companies (seed capital) based on an approach that combines mid-term profitability for the Group with synergies between the divisions, as well as private equity activities.

(€ m)

	6 mths ended 31/12/22	12 mths ended 30/6/22	6 mths ended 31/12/21	Chg. (%)
Profit-and-loss				
Other incomes	2.2	12.3	8.3	-73.5
Equity-accounted companies	195.8	359.3	185.7	5.4
Total income	**198.0**	**371.6**	**194.0**	**2.1**
Labour costs	(2.0)	(4.0)	(1.6)	25.0
Administrative expenses	(0.5)	(1.0)	(0.5)	n.m.
Operating costs	**(2.5)**	**(5.0)**	**(2.1)**	**19.0**
Net loss provisions	(11.5)	(32.4)	0.2	n.m.
Profit before tax	—	—	—	n.m.
Income tax for the period	**184.0**	**334.2**	**192.1**	**-4.2**
Net profit	(1.2)	(14.5)	(7.5)	-84.0
Utile/(Perdita) del periodo	**182.8**	**319.7**	**184.6**	**-1.0**

	31/12/22	30/6/22	31/12/21
Balance-sheet data			
Banking book equity securities	738.5	741.2	774.5
IAS28 investments	2,258.8	3,157.8	3,800.8
Risk-weighted assets	8,535.4	8,203.8	6,898.3

The Insurance & Principal Investing division delivered a net profit of €182.8m for the six months, basically in line with last year (down 1%), on higher revenues booked using the equity method, of €195.8m (€185.7m), offsetting the losses on holdings in investment funds which totalled €11.5m, due to the widespread reduction in share prices and widening credit spreads, reflected in the fair value of the funds themselves.

[23] The Group's stake has increased from 12.83% at end-June 2022 to 13.08%, due to the share buyback scheme implemented by the company, which led to an increase in the consolidation percentage for the new shares owned by the newly-incorporated company MB INV AG S.r.l. to which the 1.6 million shares previously held by INV AG were transferred on 22 December 2022.

The equity method result reflects the good performance by Assicurazioni Generali, with a 4% increase in net profit (from €186.5m to €194.4m), consisting of the Group's pro rata share in the company's profit for the period, with a particularly outstanding performance in 2Q FY 2022-23 (€107.8m). This division's result also includes €1.4m in connection with the other investments booked according to IAS 28 (IEO, CLI Holdings II and Finanziaria Gruppo Bisazza).

Trading income, included among other income, includes €5.1m in amounts collected from holdings in funds (Polus funs in particular). The widespread reduction in share prices and widening credit spreads are reflected in the fair value (NAV) of the funds themselves, which for the six months reflect losses of €11.4m.

The book value of the Assicurazioni Generali investment (13.08% of the company's share capital) decreased from €3,069.4m to €2,175.4m, as a result of the reduction in the valuation reserves (down €1.1bn in the six months), mainly the fixed-income segment AFS reserve. The market value of the investment was unaffected, however, and remains stable at around €3bn.

The other banking book securities, which totalled €738.5m, were virtually unchanged: provisions increased from €482m to €492.4m (new net investments of €22.4m, relative to private equity funds, were offset only in part by a downward adjustments of €10.5m to reflect fair value); while the equity segment decreased from €259.2m to €246.1m, following the redemption of the Burgo equity-like instrument (€18.7m) and the exit of INV. AG. (€12.1m following the transfer) and the revaluation of the stake in Tirreno Power (€15.4m, versus a nominal amount of €26m).

HOLDING FUNCTIONS (CENTRAL, TREASURY AND LEASING)

The Holding Functions comprises SelmaBipiemme Leasing, MIS and other minor companies, Group Treasury and ALM[24] (with the aim of optimizing funding and liquidity management on a consolidated basis, including the securities held as part of the banking book), and the part of costs relating to central Group functions not allocated to the business lines, including operations, support units (Planning and Financial Reporting, Corporate Affairs, Investor Relations, etc.), senior management and the control units (Risk Management, Group Audit and Compliance. As from this year, the NPL portfolio management business spun off to Revalea S.p.A., which was incorporated in April 2022 and obtained clearance to operate from the supervisory authority at the year-end, has been included as part of the Holding Functions.

(€ m)

	6 mths ended 31/12/22	12 mths ended 30/06/22	6 mths ended 31/12/21	Chg. (%)
Profit-and-loss				
Net interest income	31.8	(22.0)	(10.2)	n.m.
Net trading income	26.4	48.0	15.7	68.2
Net fee and commission income	23.3	52.8	25.5	-8.6
Total income	**81.5**	**78.8**	**31.0**	**n.m.**
Labour costs	(64.7)	(125.9)	(61.7)	4.9
Administrative expenses	(33.6)	(75.6)	(33.6)	n.m.
Operating costs	**(98.3)**	**(201.5)**	**(95.3)**	**3.1**
Loan loss provisions	(14.1)	(80.1)	(58.1)	-75.7
Provisions for other financial assets	1.5	(1.2)	(1.1)	n.m.
Other income (losses)	(26.3)	(86.1)	(33.8)	-22.2
Profit before tax	**(55.7)**	**(290.1)**	**(157.3)**	**-64.6**
Income tax for the period	12.3	126.9	85.4	-85.6
Minority interest	(1.5)	(1.8)	—	n.m.
Net profit	**(44.9)**	**(165.0)**	**(71.9)**	**-37.6**

	31/12/22	30/6/22	31/12/21
Balance-sheet data			
Loans and advances to customers	1,737.1	1,919.3	2,096.6
Banking book securities	6,963.3	7,074.3	5,852.5
No. of staff[1]	840	821	820
Risk-weighted assets	3,269.1	3,342.8	3,595.7

[1] The 840 resources are divided as follows: 95 in SelmaBipiemme (103 last year); 22 in Revalea (24); 36 in Group Treasury and ALM (31); 147 in MIS (141), 215 in operations (204), 168 in support functions (162), 151 in control functions (148) plus 6 in management (senior management and assistants, 7 last year). Of these, the cost of approximately 252 FTEs is reallocated to the business lines (233).

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

The net loss incurred by the Holding Functions division decreased from €71.9m to €44.9m, on strong growth in net interest income, which totalled €31.8m (compared with net interest expense of €10.2m last year). This was due to an improvement in the margin on treasury operations, which returned to positive territory (€6.4m) after reporting deficits for several years running (minus €43.2m last year), as a result of the trend in interest rates, and, in 2Q, a substantial amount collected from coupons on inflation-linked notes (€25m), which enabled the higher T-LTRO costs to be offset. Net trading income posted a sharp increase (from €15.7m to €26.4m), leveraging on the six-monthly hedges for the banking book, in the absence of gains realized on disposals (the OCI valuation reserve was in negative territory, at minus €83m). The central cost component continued to reduce as a percentage of the Group's total costs (down from 7.9% last year to 7.4%).

The main segments performed as follows:

- Treasury – significant efforts were made to expand funding and optimize its cost in the six months, which translated to stable Wealth Management TFAs (46% of the Group's total funding) and an increase in the debt security issuance, which leveraged on the reopening of the retail and private banking channels, including external to the Group. This made it possible for the T-LTRO repayment process to be launched in December 2022, which increased the regulatory ratios to their highest ever levels (LCR: 172.4% and NSFR: 116.6%); and the MREL liabilities also increased from 30% to 34% of RWAs, well above the 23.13% requirement set for 2023;
- Leasing: a net profit of €2.3m was earned from leasing operations in the six months, on revenues of €17.7m, costs of €9.6m, value adjustments of €0.6m. Gross NPLs decreased from €137.9m to €114.9m (7.3% of the portfolio), accelerating the deleveraging plan;
- NPL acquisitions management: this area delivered a €1.6m net loss, after revenues of approx. €31.8m, some €20m of which in collections from portfolios, and €13.5m in adjustments. The stock of NPLs reduced from €350.6m to €256.2m following a major disposal on the secondary market.

Mediobanca spa

RESTATED PROFIT AND LOSS ACCOUNT

(€ m)

	6 mths ended 31 December 2022	12 mths ended 30 June 2022	6 mths ended 31 December 2021	Chg. (%)
Profit-and-loss data				
Net interest income	121.0	114.4	54.2	n.m.
Net treasury income	155.6	154.2	96.4	61.4%
Net fee and commission income	200.5	316.8	166.9	20.1%
Dividends on investments	117.4	488.0	93.2	26.0%
Total income	**594.5**	**1,073.4**	**410.7**	**44.8%**
Labour costs	(147.3)	(263.9)	(126.9)	16.1%
Administrative expenses	(94.3)	(187.0)	(88.4)	6.7%
Operating costs	**(241.6)**	**(450.9)**	**(215.3)**	**12.2%**
Loan loss provisions	(35.5)	48.3	29.0	n.m.
Provisions for other financial assets	(20.5)	(31.7)	(2.3)	n.m.
Impairment on investments	—	(0.9)	(0.9)	n.m.
Other income (losses)	(0.8)	(56.0)	(15.6)	n.m.
Profit before tax	**296.1**	**582.2**	**205.6**	**44.0%**
Income tax for the period	(66.0)	(69.1)	(55.0)	20.0%
Net profit	**230.1**	**513.1**	**150.6**	**52.8%**

RESTATED BALANCE SHEET

(€ m)

	31/12/22	30/6/22	31/12/21
Assets			
Financial assets held for trading	9,801.1	10,160.3	12,137.6
Treasury financial assets	18,163.6	14,038.6	12,982.0
Banking book debt securities	9,727.2	10,072.6	9,434.8
Customer loans	42,628.8	39,955.0	39,686.0
Equity Investments	4,656.8	4,645.3	4,621.4
Tangible and intangible assets	170.4	169.4	166.8
Other assets	632.0	624.4	624.3
Total assets	**85,779.9**	**79,665.6**	**79,652.9**
Liabilities and net equity			
Funding	58,119.8	55,408.6	55,249.5
Treasury financial liabilities	9,218.4	6,994.1	8,877.8
Financial liabilities held for trading	10,858.2	10,026.5	9,541.3
Other liabilities	2,798.4	2,053.8	882.2
Provisions	117.8	119.9	128.6
Net equity	4,437.2	4,549.7	4,822.9
Profit of the period	230.1	513.1	150.6
Total liabilities and net equity	**85,779.9**	**79,665.6**	**79,652.9**

Mediobanca S.p.A. delivered a net profit of €230.1m for the six months, much higher than last year (€150.6m), on strong growth in revenues which were up 52.8%, well distributed between the various income items, which absorbed the increase in costs (up 12.2%; cost/income ratio 40.6%) and the higher loan loss and other provisions (which together amounted to €56m).

Total income increased from €410.7m to €594.5m, with the main income items performing as follows:

– Net interest income more than doubled, from €54.2m to €121m, driven by the rising interest rates, while the funding component, consisting of Private Banking and CheBanca! deposits, managed to contain the rise in costs; the banking book securities portfolio increased its contribution, from €39m to €110m, €25m of which in relation to an extraordinary coupon collected on an inflation-linked BTP which absorbed the higher cost of the T-LTRO, following revision of the calculation methodologies used as a result of the sharp rise in the ECB's interest rates;

– Net treasury income took advantage of the new market scenario, totalling €155.6m (up 61.4%), on an increasing contribution from client activities (up from €45.3m to €61m), driven by a strong-recovering in the fixed-income component (which contributed €17m for the six months), with equity trading matching last year's outstanding performance (€43.6m). The proprietary portfolio added €79.6m, approx. €50m of which from trading activities, due to profit-taking on outright positions already in place at end-June 2022, and approx. €30m from synthetic hedges on the banking book;

– Net fee and commission income rose from €166.9m to €200.5m, with good flows from Corporate Finance (up from €52.5m to €75.4m, €19.5m of which in the mid-corporate segment), Lending (up from €23.2m to €43.3m, chiefly in acquisition finance), and Capital Markets (up from €21.6m to €28m, €20.5m of which from ECM); while Private Banking operations offset the lack of performance fees with good flows from placements;
– Dividends from investments amounted to €117.4m, €110m of which from Group Legal Entity Compass Banca, which compensated for the extraordinary dividend paid by Assicurazioni Generali last year (€93.2m).

The increase in costs, which rose by 12.2% (from €215.3m to €241.6m), involved chiefly labour costs (up 16.1%, from €126.9m to €147.3m), reflecting the increase in headcount (with 61 FTEs added), the talent retention policies, and adjustment of the accruals for bonuses to reflect the Bank's excellent performance; while the increase in administrative expenses was concentrated in IT costs and due to the higher project component.

Loan loss and other provisions were higher than last year. Provisioning for the loan book reflects the adjustment to the new macro scenario, plus the effects of the careful rating analysis, which led to certain positions being reclassified as Stage 2, and one corporate exposure being reclassified as UTP, with writebacks markedly lower than last year (€9m of the overlays were released, which now total €26m); the recognition of holdings in funds at fair value as at end-December 2022 was particularly negative for credit products, resulting in a downward adjustment of €17.6m, added to the €2.9m increase in provisions for banking book assets.

On the balance-sheet side, the Bank's total assets increased from €79.7m to €85.8m, with the main items reflecting the following performances:

– Loans and advances to customers rose from €40bn to €42.6bn, €26.6bn of which to Group Legal Entities (€25bn), €14.4bn to corporates (€13.5bn), and €1.6bn to Private Banking clients (€1.4bn). Gross NPLs were €49m higher, at €117.8m, after one corporate exposure was reclassified as UTP; while net NPLs totalled €45.4m (coverage ratio 61.5%);

- Funding increased from €55.4bn to €58.1bn, with the debt security component increasing from €16.3bn to €18.5bn, following the resumption of issues via the third-party and Group commercial networks, plus Private Banking deposits of €5.7bn and Premier Banking deposits (CheBanca!) of €16.1bn;
- Net equity declined from €5.1bn to €4.7bn, after distribution of the 2022 dividend (€629.2m)
- AUM/AUA in Private Banking were up 10%, from €15.1bn to €16.6bn, following good inflows in terms of NNM (€1.4bn), with market valuations resilient.

* * *

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

(€ m)

Company	**Percentage shareholding**	**Business Line**	**Total assets**	**Loans and advances to customers**	**Total net equity [1]**	**No. of staff**
Mediobanca Securities (data in USDm)	100%	*CIB*	7.2	—	5.6	5
Mediobanca Funding Luxembourg	100%	*CIB*	11.1	10.0	1.0	—
Messier et Associés S.A.S. *	100%	*CIB*	76.4	—	26.0	36
Messier et Associés L.L.C. (data in USDm) *	100%	*CIB*	0.3	—	0.3	1
Mediobanca International	100%	*CIB / HF*	6,657.8	4,752.3	445.0	19
MBFACTA	100%	*CIB*	3,337.0	3,073.8	214.3	48
MBCredit Solutions	100%	*CIB/HF*	62.5	—	32.4	174
MB Contact Solutions	100%	*CIB*	1.2	—	0.4	4
Compass Banca	100%	*CF*	16,463.7	14,651.8	2,958.8	1,464
Quarzo S.r.l.	90%	*CF*	0.1	—	—	—
Quarzo CQS S.r.l.	90%	*CF*	0.1	—	—	—
Compass RE	100%	*CF*	324.1	1.0	155.1	1
Compass Rent	100%	*CF*	7.2	—	1.8	10
Compass Link	100%	*CF*	0.9	—	(0.5)	1
Soisy	100%	*CF*	8.5	—	3.8	32
CheBanca!	100%	*WM*	31,227.0	11,981.8	898.7	1.518
Mediobanca Covered Bond	90%	*WM*	0.8	—	0.1	—
CMB Monaco	100%	*WM*	8,577.3	2,841.6	984.7	242
Spafid	100%	*WM*	69.2	—	43.2	41
Spafid Family Office SIM	100%	*WM*	1.4	—	0.9	5
Polus Capital Management Group Limited (data in GBPm) *	89.07%	*WM*	121.0	—	86.6	59
RAM Active Investments (data in CHFm) *	98.28%	*WM*	22.7	—	19.0	32
RAM Active Investments (Luxembourg) (data in CHFm)	98.28%	*WM*	9.3	—	2.7	6
RAM UK (data in CHFm) **	98.28%	*WM*	0.3	—	(0.1)	5
CMG Monaco	100%	*WM*	9.1	—	0.7	12
Spafid Trust S.r.l.	100%	*WM*	1.3	—	1.1	3
Mediobanca SGR S.p.A.	100%	*WM*	70.7	—	58.2	53
Mediobanca Management Company S.A.	100%	*WM*	11.7	—	9.1	5
CMB RED	100%	*WM*	50.8	—	49.9	1
MB INV AG S.r.l.	100%	*I-PI*	28.7	—	16.5	—
Revalea	100%	*HF*	284.2	256.6	116.7	22
Mediobanca International Immobilière	100%	*HF*	2.1	—	2.0	—
SelmaBipiemme Leasing	60%	*HF*	1,588.1	1,480.5	227.5	95
Mediobanca Innovation Services	100%	*HF*	102.2	—	35.5	145
Spafid Connect	100%	*HF*	7.0	—	6.5	—

[1] Includes the profit for the period.

* Taking into account the put and call option; see Table 1, Part A1 – section 3 – Area and methods of consolidation.

** Total revenues are fully attributable to intercompany transactions.

(€ m)

Company	Percentage shareholding	Business Line	Total income	Operating costs	Loss provisions	Gain/(loss) for the period
Mediobanca Securities (dati in USDm)	100%	*CIB*	1.2	(1.8)	—	(0.7)
Mediobanca Funding Luxembourg	100%	*CIB*	0.2	(0.2)	—	—
Messier et Associés S.A.S. *	100%	*CIB*	23.2	(14.8)	—	6.2
Messier et Associés L.L.C. (dati in USDm) *	100%	*CIB*	0.0	0.1	—	0.1
Mediobanca International	100%	*CIB / HF*	14.7	(4.3)	0.4	8.0
MBFACTA	100%	*CIB*	21.8	(6.5)	(1.4)	9.7
MBCredit Solutions	100%	*CIB / HF*	39.2	(30.9)	(8.0)	0.2
MB Contact Solutions	100%	*CIB*	0.6	(0.6)	—	—
Compass Banca	100%	*CF*	541.2	(163.0)	(100.4)	187.0
Quarzo S.r.l.	90%	*CF*	—	—	—	—
Quarzo CQS S.r.l.	90%	*CF*	0.0	—	—	—
Compass RE	100%	*CF*	18.0	(0.5)	—	13.0
Compass Rent	100%	*CF*	0.3	(1.3)	—	(0.6)
Compass Link	100%	*CF*	0.0	(0.4)	—	(0.4)
Soisy	100%	*CF*	0.7	(3.3)	—	(2.6)
CheBanca!	100%	*WM*	211.9	(151.7)	(6.4)	19.4
Mediobanca Covered Bond	90%	*WM*	0.0	—	—	—
CMB Monaco	100%	*WM*	70.6	(41.4)	0.2	22.6
Spafid	100%	*WM*	4.3	(4.3)	—	—
Spafid Family Office SIM	100%	*WM*	0.7	(0.7)	—	—
Polus Capital Management Group Limited (dati in GBPm) *	89,07%	*WM*	24.2	(18.1)	—	4.9
RAM Active Investments (dati in CHFm) *	98,28%	*WM*	3.5	(7.2)	—	(3.7)
RAM Active Investments (Luxembourg) (dati in CHFm)	98,28%	*WM*	1.9	(1.3)	—	0.8
RAM UK (dati in CHFm) **	98,28%	*WM*	0.6	(0.9)	—	(0.3)
CMG Monaco	100%	*WM*	1.8	(2.4)	—	(0.5)
Spafid Trust S.r.l.	100%	*WM*	0.4	(0.4)	—	—
Mediobanca SGR S.p.A.	100%	*WM*	15.4	(8.7)	—	4.6
Mediobanca Management Company S.A.	100%	*WM*	1.0	(0.9)	—	—
CMB RED	100%	*WM*	0.6	(0.7)	—	(0.1)
MB INV AG S.r.l.	100%	*I-PI*	0.0	—	—	—
Revalea	100%	*HF*	—	(0.1)	—	(0.1)
Mediobanca International Immobilière	100%	*HF*	0.1	(0.1)	—	—
SelmaBipiemme Leasing	60%	*HF*	17.7	(11.3)	(0.6)	3.8
Mediobanca Innovation Services	100%	*HF*	2.8	0.3	—	0.2
Spafid Connect	100%	*HF*	0.1	(0.4)	—	0.2

* Taking into account the put and call option; see Table 1, Part A1 – section 3 – Area and methods of consolidation.
** Total revenues are fully attributable to intercompany transactions.

Finally, it should be noted that:

– CMB Monaco closed its local financial statements for the twelve months ended 31 December 2022 with a net profit of €18.6m, higher than last year (€16.3m), following transfers to the provisions for risks totalling €8.8m. Net interest income rose by 45%, from €45.2m to €65.3m), on higher lending volumes (customer loans were up from €2,336m to €2,847m) and interest rates; while net fee and commission income declined slightly, by 2% (from

€74.1m to €72.6m); and costs were up 10% (from €78m to €85.5m). For the twelve months TFAs rose by 7% (from €13bn to €13.9bn), with a substantial contribution from direct funding (which grew from €4.3bn to €6.1bn) and AUM under advisory mandates, which more than offset the negative market effect (valuations down €921m).

Other information

Related party disclosure

Financial accounts outstanding as at 31 December 2022 between companies forming part of the Mediobanca Group and related parties, and transactions undertaken between such parties during the financial year, are illustrated in Part H of the Notes to the Accounts, along with all the information required in terms of transparency pursuant to Consob resolution no. 17221 issued on 12 March 2010 (amended most recently by resolution no. 21264 of 10 December 2020). All such accounts form part of Group companies' ordinary operations, are maintained on an arm's length basis, and are entered into solely in the interests of the companies concerned. No atypical or irregular transactions have been entered into with such counterparties.

Article 15 of Consob's market regulations

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

Principal risks facing the Group

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

Consolidated Non-Financial Statement

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

The Group's consolidated non-financial statement is published annually on the Bank's website at www.mediobanca.com (in the section entitled "Responsible Business"), and is drawn up in accordance with the provisions of Italian Legislative Decree 254/16 and with the core option of the Global Reporting Initiative Sustainability Reporting Standards (the "GRI Standards") published in 2016 by the Global Reporting Initiatives (GRI), which are currently the most widely used and internationally recognized standards in non-financial reporting. Furthermore, as from the Consolidated Non-Financial Statement for FY 2021-22, the following have also been included: information regarding alignment with the EU Taxonomy regulation, a preliminary self-assessment in view of the Principles for Responsible Banking, and the first two interim sector targets for indirect emissions, as required by the Net-Zero Banking Alliance.

Research

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

Credit rating

On 9 August 2022, Moody's confirmed its BBB1 rating for Mediobanca, but revising the outlook from stable to negative following the S&P Global Ratings' decision (29 July), which confirmed its BBB rating for Mediobanca, also in this case revising the outlook from positive to stable. Both ratings follow the same actions taken for Italian sovereign debt and the main Italian banks, due to lower expectations in terms of economic growth and the greater risks in the business sector perceived after the downfall of the government led by Mario Draghi. With regard to other agencies, Fitch Ratings has left Mediobanca unchanged at BBB with stable outlook.

Other reports

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

Outlook

On the back of its 6M performance, and in view of the revenues pipeline, the Group expects to meet its 2019-23 Strategic Plan targets, despite the turbulent macroeconomic scenario of the past three years (Covid-19, Russia-Ukraine conflict, and inflationary pressures), confirming the resilience of its business model.

Revenues are expected to rise, driven by a higher than expected increase in net interest income, with fees resilient; while growth at the GOP level will be supported by careful management of the cost/income ratio (45%), with the cost of risk expected to remain at the levels seen in the first six months, in view of the good asset quality and the substantial overlays set aside. The capital ratios will remain at high levels, able to guarantee growth and solid shareholder remuneration (cash payout ratio confirmed at 70%).

Reconciliation of shareholders' equity and net profit

(€ '000)

	Shareholders' equity	Net profit (loss)
Balance at 31/12 as per Mediobanca S.p.A. accounts	4,449,253	231,375
Net surplus over book value for consolidated companies	14,822	269,711
Differences on exchange rates originating from conversion of accounts made up in currencies other than the Euro	6,660	—
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	4,577,108	53,993
Dividends received during the period		
Total	**9,047,843**	**555,079**

Milan, 9 February 2023

THE BOARD OF DIRECTORS

CERTIFICATION BY THE HEAD OF COMPANY FINANCIAL REPORTING

CERTIFICATION OF THE INTERIM FINANCIAL REPORT
pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999, as amended

1. The undersigned Alberto Nagel and Emanuele Flappini, in their respective capacities as Chief Executive Officer and Head of Company Financial Reporting of Mediobanca, hereby, and in view inter alia of the provisions contained in Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58/98, declare that the administrative and accounting procedures used in the preparation of the interim financial report:
   – were adequate in view of the company's characteristics and
   – were effectively adopted during the period 1 July - 31 December 2022.

2. Assessment of the adequacy of said administrative and accounting procedures for the preparation of the interim financial report at 31 December 2022 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems which are widely accepted at international level (CoSO and CobiT frameworks).

3. It is further hereby declared that
   3.1 the interim financial report:
   – was drawn up in accordance with the International Financial Reporting Standards adopted by the European Union pursuant to Regulation (EC) 1606/02 issued by the European Parliament and Council on 19 July 2002;
   – corresponds to the data recorded in the company's books and accounting ledgers;
   – is adequate for the purpose of providing a true and fair view of the capital, earnings and financial situation of the issuer and of the group of companies included within its area of consolidation.

   3.2 the interim review of operations includes a reliable analysis of data relating to important events that occurred in the first six months of the year and their impact on the interim financial report, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim review of operations also includes a reliable analysis of the information on relevant transactions with related parties.

Milan, 9 February 2023

Chief Executive Officer	*Head of company financial reporting*
Alberto Nagel	Emanuele Flappini

EXTERNAL AUDITORS' REPORT

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated balance sheet, the consolidated profit and loss account, the consolidated comprehensive profit and loss account, the statement of changes to consolidated net equity, the consolidated cash flow statement and related notes of Mediobanca S.p.A. and its subsidiaries (hereafter "Mediobanca Group") as of December 31, 2022 and for the six months then ended. The Directors are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Mediobanca Group as of December 31, 2022 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, February 10, 2023

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

This report has been translated into the English language solely for the convenience of international readers

CONSOLIDATED
FINANCIAL STATEMENTS

Consolidated Balance Sheet

(€000)

Assets	31/12/22	30/6/22
10. Cash and cash equivalents	10,408,925	8,578,844
20. Financial assets at fair value with impact taken to profit and loss	9,843,248	10,681,019
a) Financial assets held for trading	*8,689,676*	*9,530,935*
b) Financial assets designated at fair value	*512,341*	*516,483*
c) Other financial assets mandatorily at fair value	*641,231*	*633,601*
30. Financial assets at fair value with impact taken to comprehensive income	4,128,330	4,133,685
40. Financial assets at amortized cost	62,666,711	60,105,275
a) Due from banks	*3,707,120*	*3,351,341*
b) Due from customers	*58,959,591*	*56,753,934*
50. Hedging derivatives	1,428,475	872,431
60. Adjustment of hedging financial assets (+/-)	—	—
70. Equity investments	2,266,023	3,157,866
80. Reinsured portion of technical reserve	—	—
90. Property, plant and equipments	529,510	511,828
100. Intangible assets	840,900	838,413
of which:		
goodwill	*622,656*	*616,791*
110. Tax assets	660,268	808,257
a) current	*115,977*	*211,290*
b) deferred	*544,291*	*596,967*
120. Assets classified as held for sale **	—	191 (*)
130. Other assets	965,411	880,611
Total assets	**93,737,801**	**90,568,420**

* The balance sheet as at 30 June 2021 includes the reclassification of current accounts in the Cash item as required by the VII update of Circular 262 of the Bank of Italy.

** Related to Spafid Connect business unit disposal deal.

(€000)

Liabilities and net equity	31/12/22	30/6/22
10. Financial liabilities at amortized cost	69,455,202	66,715,625
a) Due to banks	*16,060,735*	*15,751,826*
b) Due to customers	*34,077,167*	*32,723,575*
c) Debt securities in issue	*19,317,300*	*18,240,224*
20. Trading financial liabilities	9,534,241	9,206,705
30. Financial liabilities designated at fair value	1,072,105	641,664
40. Hedging derivatives	2,133,953	1,361,863
50. Adjustment of hedging financial liabilities (+/-)	—	—
60. Tax liabilities	660,343	659,787
a) current	*215,571*	*257,268*
b) deferred	*444,772*	*402,519*
70. Liabilities included in disposal groups classified as held for sale **	—	—
80. Oher liabilities	896,575	955,196
90. Staff severance indemnity provision	21,242	21,969
100. Provisions	143,308	137,768
a) commitments and financial guarantees	*22,841*	*24,264*
b) post-employment and similar benefits	—	—
c) other provisions	*120,467*	*113,504*
110. Insurance reserves	115,272	119,001
120. Revaluation reserves	(586,682)	433,592
130. Redeemable shares repayable on demand	—	—
140. Equity instruments repayable on demand	—	—
150. Reserves	7,075,117	6,908,263
160. Share premium reserve	2,195,606	2,195,606
170. Share capital	444,154	443,640
180. Treasury share (-)	(80,352)	(240,807)
190. Minority interests (+/-)	102,638	101,571
200. Profit/(loss) for the period (+/-)	555,079	906,977
Total liabilities and net equity	**93,737,801**	**90,568,420**

** Related to Spafid Connect business unit disposal deal.

Consolidated Profit and Loss Account

(€000)

Items		31/12/22	30/6/22	31/12/21
10.	Interest and similar income	1,189,463	1,847,987	914,741
	of which: interest income calculated according to the effective interest method	*1,047,129*	*1,655,536*	*820,287*
20.	Interest expense and similar charges	(347,012)	(353,681)	(177,365)
30.	**Net interest income**	**842,451**	**1,494,306**	**737,376**
40.	Fee and commission income	460,366	834,723	439,592
50.	Fee and commission expense	(77,026)	(166,719)	(79,724)
60.	**Net fee and commission income**	**383,340**	**668,004**	**359,868**
70.	Dividends and similar income	23,397	117,764	43,936
80.	Net trading income	107,200	(10,664)	22,497 (*)
90.	Net hedging income (expense)	5,218	(2,115)	(1,456)
100.	Gain (loss) on disposal/repurchase:	6,192	24,953	27,451
	a) financial assets measured at amortized cost	*9,973*	*6,212*	*14,419*
	b) financial assets valued at fair value with impact taken to comprehensive income	*(8,165)*	*19,761*	*13,668*
	c) financial liabilities	*4,384*	*(1,020)*	*(636)*
110.	Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	(9,281)	(20,770)	6,376
	a) financial assets and liabilities designated at fair value	*10,530*	*13,288*	*2,227*
	b) other financial assets mandatorily valued at fair value	*(19,811)*	*(34,058)*	*4,149*
120.	**Total income**	**1,358,517**	**2,271,478**	**1,196,048**
130.	Net write-offs (write-backs) for credit risk:	(136,434)	(206,182)	(133,832)
	a) financial assets measured at amortized cost	*(137,166)*	*(203,877)*	*(133,068)*
	b) financial assets valued at fair value with impact taken to comprehensive income	*732*	*(2,305)*	*(764)*
140.	Gains (losses) from contractual modifications without derecognition	(135)	(55)	79
150.	**Net income from financial operations**	**1,221,948**	**2,065,241**	**1,062,295**
160.	Premiums earned (net)	20,947	44,374	23,257
170.	Other income (net) from insurance activities	(5,123)	(12,916)	(7,324)
180.	**Net profit from financial and insurance activities**	**1,237,772**	**2,096,699**	**1,078,228**
190.	Administrative expenses:	(716,811)	(1,381,467)	(649,923)
	a) personnel coss	*(362,970)*	*(671,474)*	*(328,562)*
	b) other administrative expenses	*(353,841)*	*(709,993)*	*(321,361)*
200.	Net transfers to provisions:	(11,578)	(6,941)	(2,660)
	a) commitments and financial guarantees	*1,486*	*2,893*	*2,537*
	b) other sums set aside (net)	*(13,064)*	*(9,834)*	*(5,197)*
210.	Net adjustments to tangible assets	(30,461)	(57,057)	(27,760)
220.	Net adjustments to intangible assets	(15,133)	(29,528)	(14,573)
230.	Other operating income (expense)	88,752	177,335	77,814
240.	**Operating costs**	**(685,231)**	**(1,297,658)**	**(617,102)**
250.	Gain (loss) on equity investments	195,415	359,254	185,728
260.	Net result from fair value valuation of tangible and intangible assets	—	—	—
270.	Goodwill write-offs	—	(3,733)	—
280.	Gain (loss) on disposal of investments	414	7,087	(416)
290.	**Profit (loss) on ordinary activity before tax**	**748,370**	**1,161,649**	**646,438**
300.	Income tax for the year on ordinary activities	(191,211)	(251,995)	(120,435)
310.	**Profit (loss) on ordinary activities after tax**	**557,159**	**909,654**	**526,003**
320.	Gain (loss) of ceded operating assets, net of tax	—	—	—
330.	**Net profit (loss) for the period**	**557,159**	**909,654**	**526,003**
340.	Net profit (loss) for the period attributabe to minorities	(2,080)	(2,677)	(189)
350.	**Net profit (loss) for the period attributable to Mediobanca**	**555,079**	**906,977**	**525,814**

* The effect of foreign exchange valuations of banking book securities has been reclassified from item 100 to item 80.

Consolidated Comprehensive Profit and Loss Account

(€000)

		31/12/22	30/6/22	31/12/21
10.	Profit (Loss) for the period	557,159	909,654	526,003
	Other income items net of tax without passing through profit and loss	**92,573**	**98,187**	**28,833**
20.	Equity securities designated at fair value with impact taken to comprehensive income	20,906	37,918	17,791
30.	Financial liabilities at fair value with impact taken to profit and loss (variation of own credit risk)	(7,498)	4,425	(165)
40.	Hedging of equity securities designated at fair value with impact taken to comprehensive income	—	—	—
50.	Property, plant and equipments	—	—	—
60.	Intangible assets	—	—	—
70.	Defined benefit schemes	700	4,718	(1,360)
80.	Non-current assets held for sale	—	—	—
90.	Share of valuation reserves attributable to equity-accounted companies	78,465	51,126	12,567
	Other income items net of tax passing through profit and loss	**(1,074,737)**	**(596,480)**	**(1,196)**
100.	Foreign investments hedges	(1,310)	(10,606)	(6,504)
110.	Exchange rate differences	(2,360)	8,156	6,025
120.	Cash flow hedges	132,439	193,621	27,268
130.	Hedging instruments (non-designated elements)	—	—	—
140.	Financial assets (other than equity securities) valued at fair value with impact taken to comprehensive income	(14,877)	(89,644)	(16,287)
150.	Non-current assets held for sale	—	—	—
160.	Share of valuation reserves attributable to equity-accounted companies	(1,188,629)	(698,007)	(11,698)
170.	**Total other income items, net of tax**	**(982,164)**	**(498,293)**	**27,637**
180.	**Comprehensive income (Heading 10 +170)**	**(425,005)**	**411,361**	**553,640**
190.	**Consolidated comprehensive income attributable to minorities**	**2,577**	**3,793**	**518**
200.	**Consolidated comprehensive income attributable to Mediobanca**	**(427,582)**	**407,568**	**553,122**

Statement of Changes to Consolidated Net Equity

(€000)

	Total Group net equity at 30/6/21	Allocation of profit for previous period		Changes during the reference period									Total net equity at 31/12/22	Net equity attributable to the group at 31/12/22	Net equity attributable to the minorities at 31/12/22
					Transactions involving net equity										
		Reserves	Dividends and other fund applications	Changes to reserves	New shares issued	Shares purchases	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]	Changes to investments	Overall consolidated profit for the 6 mths ended 31/12/22			
Share capital:	460,269	—	—	—	514	—	—	—	—	—	—	—	460,783	444,154	16,629
a) ordinary shares	460,269	—	—	—	514	—	—	—	—	—	—	—	460,783	444,154	16,629
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,197,454	—	—	—	—	—	—	—	—	—	—	—	2,197,454	2,195,606	1,848
Reserves:	6,989,271	909,654	(629,164)	43,727	(514)	(160,455)	—	—	—	4,773	—	—	7,157,292	7,075,117	82,175
a) retained earnings	7,060,452	909,654	(629,164)	6,114	(514)	—	—	—	—	—	—	—	7,346,542	7,264,994	81,548
b) others	(71,181)	—	—	37,613	—	(160,455)	—	—	—	4,773	—	—	(189,250)	(189,877)	627
Valuation reserves	433,001	—	—	(37,613)	—	—	—	—	—	—	—	(982,164)	(586,776)	(586,682)	(94)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(240,807)	—	—	—	—	160,455 [2]	—	—	—	—	—	—	(80,352)	(80,352)	—
Profit (loss) for the period	909,654	(909,654)	—	—	—	—	—	—	—	—	—	557,159	557,159	555,079	2,080
Total net equity	10,748,842	—	(629,164)	6,114	—	—	—	—	—	4,773	—	(425,005)	9,705,560	X	X
Net equity attributable to the group	10,647,271	—	(629,164)	7,624	—	—	—	—	—	4,773	—	(427,582)	X	9,602,922	X
Net equity attributable to minorities	101,571	—	—	(1,510)	—	—	—	—	—	—	—	2,577	X	X	102,638

[1] Represents the effects of the performance shares related to the ESOP schemes.

[2] The increase in minority interests is due to the dilution of the share capital of Cairn Capital Ltd after the issue of new shares assigned to former Bybrook shareholders and of which only 50% is subject to put & call agreements.

Statement of Changes to Consolidated Net Equity

(€000)

	Total Group net equity at 30/6/21	Allocation of profit for previous period		Changes during the reference period									Total net equity at 31/12/22	Net equity attributable to the group at 31/12/22	Net equity attributable to the minorities at 31/12/22
		Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity							Overall consolidated profit for the 6 mths ended 31/12/22			
					New shares issued	Shares purchases	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury shares derivates	Stock options [1]	Changes to investments				
Share capital:	460,269	—	—	—	—	—	—	—	—	—	—	—	460,269	443,640	16,629
a) ordinary shares	460,269	—	—	—	—	—	—	—	—	—	—	—	460,269	443,640	16,629
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,197,454	—	—	—	—	—	—	—	—	—	—	—	2,197,454	2,195,606	1,848
Reserves:	6,921,421	809,199	(569,164)	21,916	—	(216,512)	—	—	—	4,280	—	—	6,971,140	6,890,012	81,128
a) retained earnings	6,785,617	809,199	(569,164)	23,532	—	—	—	—	—	—	—	—	7,049,184	6,968,683	80,501
b) others	135,804	—	—	(1,616)	—	(216,512)	—	—	—	4,280	—	—	(78,044)	(78,671)	627
Valuation reserves	929,523	—	—	1,616	—	—	—	—	—	—	—	27,637	958,776	960,154	(1,378)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(216,736)	—	—	—	—	188,216	—	—	—	—	—	—	(28,520)	(28,520)	—
Profit (loss) for the period	809,199	(809,199)	—	—	—	—	—	—	—	—	—	526,003	526,003	525,814	189
Total net equity	11,101,130	—	(569,164)	23,532	—	(28,296)	—	—	—	4,280	—	553,640	11,085,122	X	X
Net equity attributable to the group	11,012,818	—	(569,164)	13,946	—	(28,296)	—	—	—	4,280	—	553,122	X	10,986,706	X
Net equity attributable to minorities	88,312	—	—	9,586 [2]	—	—	—	—	—	—	—	518	X	X	98,416

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

[2] Represent the effect of the repurchase of RAM Active Investments shares against Group's reserves

Consolidated Cash Flow Statement Direct Method

(€000)

	Amount	
	31/12/22	**31/12/21**
A. Cash flows from operating activity		
1. Operating activity	**206,440**	**177,079**
- interest received	1,053,588	805,653
- interest paid	(318,870)	(161,249)
- dividends and similar income	21,370	45,452
- net fees and commission income	156,917	135,393
- cash payments to employees	(310,474)	(290,318)
- net premium income	17,730	18,530
- other premium from insurance activity	(77,823)	(75,093)
- other expenses paid	(460,214)	(239,595)
- other income received	171,383	148,104
- income taxes paid	(47,167)	(209,798)
- Expenses/income from group of assets being sold	—	—
2. Cash generated/absorbed by financial assets	**(2,524,501)**	**(3,649,220)**
- financial assets held for trading	1,401,073	(1,105,899)
- financial assets valued at fair value	20,460	70,487
- financial assets mandatorily valued at fair value	(25,119)	(19,117)
- financial assets valued at fair value with impact taken to profit and loss	(15,019)	(411,792)
- financial assets valued at amortized cost	(3,151,166)	(2,151,463)
- other assets	(754,730)	(31,436)
3. Cash generated/absorbed by financial liabilities	**4,811,170**	**5,031,127**
- financial liabilities valued at amortized cost	4,208,967	5,232,768
- financial liabilities held for trading	236,868	(222,020)
- financial liabilities designated at fair value	430,476	(45,218)
- other liabilities	(65,141)	65,597
Net cash flow (outflow) from operating activities	**2,493,109**	**1,558,986**
B. Cash flows from investment activity		
1. Cash generated from:	**554**	**106,537**
- disposal of shareholdings	—	—
- dividends received in respect of equity investments	—	93,248
- disposals of tangible assets	306	1,756
- disposals of intangible assets	2	11,528
- disposals of subsidiaries or business units	246	5
2. Cash absorbed by:	**(44,091)**	**(11,252)**
- purchases of shareholdings	(7,400)	—
- purchases of tangible assets	(17,247)	(11,251)
- purchases of intangible assets	(19,444)	(1)
- purchases of subsidiaries or business units	—	—
Net cash flow (outflow) from investment activity	**(43,537)**	**95,285**
C. Cash flows from funding activity	**(619,491)**	**(595,384)**
- issuance/acquisition of treasury shares	—	(28,296)
- issuance/acquisition of capital instruments	—	—
- distribution of dividends and other purposes	(619,491)	(567,088)
- purchases/acquisition of minorities	—	—
Net cash flow (outflow) from funding activities	**(619,491)**	**(595,384)**
Net cash flow (outflow) during the period	**1,830,081**	**1,058,887**

Reconciliation of Movements in Cash Flow during the Period

(€000)

Accounting items	Amount	
	31/12/22	31/12/21
Cash and cash equivalents: balance at start of period	8,578,844	3,273,438
Total cash flow (ouflow) during the period	1,830,081	1,058,887
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	10,408,925	4,332,325

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Accounting Policies

A.1 - General Part

SECTION 1

Statement of conformity with IAS/IFRS

The condensed interim consolidated financial statements were, as required by Italian Legislative Decree 38/05, drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and the respective interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of Regulation (EC) No. 1606/02 issued by the European Parliament and Council on 19 July 2002. In particular, account was taken of accounting standard IAS 34 relating to interim statements and of the "Instructions on preparing statutory and consolidated financial statements for banks and financial companies which control banking groups" issued by the Bank of Italy under Circular No. 262 of 22 December 2005 - seventh update of 29 October 2021, [1] as subsequently amended - which define the structure to be used in compiling and preparing the financial statements and the contents of the notes to the accounts.

The accounting policies adopted for the preparation of this short-term consolidated financial statement, with reference to the classification, recording, measurement and cancellation of balance sheet assets and liabilities as well as the recognition methods of revenues and costs, remain unchanged compared to those adopted for the preparation of the 2022 Financial Statement of the Mediobanca Group, to which reference is made for a complete exposure.

[1] The eighth update of the Circular was issued by the Bank of Italy on 17 November 2022. This update is mainly aimed at adopting the new international accounting standard IFRS 17 "Insurance contracts" for financial statements for the year ended or in progress at 31 December 2023 and the resulting amendments introduced in other international accounting standards, including IAS 1 "Presentation of Financial Statements" and IFRS 7 "Financial Instruments: Disclosures".

SECTION 2

General principles

These consolidated financial statements comprise:

– consolidated balance sheet;

– consolidated profit and loss account;

– consolidated statement of other comprehensive income;

– statement of changes to consolidated net equity;

– consolidated cash flow statement;

– notes to the accounts.

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

With regard to the going-concern assumption, the Directors believe they have a reasonable expectation that the Group will continue operations in the foreseeable future and, consequently, these condensed consolidated interim financial statements were prepared on a going-concern basis. They have also specified that they found no symptoms in the Group's equity and financial structure and operating performance that could lead to uncertainties in regard of the going-concern assumption.

Lastly, with regard to discretional evaluation of risks and uncertainties associated with the use of significant accounting estimates which company management are required to formulate in compliance with the IFRS and which could affect the adoption of accounting standards and amounts of assets, liabilities, costs and revenues recognized in the consolidated interim financial statements, please refer to the explanation contained in the Group's annual financial statements at 30 June 2022.

* * *

During the half year under review, the European Commission approved the following two regulations, which include certain amendments to accounting standards already in force:

- Regulation 2022/1392 of 11 August 2022, published in Official Journal L 211 of 12 August 2022, adopts amendments to IAS 12 "Income Taxes ". These amendments clarify how companies should account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce differences in the recognition of deferred tax assets and liabilities on leases and decommissioning obligations. Companies will apply these provisions starting from 1 January 2023 or later. The Mediobanca Group as of 1 July 2023;
- Regulation 2022/1491 of 8 September 2022, published in Official Journal L 234 of 9 September 2022, adopts amendments to IFRS 17 "Insurance Contracts". The amendment to the transitional provisions of IFRS 17 allows companies to overcome the one-off classification differences in comparative information regarding the previous year upon first-time adoption of IFRS 17 and IFRS 9 "Financial Instruments". Companies may apply the amendment only upon first-time adoption of IFRS 17 and IFRS 9 [2].

The measures and statements published by regulatory and supervisory authorities in the past 6 months regarding the most suitable way to apply accounting standards that supplement the measures contained in the latest financial statements at 30 June 2022 are shown below. Please refer to the above financial statements for more details.

ESMA:

On 28 October 2022, ESMA published the annual statement "European common enforcement priorities for 2022 annual financial reports" outlining the priorities on which listed companies must focus when preparing the annual reports for December 2022. ESMA in particular recommended that the IFRS 2022 financial statements provide information on the following topics:

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

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

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

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

a) any impacts caused by the conflict between Russia and Ukraine [3] on the company's financial performance and Alternative Performance Measures (APM);

b) the current macroeconomic context, resulting from the end of the pandemic period, inflation, interest rate hikes and the deterioration of the business outlook [4];

c) information on the taxonomy and communication for the alignment of economic activities pursuant to Article 8 of Regulation (EU) 2020/852 [5];

d) effects of climate risks (climate change), impacts, estimates and strategies implemented for their mitigation [6] with special attention being placed on the consistency between assessments and estimates applied in the notes to the accounts and in the disclosure contained in the review of operations [7] and Non-Financial Report;

e) reporting scope used for non-financial disclosure, which should at least coincide with the scope used for financial disclosure. It is also mentioned that this issue will in any case be further regulated within the European Sustainability Reporting Standards;

f) Alternative Performance Measures (APM); if they are used it is advisable to accompany them with a reconciliation with similar standard items or with those directly used for the calculation of the measure itself.

Lastly, in the same document, ESMA recalls that, starting from financial year 2022 [8], the iXBRL marking requirement will come into force for financial statements templates and for the notes to the accounts in compliance with the ESEF Regulation [9].

EBA:

On 12 September 2022, the three European Supervisory Authorities (EBA, EIOPA and ESMA - referred to as ESA) published a joint report on the autumn 2022 risks (Joint Committee - Autumn 2022 Report on Risks and Vulnerabilities). The report emphasizes how Russia's war against Ukraine,

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

[7] ESMA expects the impact of climate issues to be taken into account by entities within the scope of IFRS standards, in particular within the scope of IAS 16, IAS 36 and IAS 38.

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

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

compounded by pre-existing inflationary pressures, caused a sharp increase in energy and commodity prices thereby weakening the purchasing power of households and increasing the risk of stagflation. Consequently, the ESA Joint Committee has advised the national competent authorities, financial institutions and market operators to take the following measures:

a) prepare for a possible deterioration in the quality of assets and carefully monitor assets that have benefited from temporary measures related to the pandemic;

b) monitor the impact of further rate hikes in the future and the prolongation of the current high inflation period;

c) financial institutions and supervisors should also continue to carefully manage environmental risks [10] and cyber risks [11] to address threats to IT security and business continuity.

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

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

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

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

Group Project on Interbank Benchmark Rate Transition

During the half year, preparatory activities continued for the discontinuation of the USD Libor rate - scheduled for June 2023 - and for the introduction of fall-back clauses in line with the 2021 ECB recommendations relating to contracts and products indexed to the Euribor rate, although the latter's discontinuation has not been planned for the time being.

Targeted Longer-Term Refinancing Operations – T-LTRO

The T-LTRO III refinancing operation consists in a disbursement plan, for up to 10 operations, each with a three-year maturity, starting from September 2019 on a quarterly basis. During 2020, with the intention of further supporting the granting of credit to households and businesses, an additional discount (50 bps bonus last 30 June) was introduced for transactions in place between 24 June 2020 and 23 June 2021, subsequently renewed also for those in place between 24 June 2021 and 23 June 2022. Such bonus will be granted at the expiry of each transaction subject to compliance with a certain level of loans to households and businesses (referred to as "eligibility criteria"). In addition to the contents reported in the documentation regarding the discount, the program calculated the final interest at maturity based on the average quarterly refinancing rate on bank deposits.

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

The instrument is accounted for at amortized cost in accordance with IFRS 9. The change made by the ECB in computing the interest rate did not cause either derecognition or modification, and led to the recalculation of the effective rate at maturity, which, continuing with the same method used at 30 June 2022, takes into account the expected rise in rates and the recognition of a premium on the maturity date of the instrument. More specifically, at 23 November, the rate applied was 1.63% (2.04% the year-end rate at 31 December) with an average rate of 0.66% for the half year.

The effect of recalibrating the rate amounts to approximately 28m in higher interest expense, 51m of which in financial year 22/23.

Group's Hedge Accounting Manual

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

The use of a behavioural model for accounts and fixed rate loans led to a reduction of the Group's exposure to interest rate risk with a benefit on net interest income in light of the extension of the duration of deposits.

ESEF Regulation

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

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

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

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

The Mediobanca Group has completed and published the mark-up of the consolidated financial statements for the annual consolidated financial statements at 30 June 2022. The second phase of the project for the mark-up in block of the note to the accounts relating to the financial statements at 30 June 2023 is in progress.

It should be noted that the format required by the ESEF Regulation is not required for interim statements.

The New Accounting Standard IFRS 17 - Insurance Contracts

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

IFRS 17 will be applied starting from the financial statements for years starting on 1 January 2023 (for the Mediobanca Group the year starting on 1 July 2023), the transition date (FTA) being the beginning of the financial year immediately preceding the date of first adoption (1 January 2022, for the Mediobanca Group the financial year starting on 1 July 2022). As specified below, the first impact for the Group will be with reference to Assicurazioni Generali in the consolidated financial statements at 30 June 2023, which will incorporate the Company’s results at 31 March 2023, while the direct effects deriving from the subsidiary Compass RE will be incorporated in the Group’s quarterly statements at 30 September 2023.

Overview of Standard IFRS 17

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

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

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

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

Transition to the New Standard: Impacts on the Mediobanca Group

The Mediobanca Group holds an equity investment in Assicurazioni Generali recognized among associated companies in light of its significant influence and measured, in the consolidated financial statements, by using the equity method in line with IAS 28. Applying the provisions of paragraphs 33 and 34 of IAS 28, for consolidation, the Group uses the affiliate's accounting statement referring to the previous three months only based on public information. Consequently, the first official accounting statement approved by the Board of Directors of Assicurazioni Generali with the adoption of the IFRS 9-IFRS 17 standards will have an accounting date of 31 March 2023 and will be incorporated by the Mediobanca Group in the financial statements at 30 June 2023. Therefore no impacts due to the entry into force of the new standard were recorded in this interim report.

On 13 December 2022, during an Investor Day, the Company published and illustrated the expected impacts (upon FTA) due to the transition to the new standard; at such time, management stated that Equity was expected to remain steady levelling off at the figure recorded at the end of 2021 under the current accounting standards. At the profit and loss account level, a certain volatility is expected for both standards (IFRS 9 and IFRS 17) with respect to the past, in particular a greater exposure to market rates due to the discounting of the cash flows of insurance contracts under IFRS 17 and an increase in assets measured at fair value through profit or loss under IFRS 9.

With regard to the subsidiary Compass RE, an internal project is in progress to ensure the transition to the new standards in the manner and within the period established by the regulations. The simulations made with the Building Block Approach and Premium Allocation Approach found non-material impacts on the Group's equity and results.

SECTION 3

Area and methods of consolidation

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

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

The following events in the half year should be noted:

- in the half year, Compass completed two transactions in the Buy Now Pay Later (BNPL) sector aimed at speeding up its growth in the segment of payment extensions on digital channels, previously undertaken with the product *Pago Light* with success. It acquired 19.5% of Heidi Pay, a fintech company based in Switzerland, included among the entities subject to significant influence, although the % of ownership is less than 20%. Since the other conditions laid down in IAS 28 were satisfied, it was consolidated by the Parent Company using the equity method. In early October, the acquisition of 100% of Soisy was also completed, a fintech operating in Italy with vast know-how in the supply of loans aimed at the purchase of goods and services on e-commerce platforms. This equity investment is consolidated on a line-by-line basis. Within the next 12 months, the Purchase Price Allocation (PPA) under IFRS 3 will be carried out;
- it should be noted that on 3 November Cairn Capital changed its company name to Polus Capital Management;
- at the end of 2022, Revalea S.p.A., established last April and wholly owned by Compass Banca, obtained the authorization from the Supervisory Authorities to carry on operations. The sale of the «NPL purchase» business unit of the subsidiary MBCS was therefore finalized. The demerger and transfer of the business unit were accounted for at book value;
- on 28 December 2022, wholly owned MB INVAG S.r.l. was established by Mediobanca. It is consolidated using the line-by-line method, to which a pro-rata share of the assets (consisting in Assicurazioni Generali shares) and liabilities of the INV AG S.r.l. security held by Mediobanca as equity securities measured at FVOCI was awarded.

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

Name	Registered office	Type of relationship [1]	Shareholding		% voting rights [2]
			Investor company	% interest	
A, IMPRESE INCLUSE NEL CONSOLIDAMENTO					
A,1 Metodo integrale					
1, MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2, SPAFID S.P.A	Milan	1	A.1.1	100.0	100.0
3, SPAFID CONNECT S.P.A.	Milan	1	A.1.4	100.0	100.0
4, MEDIOBANCA INNOVATION SERVICES - S.C.P.A.	Milan	1	A.1.1	100.0	100.0
5, CMB MONACO S.A.M.	Montecarlo	1	A.1.1	100.0	100.0
6, CMG MONACO S.A.M.	Montecarlo	1	A.1.5	99,92	99,92
7, CMB ASSET MANAGEMENT S.A.M.	Montecarlo	1	A.1.5	99,5	99,5
8, MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.	Luxembourg	1	A.1.1	99.0	99.0
		1	A.1.9	1.0	1.0
9, COMPASS BANCA S.P.A.	Milan	1	A.1.1	100.0	100.0
10, CHEBANCA! S.P.A.	Milan	1	A.1.1	100.0	100.0
11, MBCREDIT SOLUTIONS S.P.A.	Milan	1	A.1.9	100.0	100.0
12, SELMABIPIEMME LEASING S.P.A.	Milan	1	A.1.1	60.0	60.0
13, MB FUNDING LUXEMBOURG S.A.	Luxembourg	1	A.1.1	100.0	100.0
14, MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.0	100.0
15, MB FACTA S.P.A.	Milan	1	A.1.1	100.0	100.0
16, QUARZO S.R.L.	Milan	1	A.1.9	90.0	90.0
17, QUARZO CQS S.R.L.	Milan	1	A.1.9	90.0	90.0
18, MEDIOBANCA COVERED BOND S.R.L.	Milan	1	A.1.10	90.0	90.0
19, COMPASS RE (LUXEMBOURG) S.A.	Luxembourg	1	A.1.9	100.0	100.0
20, MEDIOBANCA INTERNATIONAL IMMOBILIERE S. A R.L.	Luxembourg	1	A.1.8	100.0	100.0
21, POLUS CAPITAL MANAGEMENT GROUP LIMITED	London	1	A.1.1	100.0 *	64,6
22, POLUS CAPITAL MANAGEMENT LIMITED	London	1	A.1.21	100.0	100.0
23, POLUS CAPITAL MANAGEMENT (US) I.N.C.	Wilmington (USA)	1	A.1.21	100.0	100.0
24, POLUS CAPITAL MANAGEMENT INVESTMENTS LIMITED (non-operating)	London	1	A.1.21	100.0	100.0
25, POLUS INVESTMENT MANAGERS LIMITED (non-operating)	London	1	A.1.21	100.0	100.0
26, Bybrook Capital Management Limited	Grand Cayman	1	A.1.21	100.0	100.0
27, Bybrook Capital LLP	Reading	1	A.1.26	100.0	100.0
28, Bybrook Capital Services (UK) Limited	Reading	1	A.1.26	100.0	100.0
29, Bybrook Capital Burton Partnership (GP) Limited	Grand Cayman	1	A.1.26	100.0	100.0
30, Bybrook Capital (GP) LLC	Wilmington	1	A.1.26	100.0	100.0
31, Bybrook Capital (US) LP	Wilmington	1	A.1.26	100.0	100.0
32, SPAFID FAMILY OFFICE SIM	Milan	1	A.1.2	100.0	100.0
33, SPAFID TRUST S.R.L.	Milan	1	A.1.2	100.0	100.0
34, MEDIOBANCA MANAGEMENT COMPANY S.A.	Luxembourg	1	A.1.1	100.0	100.0
35, MEDIOBANCA SGR S.P.A.	Milan	1	A.1.1	100.0	100.0
36, RAM ACTIVE INVESTMENTS S.A.	Geneva	1	A.1.1	98,3 **	94,9
37, RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.	Luxembourg	1	A.1.36	100.0	100.0
38, MESSIER ET ASSOCIES S.A.S.	Paris	1	A.1.1	100.0 ***	79,7
39, MESSIER ET ASSOCIES L.L.C.	New York	1	A.1.38	100.0 ***	50.0
40, MBCONTACT SOLUTIONS S.R.L.	Milan	1	A.1.11	100.0	100.0
41, COMPASS RENT S.R.L.	Milan	1	A.1.9	100.0	100.0
42, COMPASS LINK S.R.L.	Milan	1	A.1.9	100.0	100.0
43, RAM ACTIVE INVESTMENTS LIMITED (UK) (non-operating)	London	1	A.1.36	100.0	100.0
44, CMB REAL ESTATE DEVELOPMENT SAM	Montecarlo	1	A.1.5	60.0	60.0
		1	A.1.1	40.0	40.0
45, REVALEA S.P.A.	Milan	1	A.1.9	100.0	100.0
46, SOISY S.P.A.	Milan	1	A.1.9	100.0	100.0
47, MB INV AG S.R.L.	Milan	1	A.1.1	100.0	100.0

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

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

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

Legend

[1] Type of relationship:

1 = Majority of voting rights in ordinary AGMs.

[2] Effective and potential voting rights in ordinary AGMs.

2. Considerations and significant assumptions used to determine consolidation area

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

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

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

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

Group Legal Entities are consolidated on the line-by-line basis, which means that the carrying amount of the parent’s investment and its share of the Group Legal Entity’s equity after minority interests are eliminated against the addition of that company’s assets and liabilities, income and expenses to the parent company’s totals. Any surplus arising following allocation of asset and liability items to the Group Legal Entity is recorded as goodwill. Intra-group balances, transactions, income and expenses are eliminated upon consolidation.

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

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

Under the equity method of accounting, any changes in the net equity of the investee company (including gains and losses) since the acquisition date should be included in the book value of the investment (originally recognized at cost). This value is reduced in the event that the investment distributes dividends. The gain or loss generated by the investment is recorded pro rata to the consolidated profit and loss account, along with any long-term reductions in value or reversals; while all other changes are recognized directly in net equity.

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

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

3. Investments in Group Legal Entities with significant minority interests

Nothing to report.

Significant restrictions

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

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

4. Other Information

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

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

Associates which have reporting periods ending on different dates compared to the Parent Company prepare a pro-forma accounting statement as at the consolidated reporting date, or alternatively send a statement referring to a previous date as long as it is not more than three months previously. This eventuality is expressly provided for by IAS 28 (paras. 33-34) provided that due account is taken of any material transactions or events that occur between said date and the reporting date for the financial statements.

Finally, it should be emphasized, as discussed above [12], that the associated company Assicurazioni Generali will carry out the transition (FTA) to the new IFRS 9/IFRS 17 standards starting from the financial disclosure at 31 March 2023, which will be implemented by the Mediobanca Group in the financial statements at 30 June 2023. Therefore, as specified above, until 31 December 2022 the Mediobanca Group will continue to use IAS 39 instead of IFRS 9 applied as from 1 July 2018, having exercised the deferred approach granted by IFRS 9 as governed by IFRS 4. Accordingly, in the Mediobanca Group's consolidated financial statements, the figures shown under "Value reserves for investments accounted for using the equity method" are calculated in accordance with IAS 39. Such amounts are therefore classified in the Statement of Other Comprehensive Income based on IAS 39 with no adjustments. It should also be noted that, until the date of entry into force of the new standards, Mediobanca will continue to apply the provisions under IAS 39 according to which reductions in the value of the AFS equity portfolio (shares and fund units), if certain quantitative or timing thresholds are exceeded, should be considered as evidence of impairment and accordingly must be measured through profit or loss (referred to as "recycling").

[12] Please refer to Part A - The New Accounting Standard IFRS 17 - Insurance Contracts.

Breach of such thresholds is recorded in accounting terms in the annual and interim financial statements drawn up in compliance with IAS 34. The effects on valuation, if material, are included among the subsequent events, if any, that require the reporting package to be amended.

SECTION 4

Events subsequent to the reporting date

On February 2nd (after the closing of December 31st) there was a fraudulent action against a customer of the Mediobanca Group private banking division. As a result, the appropriate investigations and initiatives for the recovery of the sums and have been launched without delay in order to identify, if any, the responsibilities of the Group and, in the event, to quantify the possible damages or losses.

There were no events after 31 December 2022 requiring an adjustment to be made to the results shown in the Consolidated Interim Report at 31 December 2022.

SECTION 5

Other aspects

The consolidated interim report is accompanied by the Certification of the Financial Reporting Officer pursuant to Article 154-bis of the Italian Law on Finance and is subject to a limited audit by the independent auditing firm EY S.p.A., according to the criteria recommended by Consob under Resolution No. 10867 of 31 July 1997.

A.2 - Significant Accounting Policies

Financial assets measured at fair value through profit or loss

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

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

Financial assets mandatorily measured at fair value include financial assets that are not held for trading but which are mandatorily measured at fair value through profit or loss since they do not meet the requirements for classification at amortized cost or at fair value through other comprehensive income. In particular, as clarified by the IFRS Interpretation Committee, this category includes units in mutual investment funds [13].

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

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

– the instruments are held on the basis of a business model whose objective is the collection of contractual cash flows and of proceeds deriving from the sale of such instruments;
– the contractual terms have passed the SPPI test.

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

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

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

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

Financial assets measured at amortized cost

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

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

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

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

– operating procedure adopted by management in the performance evaluation process;

- risk type and procedure for managing risks taken, including indicators for portfolio rotation;
- means for determining remuneration mechanisms for risk-takers.

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

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

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

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

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

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

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

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

– Stage 1: this includes exposures at their initial recognition date for as long as there is no significant impairment to their credit standing; for such instruments, the expected loss should be calculated depending on default events which may occur within twelve months of the reporting date;
– Stage 2: this includes exposures which, while not classified as impaired as such, have nonetheless experienced significant impairment to their credit standing since the initial recognition date; in the transition from Stage 1 to Stage 2, the expected loss will be calculated for the outstanding life of the instrument;
– Stage 3: this category consists of non-performing (impaired) exposures according to the definition provided in the regulations. In the transition to Stage 3, exposures are valued individually, that is, the value adjustment is calculated as the difference between the carrying value at the reference date (amortized cost) and the discounted value of the expected cash flows, which are calculated by applying the original effective interest rate.

The expected cash flows consider the anticipated collection times, the probable net realizable value of any guarantees, and the costs which are likely to be incurred for the recovery of the credit exposure from a forward-looking perspective which factors in alternative recovery scenarios and developments in the economic cycle.

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

The Group's policy to establish a significant increase in credit risk is based on qualitative and quantitative criteria and uses the 30-day past due loans or their classification as forborne as conditions to be otherwise included in Stage 2 (referred to as backstop indicators). Cases of low-risk instruments at the recording date are identified, compatible with classification as Stage 1 (low credit risk exemption), where there is a BBB- rating on the Standard & Poor's scale, or a corresponding internal PD estimate.

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

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

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

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

Derecognition of assets

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

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

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

When a financial asset measured at amortized cost is renegotiated, the Group derecognizes it only if the renegotiation entails a change of such magnitude that the initial instrument effectively becomes a new one. In such

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

cases, the difference between the original instrument's carrying value and the fair value of the new instrument is measured through profit or loss, taking due account of any previous write-downs. The new instrument is classified as Stage 1 for the purpose of calculating the expected loss (save in cases where the new instrument is classified as a POCI).

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

Leases (IFRS 16)

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

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

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

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

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

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

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

Hedging

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

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

– fair value hedges, which aim to offset the Group's exposure to changes in the fair value of a financial item or homogeneous group of assets in terms of risk profile;
– cash flow hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in future cash flows attributable to specific risks relating to the items concerned;

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

- hedges of foreign investments in currencies other than the Euro: these refer to the hedging of risks in an investment in a non-Italian company denominated in a foreign currency.

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

Hedge derivatives are recognized and measured at fair value as follows:

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

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

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

– the cash flow reserve is adjusted to the lower of:

– the cumulative gain or loss on the hedge instrument since the hedge's inception; and

– the cumulative change in fair value (at the present value) of the hedged item (i.e. the present value of the cumulative change in the estimated future cash flows hedged) since the hedge's inception.

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

Foreign currency investments hedges

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

- the portion of gain or loss on the hedging instrument that results in an effective hedge is booked into other comprehensive income; and
- the ineffective share is booked in profit (loss) for the year.

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

Equity Investments

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

Companies subject to significant influence, otherwise known as associates, are defined as entities in which the Group holds at least 20% of the voting

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

rights (including “potential” voting rights) or for which – despite holding a lower share of the voting rights – it is entitled to participate in deciding the financial and management policies of the investee company by virtue of its being represented in that company’s management bodies, without actually having control over it.

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

Tax assets and liabilities

Income taxes are recorded through the profit and loss account, with the exception of tax payable on items debited or credited directly to net equity. Provisions for income tax are calculated on the basis of current, advance and deferred obligations. In particular, prepaid and deferred taxes are calculated

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

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

on the basis of temporary differences – without time limits – between the value attributed to an asset or liability according to (Italian) statutory regulations and the corresponding values used for tax purposes.

Advance tax assets are recognized in the balance sheet based on the likelihood of their being recovered.

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

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

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

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

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

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

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

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

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

Provisions for Risks and Charges

These regard risks linked to loan commitments and guarantees issued, and to the Group's operations that may lead to future charges and retirement plans (cf. below).

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

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

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

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

It should be noted that, as required by IAS 37, par. 92, no precise indication has been given of any contingent liabilities where this could compromise the company in any way.

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

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

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

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

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

Financial liabilities measured at amortized cost

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

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

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

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

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

Trading Liabilities

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

Financial Liabilities Designated at Fair Value

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

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

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

Financial liabilities measured at the present value of redemption amount

These consist of financial liabilities originating from agreements to buy out minorities in connection with acquisitions of controlling interests. These items, accounted for in heading "80. Other liabilities" of balance sheet, must be recognized at the present value of the redemption amount.

Foreign currency transactions

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

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

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

Stock Options, Performance Shares and Long-Term Incentives

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

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

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

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

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

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

Treasury shares

These are deducted from net equity. Any differences between the initial disbursement upon acquisition and the revenues on disposal are also recognized in net equity.

Fees and commissions receivable in respect of services

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

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

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

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

Dividends

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

Recognition of costs

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

Related parties

Related parties are defined, inter alia in accordance with IAS 24, as follows:

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

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

c) the legal entities controlled by the Bank;

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

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

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

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

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

A.3 - Information on transfers between financial asset portfolios

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

There are no data to report at 31 December 2022.

A.4 - Information on fair value

QUALITATIVE INFORMATION

Introduction

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

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

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

– Valuations of listed instruments with similar characteristics or values recorded in recent comparable transactions;
– Discounted cash flow method;
– Derivative price calculation models prudentially adjusted to reflect the illiquid nature of some market data and other risks associated with specific transactions.

These valuation models, the related inputs and the Fair Value or Independent Price Verification Adjustment are mapped in the Product Catalogue and in the Group's official Fair Value and Independent Price Verification operating procedures.

Model improvement process

Model improvement activities continued during the half year in order to provide the Bank with a framework that would be more compliant with the Regulator's requests that emerged during an On-Site Inspection on Valuation Risk, which showed that there was room for improvement in the calculation of Fair Value adjustments through profit or loss, Independent Price Verification Adjustment, and Prudent Value Adjustment and suggested a review of the process for assigning fair value hierarchy levels, in particular with reference to the observability of the underlyings and adoption of the day-one profit rule.

In particular, the IPV and PVA process (see paragraphs below) and P&L attribution were reviewed. Furthermore, the review of the Observability\Levelling framework in regard of instruments in the portfolio is being finalised with the aim of moving from an approach by product to one by underlying (with a more specific action on certificates) in order to improve methodologies for attributing fair value levels and correctly applying the Day One P&L rule.

Some residual activities related to minor risk factors still need to be addressed. This will be completed within the current year without, however, significant economic effects.

Lastly, there was an on-site inspection that examined three types of products after which the need emerged to modify valuation methods by also changing the accounting representation. The changes will be implemented by the end of 2023, but again no significant economic impacts are expected.

Fair Value Adjustment (FVA)

Fair value adjustment is defined as the difference to be added to, or subtracted from, the price observed on the market or the theoretical price generated by the model, to ensure that fair value reflects the price of a possible market transaction. Mediobanca evaluates its trading books according to the exit price method as defined in IFRS 13. Namely:

Price - §24: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique;

Inputs based on bid and ask prices - §70: If an asset or a liability measured at fair value has a bid price and an ask price (e.g., an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value. The use of bid prices for asset positions and ask prices for liability positions is permitted, but is not required;

Inputs based on bid and ask prices - §71: this IFRS does not preclude the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

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

The scope of fair value adjustments includes the following categories:

- Market Price Uncertainty: this refers to the uncertainty of a valuation based on market prices;
- Close-Out Costs: this refers to the uncertainty of a valuation of the exit price that the Group might incur in the event of the, partial or total, disposal, of a position recognised at fair value;
- Model Risk: this refers to adjustments to mitigate the risk of misalignment with market practices in the valuation of a product for the choice and implementation of the related pricing model;
- Concentrated Positions: this refers to the uncertainty of a valuation of the exit price for positions defined as concentrated.

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

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

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

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

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

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

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

Independent Price Verification (IPV) Processes

The term Independent Price Verification refers to a process through which prices and market data should be verified according to certain standards of accuracy defined internally by the Bank. The Independent Price Verification Policy and Directive meet the requirements of Article 105, para. 8 of Regulation (EU) 575/2013, which states that "Institutions shall perform independent price verification in addition to daily marking to market or marking to model" and "shall establish and maintain procedures for considering valuation adjustments".

Independent Price Verification therefore meets the need to:

– define the control methodologies with reference to the validation of market data and prices;

– define the control processes, quantitative thresholds and escalation mechanisms, thus obtaining a further verification of the quality of models and market data used in the valuations;

– keep senior management adequately and promptly informed.

Independent Price Verification is carried out taking into account the following aspects:

– Consistency between info-providers: data validation in this case is based on consistency with other similar or comparable data, comparing the value contained in the Bank's system with that provided by other info-providers;

– "Market data Jumps": data validation is based on historical performance, i.e. the difference between date t-1 and date t;

– "Staleness": historical data validation also involves justifying the absence of transactions between date t-1 and date t;

– "Smoothness": for data represented in a matrix or vector form (e.g. surfaces and curves), a further check is performed to verify whether there are any irregular jumps or peaks on single items of the matrix.

This activity is focused on data analysis in order to detect consistency with a comparison source to ensure that it reflects real market conditions, in order to enable a correct valuation of the Bank's and of individual Desks' risk positions in the main Profit and Loss drivers. The impact of any data changes is incorporated in the Profit and Loss reporting process of the portfolio affected by the change.

Furthermore, the decision to change the source of valuation of any market data during the Independent Price Verification process, as well as the verification method itself, may generate a different classification of the instrument being analysed with respect to the Fair Value Hierarchy.

IPV - Daily checks

Market data validation is performed daily on all Bank positions (trading book and banking book) by the Financial Services Operation unit by examining the following data:

– individual prices of a financial instrument;

– market curves; and

– volatility surfaces.

IPV - Monthly checks

In addition to the daily checks described above in regard of some asset classes (specifically: equity volatility, equity correlation, dividends, variance swaps fair strike, bond repo margin, cap&floor volatility, swaption volatility and inflation curves), further checks are performed (on a monthly basis), given the nature and frequency with which valuation data is available in the systems.

Monthly checks of market data are based on consensus services and are described in the Fair Value Operating Manual, since the approach and data sources, as well as the ways of transposing the impacts deriving from the check into the systems, are closely linked to the calculation of Fair Value Adjustments due to Market Parameter Uncertainties.

Prudent Valuation Adjustment (PVA) Processes

Prudent Valuation Framework meets the regulatory requirements set out in Articles 34 and 105, Para. 2, of Regulation (EU) 575/2013, which states: "*Institutions shall establish and maintain systems and controls sufficient to provide prudent and reliable valuation estimates*".

Prudent Value means the valuation of instruments in the financial statements by applying appropriately corrected input parameters according to the regulatory directives to capture stressed events. The difference between Prudent Value and Fair Value (exit price used to record the instruments in the portfolio in the Bank's Balance Sheet), is called Additional Valuation Adjustment (AVA). The aggregation of AVAs, called Prudent Value Adjustment (PVA), is deducted directly from Common Equity Tier 1 - CET1.

Mediobanca applies the so-called Core Approach[22], mandatory for institutions that exceed the threshold of €15bn of fair value at consolidated level. The final adjustment is defined by the Regulator as an aggregation of nine AVAs:

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

[22] Core Approach: the sum of the absolute value of assets and liabilities measured at fair value is greater than €15bn.

The process leading to the definition of the value of AVAs at a consolidated and individual level can be summarised as follows:

- Perimeter. The "perimeter" identifies items subject to Prudent Valuation among the items measured at fair value in accordance with the filters required by the regulator.
- Data collection. Data collection takes place through retrieval from the front office, risk management and info provider systems used for finding market data. Data collection is functional to the composition of the information set necessary for the adoption of the calculation methodologies.
- Calculation. Calculations using the core approach are made by applying the methods developed by the Parent Company. The calculation generates the AVA values, as a contribution to the consolidation, for all the companies belonging to the Banking Group. The calculation of AVAs is also performed at an individual level by the Parent Company.
- Reporting. Reporting activities are aimed at providing information for reporting purposes and possibly for operating purposes.

The AVA Market Price Uncertainty (MPU), as defined by Delegated Regulation (EU) 2016/101, Chapter III, Article 9, consists in the uncertainty of valuation based on market prices calculated at the level of the exposure being measured. For risk factors represented by a plurality of market data, such as a volatility surface, the legislation requires the calculation to be carried out individually for each data and, subsequently, to be aggregated. However, the Bank has the right to offset exposures with opposite signs at different points, if this aggregation complies with the restrictions set by the Variance Ratio Test (VRT).

In particular, with reference to equity volatility and correlation, the Bank has decided to adopt a calculation method that performs the calculation for all possible combinations of market data and, for each of them, simultaneously verifies compliance with the VRT [23] in order to optimise the calculation.

[23] The optimisation process therefore requires the identification of possible exposure aggregation combinations on a reduced set of points. Compliance with the VRT is verified and the adjustment (Prudent Value Adjustment - PVA) is calculated for each of the combinations thus identified. The final value is given by the minimum PVA that complies with the Variance Ratio Test.

Assets and liabilities measured at fair value on a recurring basis

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

Observability of input parameters and fair value hierarchy

As specified in the Bank of Italy Circular No. 262 initially published on 22 December 2005: "Bank financial statements: preparation rules and templates", the books of assets held by the banks should be classified according to the Fair Value Levels of the assets. This means that Fair Value must be classified on the basis of a hierarchy of levels which reflects the significance of the inputs used in the valuations.

The term "valuation input" (or "input") refers to the market data used to estimate the fair value of instruments. To estimate the fair value of instruments, the Bank uses valuation techniques that are appropriate to the circumstances and for which sufficient data are available.

Valuation techniques can be based on different approaches:

– Market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets/liabilities.
– Cost method (or current replacement method), which reflects the amount that would currently be required to replace an asset's service capacity.
– Income approach, which converts future amounts (e.g. cash flows or income and expenses).

These valuation techniques may use different types of inputs, which can be observable or unobservable. Inputs mainly refer to assumptions that market operators use in setting the price of financial assets and liabilities. In this context, the term "input" primarily refers to the market data used in the valuation of such instruments.

Inputs are said to be observable when the information underlying the valuation techniques is based on market information obtained from sources independent of the Bank. Examples of markets from which observable inputs can be derived include the following:

Stock Markets. Closing prices on the stock markets are readily available and generally representative of fair value;

Dealer Markets. On these markets, trading takes place between financial intermediaries, or dealers, who buy or sell on their own account. Bid-ask prices are generally more readily available than closing prices. OTC markets (with public prices) are dealer markets;

Broker markets. On this type of market, a broker connects buyers and sellers but cannot trade on a proprietary basis. Broker markets include electronic trading platforms;

Inputs are said to be unobservable when the information on which the valuation techniques are based reflects the Bank's own judgement, formulated using the best information available in such circumstances.

Level 1

In principle, a financial instrument is at Level 1 if it is listed on an active market and the price represents its current trading value in normal, effective and regular market transactions. Its price must also be readily and regularly available through exchanges, brokers, intermediaries, direct and independent trading markets, quoting services or authorised parties.

Based on IFRS 13, the Bank has defined precise methods for calculating the Fair Value of products classified as Level 1.

Level 2 and Level 3

When a market is not active, the Fair Value of the instrument being valued is measured by referring to market prices for similar instruments on active markets (comparable approach) or alternatively, if such instruments are not available, through a valuation technique that uses market and non-market information (i.e. observable and/or unobservable inputs).

All instruments classified as Level 2 must in any case show a majority of observable inputs used for the fair value measurement. If the IPV process reveals a high level of uncertainty due to the inputs used, these products are classified as Level 3. The observability of an input depends not only on the type of product, but also on the availability of quotes and on the expiry date.

Materiality and relevance check

The principles of observability and levelling are based on a two-phase approach: in the first phase, a level is assigned to all the inputs applied in the instrument's valuation model and, in the second phase, the materiality of the various parameters used to determine the relevance of any unobservable parameters on the calculation of the fair value is verified.

Determining significance is a process that is applied in order to find whether unobservable inputs (i.e. Level 2 or 3 inputs) are material to the entire measurement of the instrument. In addition to the inputs of the valuation model used for the financial instrument, this materiality analysis is also extended to inputs used for calculating any corrections (FVA, CVA).

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

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

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

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

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

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

A.4.1 Sensitivity analysis and model evaluation

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

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

Non-observable inputs	**Quantification of parameter uncertainty**	**MtM +/- delta (€/000) 31/12/22**
Implicit volatility	Defined for each volatility surface point as a standard deviation from the consensus provided by the data provider IHSMarkit. For underlying instruments for which no data is contributed, a proxy is derived from the underlying instruments for which data is contributed	(20.6)
Correlation of equity single stocks	For each expiry on the correlation curve, defined as a standard deviation from the consensus provided by the data provider IHSMarkit. For underlying instruments for which no data is contributed, a proxy is derived from the underlying instruments for which data is contributed	(41.9)

Measurement techniques - Equity - receivables and interest rate products

Product	**Measurement technique**	**Non-observable inputs**	**Fair value * Assets 31/12/22 (€m)**	**Fair value * Liabilities 31/12/22 (€m)**	**Fair value * Assets 30/6/22 (€m)**	**Fair value * Liabilities 30/6/22 (€m)**
OTC equity single name options, variance swap	*Black-Scholes model*	Implicit volatility [1]	6.50	-	10.59	(14.08)
OTC equity basket options, best of/ worst of, equity auto-callable multi-asset options	*Black-Scholes model, local volatility model*	Implicit volatility	3.23	(11.92)	13.08	(16.40)
Bond options	*Black-Scholes model*	Single stock correlation [2]	—	(0.34)	—	—
Put options on Austrian retirement plans [3]	*Black-Scholes model*	Historical volatility + bump [1]	0.10	(36.97)	0.46	(30.52)

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

1 Volatility in a financial context is a measurement of how much the price of an underlying instrument may vary over time. The higher the volatility of the underlying instrument, the greater the risk associated with it. In general, long positions in options benefit from increases in volatility, whereas short positions in options lose out from them. For equity derivatives, the implicit volatility area may be obtained from the price of the call and put options, as they have regulated markets. The uncertainty of this parameter may be linked to the non-observability of the underlying market data.

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

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

The main factors contributing to transfers between fair value levels *are mainly linked to the uncertainty of non-observable market data, the uncertainty of valuation models* and the credit value adjustment (CVA).

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

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

A.4.4 Other information

The Group makes use of the possibility provided by IFRS 13, paragraph 48, to measure fair value on a net basis with reference to financial assets and liabilities with positions offsetting market risk and counterparty credit risk.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

(€000)

Financial assets/liabilities measured at fair value	31/12/22			30/6/22		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value with impact taken to profit and loss	5,444,368	3,627,761	771,118	6,112,824	3,249,512	1,318,683
a) financial assets held for trading	5,164,770	3,114,286	410,619	5,836,934	2,732,339	961,662
b) financial assets designated at fair value	—	512,341	—	—	516,483	—
c) other financial assets mandatorily valued at fair value	279,598	1,134	360,499	275,890	690	357,021
2. Financial assets measured at fair value with impact taken to other comprehensive income	3,614,376	151,477	362,477	3,696,496	17,793	419,396
3. Hedging derivatives	—	1,428,477	—	—	872,431	—
4. Tangible assets	—	—	—	—	—	—
5. Intangible assets	—	—	—	—	—	—
Total	9,058,744	5,207,715	1,133,595	9,809,320	4,139,736	1,738,079
1. Financial liabilities held for trading	4,760,919	4,486,344	286,976	4,604,875	3,897,854	703,975
2. Financial liabilities valued at fair value	—	1,067,029	5,075	—	638,151	3,513
3. Hedging derivatives	—	2,133,956	—	—	1,361,863	—
Total	4,760,919	7,687,329	292,051	4,604,875	5,897,868	707,488

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

A portion of Level 3 instruments consists in sold options, i.e. derivatives traded with the same underlying risk parameter and which therefore do not involve volatility for the income statement; in the half year, the value of these transactions fell sharply from €409.7m to €35.7m after more than half of the options expired (€216m) and another €173m in contracts reached the parameter liquidity level to be transferred to level 2.

Level 3 assets held for trading, after the above transactions, decreased from €551.9m to €374.9m, including an exposure to unlisted preference shares which decreased from €274.5m to €136.6m as a result of its partial conversion into listed security; the residual position was balanced by the valuation of the forward sale concluded on the same underlying and classified at level 2 since it was entirely prepaid in cash. In the half year, other sales of €31.3m and transfers of €7m to other levels were recorded.

Level 3 liabilities, after sold options, mainly relate to autocallable certificates on baskets of shares that decreased from €294.2m to €251.2m, after redemptions of €85.9m on certificates and new issues of €52.2m; transfers to other levels amounting to €17.7m and negative fair value adjustments amounting to €8.4 million were recorded during the period.

Financial assets mandatorily measured at fair value consisting in investments in funds remained steady at €360.5m.

Financial assets designated at fair value through other comprehensive income decreased from €419.4m to €362.5m following sales and repayments of €79.7m, only partially offset by purchases of €3.7m and positive changes in fair value of €19.6m.

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

(€000)

	Financial assets valued at fair value with impact taken to profit and loss				Financial assets valued at fair value with impact taken to other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading [1]	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily valued at fair value				
1. Opening balance	908,907	551,886	—	357,021	419,396	—	—	—
2. Increases	76,277	24,189	—	52,087	26,251	—	—	—
2.1 Purchases	54,368	5,761	—	48,608	3,672	—	—	—
2.2 Profits recognized in:	19,995	16,516	—	3,480	22,579	—	—	—
2.2.1 profit and loss	19,995	16,516	—	3,480	7,221	—	—	—
- of which, gains	*14,533*	*14,533*	—	—	—	—	—	—
2.2.2 net equity	15,858	15,858	—	—	15,858	—	—	—
2.3 Transfers from other levels	1,913	1,913	—	—	—	—	—	—
2.4 Other increases	—	—	—	—	—	—	—	—
3. Decreases	249,796	201,187	—	48,609	83,170	—	—	—
3.1 Disposals	62,039	37,081	—	24,958	37,597	—	—	—
3.2 Redemptions	136,992	135,818	—	1,174	42,062	—	—	—
3.3 Losses recognized in:	26,086	3,609	—	22,477	3,295	—	—	—
3.3.1 profit and loss	26,086	3,609	—	22,477	—	—	—	—
- of which, losses	*3,333*	*3,333*	—	—	—	—	—	—
3.3.2 net equity	3,295	3,295	—	—	3,295	—	—	—
3.4 Transfers to other levels	8,850	8,850	—	—	—	—	—	—
3.5 Other decreases	15,829	15,829	—	—	216	—	—	—
4. Closing balance	735,388	374,888	—	360,500	362,477	—	—	—

[1] After the market value of sold options (€35.7m at 31 December 2022 and €409.7m at 30 June 2022) the values of which are stated in the assets and liabilities for the same amount.

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

(€000)

	Financial liabilities		
	Held for trading [1]	**Designated at fair value**	**Hedging derivatives**
1. Opening balance	294,195	3,513	—
2. Increases	70,304	1,562	—
2.1 Issuance	52,195	1,207	—
2.2 Losses recognized in:	18,109	355	—
2.2.1 profit and loss	18,109	355	—
- of which, losses	*18,109*	—	—
2.2.2 net equity	—	—	—
2.3 Transfers from other levels	—	—	—
2.4 Other increases	—	—	—
3. Decreases	113,253	—	—
3.1 Redemptions	85,935	—	—
3.2 Buybacks	—	—	—
3.3 Profits recognized in:	9,676	—	—
3.3.1 profit and loss	9,676	—	—
- of which, gains	*8,144*	—	—
3.3.2 net equity	—	—	—
3.4 Transfers to other levels	17,642	—	—
3.5 Other decreass	—	—	—
4. Closing balance	251,246	5,075	—

[1] After the market value of sold options (€35.7m at 31 December 2022 and €409.7m at 30 June 2022) the values of which are stated in the assets and liabilities for the same amount.

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

(€000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	**31/12/22**				**30/06/22**			
	Book value	**Level1**	**Level2**	**Level3**	**Book value**	**Level1**	**Level2**	**Level3**
1. Financial assets valued at amortised cost	62,666,711	3,855,873	18,753,958	39,906,187	60,105,275	3,999,535	17,581,060	40,219,422
2. Tangible assets held for investment purposes	65,063	—	—	156,058	59,644	—	—	145,673
3. Non-current assets and groups of assets being sold	—	—	—	—	191	—	—	—
Total	62,731,774	3,855,873	18,753,958	40,062,245	60,165,110	3,999,535	17,581,060	40,365,095
1. Financial liabilities valued at amortised cost	69,455,202	719,368	68,454,226	50,462	66,715,625	859,014	65,729,829	59,252
2. Liabilities held in respect of assets being sold	—	—	—	—	—	—	—	—
Total	69,455,202	719,368	68,454,226	50,462	66,715,625	859,014	65,729,829	59,252

A.5 - Information on day one profit/loss

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

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

The positive difference between the fair value of an instrument and its price settled at the transaction date (known as "day-one profit") can be included among the income items through profit or loss only if it is based on market prices and on valuation methods not relying on unobservable inputs. Rather, the fair value must be adjusted by this positive difference, which is released through profit or loss only when the input(s) become(s) certain [24]. If the difference is negative (day-one loss), this is directly recognised through profit or loss for prudential purposes. Therefore, any subsequent changes in fair value will follow the trends of the various risk factors to which the instrument is exposed (interest rate/exchange rate risks, etc.) and recognised directly through profit or loss.

[24] IFRS 9, paragraphs B5.1.2A and B5.2.2A.

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

a. the measurement required by paragraph 5.1.1 if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. An entity shall recognise the difference between the fair value at initial recognition and the transaction price as a gain or loss;

b. in all other cases, at the measurement required by paragraph 5.1.1, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the entity shall recognise that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

The Group applies the Day-One Profit rule to financial instruments classified as Level 3 only. In case of new structured transactions, the Group conducts its analysis on a case-by-case basis determining, when the transaction is approved, the fair value hierarchy and whether or not the transaction falls within the scope of day-one profit rules. At this stage, a financial instrument is categorised within Level 3 of the fair value hierarchy if the impact of one or more unobservable inputs on fair value is considered to be significant as defined in IFRS 13, paragraph 73 [25].

In addition to the analysis carried out during the authorisation process for new products or transactions, the level of previously authorised pay-offs is checked on the trading date and if the use of level 3 inputs is significant, the day-one profit with suspension of profit applies.

At 31 December 2022, there were €212.7m in autocallable certificates in the portfolio with underlying basket of equity securities (approximately 11% of total basket certificates) for which the day-one profit rule was applied with the suspension of approximately €3.5m in profits.

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

Part B - Notes to the Consolidated Balance Sheet *

Assets

SECTION 1

Heading 10: Cash and cash equivalents

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2022	Total 30/06/2022
a) Cash	124,759	116,919
b) Current accounts and demand deposits with Central Banks	8,819,545	6,926,748
c) Current accounts and demand deposits with banks	1,464,621	1,535,177
Total	10,408,925	8,578,844

* Figures in €'000.

SECTION 2

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

2.1 Financial assets held for trading: composition

Items/Values	Total 31/12/2022			Total 30/06/2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	3,891,022	571,050	203,123	3,334,975	499,618	239,124
1.1 Structured securities	11,082	4,540	44,578	9,570	8,134	46,138
1.2 Other debt securities	3,879,940	566,510	158,545	3,325,405	491,484	192,986
2. Equity securities [1]	785,202	—	146,569	1,851,609	—	274,971
3. UCIT units	5	—	5,355	802	—	5,534
4. Loans	3,873	—	—	3,698	—	—
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Other	3,873	—	—	3,698	—	—
Total (A)	4,680,102	571,050	355,047	5,191,084	499,618	519,629
B. Derivative instruments						
1. Financial derivatives	484,669	2,401,330	45,561	645,850	1,997,471	433,912
1.1 trading [2]	484,669	2,401,330	45,561	645,850	1,997,383	433,826
1.2 related to the fair value option	—	—	—	—	—	—
1.3 other	—	—	—	—	88	86
2. Credit derivatives	—	141,906	10,011	—	235,250	8,121
2.1 trading	—	141,906	10,011	—	235,250	8,121
2.2 related to the fair value option	—	—	—	—	—	—
2.3 other	—	—	—	—	—	—
Total (B)	484,669	2,543,236	55,572	645,850	2,232,721	442,033
Total (A+B)	5,164,771	3,114,286	410,619	5,836,934	2,732,339	961,662

[1] Equities included shares committed in securities lending transactions totalling €341,640 at 31 December 22 and €918,557 at 30 June 22.

[2] Respectively, €35,730 and €409,692 relating to traded options, whose contra-item was recorded among financial liabilities held for trading.

* With reference to the criteria adopted for Fair Value measurement and the classification of the financial instruments in three levels of the Fair Value hierarchy, please refer to Part A - Accounting Policies.

*2.3 Financial assets designated at fair value *: composition*

Items/Values	Total 31/12/2022			Total 30/06/2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	—	—	—	—	—	—
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	—	—	—	—	—	—
2. Loans	—	512,341	—	—	516,483	—
2.1 Structured	—	—	—	—	—	—
2.2 Other [1]	—	512,341	—	—	516,483	—
Total	—	512,341	—	—	516,483	—

* For the criteria used to determine fair value and classification of financial instruments within the three fair value ranking levels, see Part A – "Accounting Policies".
[1] This item refers to a loan matched on the liability side by the issue of a certificate.

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

Items/Values	31/12/2022			30/06/2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debts securities	74	—	459	74	—	459
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	74	—	459	74	—	459
2. Equity securities	—	—	7,330	—	—	9,503
3. UCIT units	279,524	—	348,084	275,816	—	342,418
4. Loans	—	1,134	4,626	—	690	4,641
4.1 Reverse Repos	—	—	—	—	—	—
4.2 Other	—	1,134	4,626	—	690	4,641
Total	279,598	1,134	360,499	275,890	690	357,021

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

SECTION 3

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

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

Items/Values	31/12/2022			30/06/2022		
	Level 1	Level 2	Level 3 [1]	Level 1	Level 2	Level 3 [1]
1. Debts securities	3,499,446	151,477	230,490	3,579,684	17,793	275,590
1.1 Structured securities	—	—	—	—	—	—
1.2 Other debt securities	3,499,446	151,477	230,490	3,579,684	17,793	275,590
2. Equity securities	114,930	—	131,987	116,812	—	143,806
3. Loans	—	—	—	—	—	—
Total	3,614,376	151,477	362,477	3,696,496	17,793	419,396

[1] This includes equity investments in unlisted companies (financial equity investment in Burgo valued at €91.3m and financial equity investment in Tirreno Power valued at €15.4m).

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

	Gross value					Overall value adjustments				Overall partial write-offs
	First stage	of which: Low credit risk instruments *	Second stage	Third stage	Purchased or originated credit-impaired	First stage	Second stage	Third stage	Purchased or originated credit-impaired	
Debts securities	3,830,799	23,115	59,347	—	—	6,515	2,218	—	—	—
Loans	—	—	—	—	—	—	—	—	—	—
Total 31 December 2022	3,830,799	23,115	59,347	—	—	6,515	2,218	—	—	—
Total 30 June 2022	3,805,027	—	78,174	—	—	6,787	3,347	—	—	—

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

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

Heading 40: Financial assets measured at amortized cost

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

Transaction Type/Values	Total 31/12/2022						Total 30/06/2022					
	Book value			Fair value *			Book value			Fair value *		
	First and second stage	Third stage	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	First and second stage	Third stage	Purchased or originated credit-impaired	Level 1	Level 2	Level 3
A. Due from Central Banks	430,881	—	—	—	430,716	—	314,714	—	—	—	314,714	—
1. Term deposits	99,994	—	—	X	X	X	—	—	—	X	X	X
2. Compulsory reserves	330,887	—	—	X	X	X	314,714	—	—	X	X	X
3. Repos	—	—	—	X	X	X	—	—	—	X	X	X
4. Other	—	—	—	X	X	X	—	—	—	X	X	X
B. Due from banks	3,276,239	—	—	330,195	2,806,964	164,955	3,036,627	—	—	343,890	2,567,753	161,527
1. Loans	2,937,614	—	—	—	2,806,964	164,955	2,693,007	—	—	—	2,567,753	161,527
1.1 Current accounts	—	—	—	X	X	X	—	—	—	X	X	X
1.2. Term deposits	136,791	—	—	X	X	X	99,188	—	—	X	X	X
1.3. Other loans:	2,800,823	—	—	X	X	X	2,593,819	—	—	X	X	X
- Reverse repos	1,677,508	—	—	X	X	X	1,411,168	—	—	X	X	X
- Finance leases	305	—	—	X	X	X	1,254	—	—	X	X	X
- Other	1,123,010	—	—	X	X	X	1,181,397	—	—	X	X	X
2. Debts securities	338,625	—	—	330,195	—	—	343,620	—	—	343,890	—	—
2.1 Structured securities	—	—	—	—	—	—	—	—	—	—	—	—
2.2 Other debt securities	338,625	—	—	330,195	—	—	343,620	—	—	343,890	—	—
Total	3,707,120	—	—	330,195	3,237,680	164,955	3,351,341	—	—	343,890	2,882,467	161,527

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

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

Transaction Type/Values	Total 31/12/2022						Total 30/06/2022					
	Book value			Fair value *			Book value			Fair value *		
	First and second stage	Third stage	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	First and second stage	Third stage	Purchased or originated credit-impaired	Level 1	Level 2	Level 3
1. Loans	53,951,743	344,947	256,243	—	15,507,592	39,028,092	51,663,437	379,796	350,583	—	14,688,673	39,311,239
1.1. Current accounts	2,622,247	42	52,643	X	X	X	2,239,242	—	65,048	X	X	X
1.2. Reverse Repos	1,653,120	—	—	X	X	X	1,216,869	—	—	X	X	X
1.3. Mortgages	29,654,195	120,525	28,171	X	X	X	28,631,387	118,266	30,277	X	X	X
1.4. Credit cards, personal loans and salary-backed finance	9,236,495	145,306	157,946	X	X	X	9,155,989	161,433	236,278	X	X	X
1.5 Finance leases	1,421,300	42,288	17,483	X	X	X	1,486,323	63,713	18,980	X	X	X
1.6. Factoring	2,641,577	3,891	—	X	X	X	2,615,935	3,862	—	X	X	X
1.7. Other loans	6,722,809	32,895	—	X	X	X	6,317,692	32,522	—	X	X	X
2. Debts securities	4,406,658	—	—	3,525,678	8,686	713,140	4,360,118	—	—	3,655,645	9,920	746,656
2.1. Structured securities	—	—	—	—	—	—	—	—	—	—	—	—
2.2. Other debt securities	4,406,658	—	—	3,525,678	8,686	713,140	4,360,118	—	—	3,655,645	9,920	746,656
Total	58,358,401	344,947	256,243	3,525,678	15,516,278	39,741,232	56,023,555	379,796	350,583	3,655,645	14,698,593	40,057,895

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

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

SECTION 5

Heading 50: Hedging derivatives

5.1 Hedging derivatives: by hedge type and level

	Fair Value			Notional value	Fair Value			Notional value
	31/12/2022				30/06/2022			
	Level 1	Level 2	Level 3	31/12/2022	Level 1	Level 2	Level 3	30/06/2022
A. Financial derivatives								
1. Fair value	—	944,634	—	32,144,012	—	591,900	—	18,686,508
2. Cash flows	—	483,843	—	9,893,000	—	280,531	—	10,551,074
3. Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives								
1. Fair value	—	—	—	—	—	—	—	—
2. Cash flows	—	—	—	—	—	—	—	—
Total	—	1,428,477	—	42,037,012	—	872,431	—	29,237,582

5.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction/Type of hedge	*Fair Value*							Cash flows		Foreign investments
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Equities and stock indexes	currencies and gold	credit	commodities	others				
1. Financial assets measured at fair value through other comprehensive income	90,659	—	—	—	X	X	X	—	X	X
2. Financial assets measured at amortized cost	816,300	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other transactions	—	—	—	—	—	—	X	—	X	—
Total assets	906,959	—	—	—	—	—	—	—	—	—
1. Financial liabilities	37,675	X	—	—	—	—	X	483,843	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	37,675	—	—	—	—	—	—	483,843	—	
1. Highly probable transactions	X	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	—	X	—	—

SECTION 7

Heading 70: Equity investments

7.1 Equity investments: disclosure on relationships

Company name	Legal office	Operating office	Control type	Ownership		Ownership
				Controlling entity	% shareholding	
A. Entities under significant influence						
1. Assicurazioni Generali S.p.A.	Trieste	Trieste	2	Mediobanca S.p.A.	12.88	13.08
2. Istituto Europeo di Oncologia S.r.l.	Milano	Milano	2	Mediobanca S.p.A.	25.37	25.37
3. CLI Holding II Ltd	Londra	Londra	2	Mediobanca S.p.A.	40.73	38.86
4. Finanziaria Gruppo Bisazza S.r.l.	Montecchio Maggiore (VI)	Montecchio Maggiore (VI)	2	Mediobanca S.p.A.	22.67	22.67
5. Heidi Pay AG	Ginevra	Ginevra	2	Compass Banca S.p.A.	19.45	19.45

Legend:

(1) Joint control.

(2) Subject to significant influence.

(3) Exclusively controlled and not consolidated

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

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

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

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

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

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

Company name	Book value	*Fair Value* *	Dividend received **
A. Entities under significant influence			
1. Assicurazioni Generali S.p.A.	2,175,391	3,395,137	—
2. Istituto Europeo di Oncologia S.r.l.	39,020	n.d.	n.d.
3. CLI Holdings II Ltd	36,656	n.d.	5,534
4. Finanziaria Gruppo Bisazza S.r.l.	7,715	n.d.	n.d.
5. Heidi Pay AG	7,078	n.d.	n.d.
Total 1	2,265,860		

1 The amount stated here differs from the one represented in the balance sheet for Other investments, which are minor in terms of both percentage share owned and amount (€163,000).

* Available for listed companies only.

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

At 31 December 2022, the book value of the items contained under the "Equity investments" heading totalled €2,265.9m. In the half-year period, one new equity investment was recorded (the 19.45% stake in Heidi Pay, with a book value of €7.1m), as was an increase in the Assicurazioni Generali investment following the INV AG demerger, with a total of 1,628,148 shares being booked (0.104% of the company's share capital for a total of €27.4m).

Heidi Pay is a Swiss-based fintech specializing in the development of digital platforms to support the Buy-Now-Pay-Later (BNPL) approach in the e-commerce world. Since it is a start-up it has a low net equity, but given the company's high potential, its valuation reflects a much higher equity value which was then used to define the acquisition price.

As for INV AG, Mediobanca held a minority stake in the company (13.5%), which was a special purpose vehicle incorporated to manage a group of holdings in Assicurazioni Generali shares (which together represented 0.76% of the company's share capital).On 22 December 2022, following the liquidation of the vehicle, Mediobanca set up MB INV AG S.r.l. in which 1,6000,000 shares of Assicurazioni Generali were transferred for a total value of 27.4 million.

The stake in Assicurazioni Generali increased from 12.83% to 13.08%(the stake is 12.88% based on shares in issue including the buyback operation of the Company). The book value of the investment decreased considerably, from €3,069.4m to €2,175.4m, despite the profits for the period (€194.4m), following a sharp drop in the valuation reserves (which reduced by €1.1bn), mainly due to the trend in AFS securities valuations, which was impacted by the sudden increase in interest rates. However, the Company's market value was unaffected, at approx. €3bn.

Regarding other equity investments: IEO (25.37%) has a book value of €39m, substantially in line with the figure at end-June 2022; Finanziaria Gruppo Bisazza S.r.l. (22.67%) has a book value of €7.7m (30/6/22: €7.4m) and broke even; while CLI Holdings II Limited (40.73%) has a book value of €36.7m (€41.8m), following dividend collections (€5.5m).

The international accounting standards (IAS 28, IAS 36, IFRS 10 and IFRS 11) require that the value of equity investments must be tested for impairment at least once a year or more frequently if events have occurred that suggest there may have been a reduction in value. The Group Policy on Impairment, in line with the provisions of IAS 36, provides for testing based on stock market performance, rating, and current and/or future operating results.

Since no potential indicators providing evidence of impairment as defined by IAS 36 were found at the time of preparing the interim report (see page 159 and 160), it was continued not to be necessary to test the value of the equity investments for impairment.

For further information on the impairment testing of equity investments, please refer to the Consolidated Financial Statements at 30 June 2022.

SECTION 9

Heading 90: Property, plant and equipment

9.1 Core tangible assets: breakdown of assets stated at cost

Assets/Values	Total 31/12/2022	Total 30/06/2022
1. Property assets	226,552	220,369
a) land	100,240	100,239
b) buildings	73,408	72,866
c) furniture	22,635	19,265
d) electronic systems	6,487	6,649
e) other	23,782	21,350
2. Right-of-use assets	230,431	226,262
a) land	—	—
b) buildings	218,744	216,945
c) furniture	—	—
d) electronic systems	—	—
e) other	11,687	9,317
Total	456,983	446,631
of which: obtained by the enforcement of collateral	*70*	*71*

9.2 Properties held for investment purposes stated at cost

Assets/Values	Total 31/12/2022				Total 30/06/2022			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Property assets	65,063	—	—	156,058	59,644	—	—	145,673
a) land	29,772	—	—	93,300	28,494	—	—	90,980
b) buildings	35,291	—	—	62,758	31,150	—	—	54,693
2. Right-of-use assets	—	—	—	—	—	—	—	—
a) land	—	—	—	—	—	—	—	—
b) buildings	—	—	—	—	—	—	—	—
Total	65,063	—	—	156,058	59,644	—	—	145,673
of which: obtained by the enforcement of collateral	*41,449*	—	—	*54,060*	*35,825*	—	—	*43,460*

9.3 Core tangible assets: breakdown of written-up assets

At 31 December 2022 the item was not present within the Group.

9.4 Tangible assets held for investment purposes: breakdown of assets measured at fair value

At 31 December 2022 the item was not present within the Group.

9.5 Inventories pursuant to IAS 2: breakdown

Items/Values	**Total 31/12/2022**	**Total 30/06/2022**
1. Inventories of tangible assets arising from the enforcement of guarantees received	7,464	5,553
a) land	483	483
b) buildings	6,981	5,070
c) furniture	—	—
d) electronic systems	—	—
e) other	—	—
2. Other inventories of tangible assets	—	—
Total	7,464	5,553
of which: measured at fair value less costs to sell	—	—

The above includes assets received under leasing contracts, which were originally recorded as Investment Property (under IAS 40), and have now been restated as Inventories in accordance with IAS 2 in cases where only minor amounts are involved, and where leasing the properties out is not economically feasible and sale is expected to take place in the next three years.

SECTION 10

Heading 100: Intangible assets

Intangible assets with indefinite duration consist of goodwill, brands and contracts acquired as part of business combinations, whereas those with definite duration consist of the client lists similarly acquired, plus software. For details of the methods by which intangible assets are valued, reference is made to Part A – Accounting Policies.

10.1 Intangible assets: breakdown by asset type

Assets/Values	Total 31/12/2022		Total 30/06/2022	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	622,656	X	616,791
A.1.1 attributable to the group	X	622,656	X	616,791
A.1.2 attributable to minority interests	X	—	X	—
A.2 Other intangible assets	66,565	151,681	68,198	153,422
of which: software	*48,595*	—	*48,103*	—
A.2.1 Assets measured at cost:	66,563	151,681	68,200	153,422
a) intangible assets generated internally	—	—	—	—
b) other assets	66,563	151,681	68,200	153,422
A.2.2 Assets measured at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	66,563	774,337	68,200	770,213

Information on intangible assets and goodwill

The item shows a limited increase, from €838.4m to €841.1m, as the increase in intangible assets with a finite useful life (mainly software) was more than offset by disposals and amortization for the period.

Significant events in the half-year period include recognition of the goodwill arising on the Soisy acquisition (100%-owned by Compass) for a total of €7.2m. As required by IFRS 3, the Purchase Price Allocation (PPA) process will be carried out within the next twelve months.

A table summarizing the effects of the PPA process for all the acquisitions carried out by the Group over years is shown below:

Table 1: Summary of PPA effects: ITALIAN acquisitions

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

* The deal generated badwill.

Table 1: Summary of PPA effects: NON-ITALIAN acquisitions

	Cairn	**RAM [1]**	**MMA**	**Bybrook (Cairn) [2]**
Acquisition date	31/12/2015	28/2/2018	11/4/2019	31/8/2021
Currency	*GBP*	*CHF*	*EURO*	*GBP*
Price paid	24,662	164,732	107,856	66,900
of which: ancillary charges	—	—	—	—
Liabilities	20,813	46,850	54,540	—
Intangible assets, indefined life	—	—	—	(58,903)
Intangible assets, defined life	—	(2,398)	(11,330)	(8,455)
no. of years amortization	—	*5*	*8*	*10*
Brands	—	(37,395)	(10,230)	—
Fair value adjustments	—	—	—	—
Balance of other assets (liabilities)	(8,345)	(6,853)	(13,353)	(3,759)
Tax effects	—	7,163	6,684	15,934
Goodwill	**37,130**	**172,099**	**134,167**	**11,718**

[1] All amounts are calculated pro rata to the 89.25% stake acquired at the acquisition date.

[2] The Bybrook business and shares were acquired by Cairn Capital, in which Mediobanca S.p.A. holds an 89.07% stake.

For an examination of the main characteristics of the acquisitions that have taken place in recent years summarized in Table 1, please refer to the Financial Statements at 30 June 2022.

* * *

The tables below show a list of the intangible assets acquired as part of M&A transactions and summarizing the goodwill recognized in the accounts, broken down both by deal and cash-generating unit (CGU).

Table 2: Other intangible assets acquired as a result of M&A transactions

Type	Deal	31/12/2022	30/06/2022
Customer relationship		84,551	88,731
	Spafid	177	57
	CMB	3,589	3,914
	Bybrook/Polus	74,673	77,666
	RAM Active Investments	92	366
	Messier et Associes	6,020	6,728
Brands		68,269	67,786
	MB Private Banking	15,489	15,489
	RAM Active Investments [1]	42,550	42,067
	Messier et Associes [2]	10,230	10,230
Total intangible assets for PPA		**152,820**	**156,517**

[1] Change due to currency exchange effect.

[2] Added to the brand transferred in connection with the acquisition and equal to €17m (figure taken from financial statements for year ended 30 June 2019).

Table 3: Goodwill

Deal	31/12/2022	30/06/2022
Consumer	373,085	365,934
- of which Soisy	7,151	
- of which former Linea	365,934	365,934
Polus Capital Management1 *	55,076	56,923
MB Private Banking	52,103	52,103
RAM Active Investments *	49,239	48,678
Messier et Associés	93,153	93,153
Total Goodwill	**622,656**	**616,791**

[1] Cairn Capital Group's new name.

* Change due to currency exchange effect.

Table 4: Summary of Cash Generating Units

CGU	31/12/2022	30/06/2022
Consumer	373,085	365,934
- of which Soisy	7,151	—
- of which former Linea	365,934	365,934
Polus Capital Management	55,076	56,923
Mid corporate	22,650	22,650
MB Private Banking	29,453	29,453
RAM Active Investments	49,239	48,678
Messier et Associés	93,153	93,153
Total Goodwill	**622,656**	**616,791**

Information on impairment indicators

As stated in the Accounting Policies section, IAS 36 requires any loss of value, or impairment, of individual tangible and intangible assets to be tested at least once a year when the annual financial statements are prepared, or more frequently if events or circumstances occur that suggest that there may have been a reduction in value (referred to as impairment indicators).

The Group has adopted a Policy on Impairment Testing which governs the impairment testing process. It has also taken into account the recent ESMA Recommendations,[2] and as required, has performed the necessary analysis of impairment indicators.

The cost of capital has been recalculated as required by the Group Policy, and taking into account the considerable market fluctuations. In the half-year period, the highest changes involved the risk-free rates and the beta parameters most impacted by market changes. The following table shows the differences compared to 30 June 2022:

Table 5: Cost of equity parameters per CGU

CGU/Impairment indicators	Risk-free rate R [1]		Beta - ß	
	01/12/2022	01/06/2022	01/12/2022	01/06/2022
Consumer	4.14	3.53	1.13	1.10
Polus Capital Management	3.37	2.37	1.04	0.98
MB Private Banking + AM	4.14	3.53	1.09	1.04
MB Mid Corporate	4.14	3.53	0.92	0.83
RAM Active Investments	1.26	1.18	1.04	0.98
Messier & Associés	2.63	2.03	0.92	0.83

[1] The risk-free rate is the previous month's average yield of the 10-year government bonds in the CGUs' reference countries.

On the other hand, the other parameters (Risk Premium and Alpha) remained unchanged. The cost of capital was therefore higher than at end-June 2022. However, the increase was not such as to impact materially on the values of the intangible assets held in the portfolio.

[2] See the contents of Part A in the Notes to Accounts.

All the other triggers provided for in the Group Policy have also been reviewed, with no evidence of impairment for any intangible assets. The situation will continue to be monitored carefully during the second half of the year, ahead of the annual impairment test.

For further information on impairment testing of intangible assets and goodwill, please refer to the Consolidated Financial Statements at 30 June 2022.

SECTION **11**

Assets heading 110 and liabilities heading 60: Tax assets and liabilities

11.1 Prepaid tax assets: breakdown

	Total 31/12/2022	**Total 30/06/2022**
- Against Profit and Loss	501,941	559,819
- Against Net Equity	42,350	37,148
Total	544,291	596,967

Prepaid taxes qualifying as “eligible”, i.e. convertible into tax credits, amounted to €349.3m (€399.7m in June 2022). Of the residual amount (€195m), only €0.6m concerned prior year losses, while the most significant portion concerned temporary differences.

All prepaid taxes qualifying as “ineligible” were subjected to a “probability test”, i.e. an annual assessment at year end as to the probability of recovering them, broken down by IRES (corporate income tax) and IRAP (regional tax on production activities), and whether or not they fall within the scope of the National Tax Consolidation. For more information, please refer to the financial statements at 30 June 2022.

	31/12/2022	30/06/2022
A - Gross advance tax assets		
Loan loss provisions	353,088	379,158
Provisions for risks and other charges	16,470	34,767
Goodwill and other intangible assets*	106,206	116,774
Financial instruments recognized at FVOCI	41,984	32,378
Tax losses	598	1,526
Other	25,945	32,364
B - Offset by deferred tax liabilities	—	—
C - Net advance tax assets	544,291	596,967

* The figure mainly includes goodwill redemptions on the Compass/Linea merger transaction (€101.5m), of which €18.2m pursuant to Article 176 of Presidential Decree No. 917/1986 and €83.3m in implementation of the provisions of Article 110 of Legislative Decree No. 104/2020 with an amortization period of 18 years and on the Mediobanca/Banca Esperia merger transaction (€4.0m) pursuant to Article 110 of Legislative Decree No. 104/2020 with an amortization period of 50 years (Law No. 234/2021).

11.2 Deferred tax liabilities: composition

	Total 31/12/2022	Total 30/06/2022
- Against Profit and Loss	297,992	302,098
- Against Net Equity	146,780	100,421
Total	444,772	402,519

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

	Total 31/12/2022	Total 30/06/2022
1. Opening balance	559,819	556,808
2. Increases	11,925	106,864
2.1 Prepaid taxes for the year	9,762	103,871
a) relating to previous years	—	—
b) due to changes in accounting parameters	—	—
c) writebacks	—	—
d) other	9,762	103,871
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	2,163	2,993
3. Decreases	69,803	103,853
3.1 Deferred tax liabilities derecognized in the year	63,478	96,861
a) account transfers	62,002	96,062
b) write-downs due to intervening unrecoverable status	—	—
c) changes in accounting policies	—	—
d) other	1,476	799
3.2 Reductions in tax rates	—	—
3.3 Other decreases:	6,325	6,992
a) conversion into tax receivables pursuant to Italian Law No. 214/2011	—	—
b) other	6,325	6,992
4. Closing balance	501,941	559,819

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

	Total 31/12/2022	Total 30/06/2022
1. Opening balance	399,739	475,523
2. Increases	—	—
3. Decreases	50,450	75,784
3.1 Accounts transfers	48,382	71,065
3.2 Conversion into tax credit:	—	946
a) arising from losses for the year	—	946
b) arising from tax losses	—	—
3.3 Other decreases	2,068	3,773
4. Closing balance	349,289	399,739

* Italian Law-Decree No. 59/16 of 29 April 2016 on deferred tax assets pursuant to Italian Law-Decree No. 214/11, as amended by Italian Law-Decree No. 237 of 23 December 2016, enacted with amendments as Law No. 15/2017, provides that in order to be able to retain the right to take advantage of the possibility of converting DTAs into tax credits, an irrevocable option must be specifically exercised, which involves payment of an annual instalment equal to 1.5% of the difference between the increase in advance tax assets at the reporting date since 30 June 2008 and the tax paid during the same period each year until 2029. Mediobanca has exercised this option in order to retain the possibility of converting DTAs for all companies adhering to the tax consolidation. No payment will be due in this respect, given that the payments made to the tax consolidation exceed the increase in DTAs recorded since 30 June 2008.

11.5 Changes in deferred tax during the period (against profit and loss)

	Total 31/12/2022	Total 30/06/2022
1. Opening balance	302.098	301.940
2. Increases	4.484	2.692
2.1 Deferred taxes for the year	103	1.563
a) relating to previous years	—	—
b) due to changes in accounting parameters	—	—
c) other	103	1.563
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	4.381	1.129
3. Decreases	8.590	2.534
3.1 Deferred taxes derecognized in the year	8.357	231
a) account transfers	8.100	228
b) due to changes in accounting parameters	—	—
c) other	257	3
3.2 Reductions in tax rates	—	—
3.3 Other decreases	233	2.303
4. Closing balance	297.992	302.098

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

	Total 31/12/2022	Total 30/06/2022
1. Opening balance	37,148	27,395
2. Increases	93,200	47,242
2.1 Prepaid taxes for the year	93,178	47,218
a) relating to previous years	—	7
b) due to changes in accounting parameters	—	—
c) other	93,178	47,211
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	22	24
3. Decreases	87,998	37,489
3.1 Prepaid taxes derecognized in the year	87,828	37,089
a) account transfers	86,707	32,286
b) write-downs due to intervening unrecoverable status	—	—
c) due to changes in accounting policies	—	—
d) other	1,121	4,803
3.2 Reductions in tax rates	—	—
3.3 Other decreases	170	400
4. Closing balance	42,350	37,148

* Tax deriving from cash flow hedges and valuations of financial instruments recognized at fair value through Other Comprehensive Income.

11.7 Changes in deferred tax during the period (against net equity)

	Total 31/12/2022	Total 30/06/2022
1. Opening balance	100,421	36,847
2. Increases	98,661	202,018
2.1 Deferred tax liabilities of the year:	98,634	200,110
a) relating to previous years	—	—
b) due to changes in accounting parameters	—	—
c) other	98,634	200,110
2.2 New taxes or increases in tax rates	—	—
2.3 Other increases	27	1,908
3. Decreases	52,302	138,444
3.1 Deferred taxes derecognized in the year	36,824	127,278
a) account transfers	36,824	127,278
b) due to changes in accounting parameters	—	—
c) other	—	—
3.2 Reductions in tax rates	—	—
3.3 Other decreases	15,478	11,166
4. Closing balance	146,780	100,421

SECTION 12

Assets heading 120 and Liability heading 70: Non-current assets and disposal groups classified as held for sale

12.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

	31/12/2022	30/06/2021
A. Assets held for sale		
A.1 Financial assets	—	—
A.2 Equity investments	—	—
A.3 Tangible assets	—	—
of which: obtained by the enforcement of collateral	—	—
A.4 Intangible assets	—	191
A.5 Other non current assets	—	—
Total (A)	—	191
of which carried at cost	—	*191*
of which designated at fair value - level 1	—	—
of which designated at fair value - level 2	—	—
of which designated at fair value - level 3	—	—
C. Liabilities associated with assets held for sale		
C.1 Debts	—	—
C.2 Securities	—	—
C.3 Other liabilities	—	—
Total (C)	—	—
of which carried at cost	—	—
of which designated at fair value - level 1	—	—
of which designated at fair value - level 2	—	—
of which designated at fair value - level 3	—	—

At 30 June 2022, assets held for disposal (under IFRS 5) were stated in relation to the last portion of the sale of the business unit of the Group Legal Entity Spafid. The closing relating to the last portion took place on 20 December 2022. There are no other sales in progress.

SECTION 13

Heading 130: Other assets

13.1 Other assets: breakdown

	31/12/2022	30/06/2022
1. Gold, silver and precious metals	695	695
2. Accrued income other than capitalized income from financial assets	65,249	63,283
3. Trade receivables or invoices to be issued	255,765	304,665
4. Amounts due from tax revenue authorities (not recorded under Heading 110) [1]	380,131	239,720
5. Other items:	263,231	272,248
- bills for collection	59,731	66,818
- premiums and contributions in respect of lending transactions	21,653	22,023
- advance payments on deposit commissions	2,801	2,687
- other items in transit	61,146	89,084
- sundry items [2]	117,900	91,636
Total Other Assets	965,071	880,611

[1] This item includes €200m in tax credits (eco-bonus and energy-intensive activities).

[2] Includes deferred liabilities.

Liabilities

SECTION 1

Heading 10: Financial liabilities measured at amortized cost

1.1 Financial liabilities measured at amortized cost: composition of due to banks

Transaction Type/Values	Total 31/12/2022				Total 30/06/2022			
	Book value	Fair value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	8,031,994	X	X	X	8,442,206	X	X	X
2. Due to banks	8,028,741	X	X	X	7,309,620	X	X	X
2.1 Current accounts and demand deposits	356,021	X	X	X	461,414	X	X	X
2.2 Term deposits	52,516	X	X	X	29,131	X	X	X
2.3 Loans	7,583,081	X	X	X	6,704,893	X	X	X
2.3.1 Reverse repos	4,017,886	X	X	X	3,160,595	X	X	X
2.3.2 Other	3,565,195	X	X	X	3,544,298	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
2.5 Lease liabilities [1]	247	X	X	X	82	X	X	X
2.6 Other liabilities	36,876	X	X	X	114,100	X	X	X
Total	16,060,735	—	16,060,735	—	15,751,826	—	15,751,826	—

[1] This item includes obligations in respect of payment of future leasing instalments as required by IFRS 16 and Bank of Italy circular no. 262 – VI Update.

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

Transaction Type/Values	Total 31/12/2022				Total 30/06/2022			
	Book value	*Fair Value*			Book value	*Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and on demand deposits	20,857,589	X	X	X	24,528,643	X	X	X
2. Term deposits	10,121,766	X	X	X	5,924,530	X	X	X
3. Loans	2,723,245	X	X	X	1,893,116	X	X	X
3.1 Reverse repos	2,594,494	X	X	X	1,782,550	X	X	X
3.2 Other	128,751	X	X	X	110,566	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	—	X	X	X	—	X	X	X
5. Lease liabilities [1]	208,648	X	X	X	208,765	X	X	X
6. Other liabilities	165,919	X	X	X	168,521	X	X	X
Total	34,077,167	—	34,077,167	—	32,723,575	—	32,723,575	—

[1] This item includes obligations in respect of payment of future leasing instalments as required by IFRS 16 and Bank of Italy Circular No. 262 – VI Update.

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

Type of exposure/Amounts	**31/12/2022**				**30/06/2022**			
	Book value	**Fair value ***			**Book value**	**Fair value ***		
		Level 1	**Level 2**	**Level 3**		**Level 1**	**Level 2**	**Level 3**
A. Securities								
1. bonds	18,651,652	719,368	17,701,608	—	17,398,373	859,014	16,471,829	—
1.1 structured	2,218,361	—	2,224,225	—	2,493,001	—	2,535,107	—
1.2 other	16,433,291	719,368	15,477,383	—	14,905,372	859,014	13,936,722	—
2. other securities	665,648	—	615,186	50,462	841,851	—	782,599	59,252
2.1 structured	—	—	—	—	—	—	—	—
2.2 other	665,648	—	615,186	50,462	841,851	—	782,599	59,252
Total	19,317,300	719,368	18,316,324	50,462	18,240,224	859,014	17,254,428	59,252

* Fair value amounts are shown after deducting issuer risk, which at 30 June 2022 suggested a capital gain of €179.8m (+€250.6m).

Bonds increased from €17.4bn to €18.7bn after new issues for €3.5bn covered by redemptions and repurchases of €1.9bn (realizing gains of €4.4m). Finally, the changes concerned other adjustments (exchange rate adjustment, amortized cost and effect of hedges), with a decrease of €342.6m.

Outstanding bonds include €1.7bn (of which €1.6bn by the Group Legal Entity Mediobanca International and guaranteed by the parent company) in issues related to index or derivative strategies in leveraged arbitrage (skew), on bases mainly linked to credit and commodity derivatives and, to a lesser extent, rate arbitrage, equity risk inflation (underlying transaction). All these issues involve payment of interest in the form of a coupon (including a premium – extra yield) and full repayment of capital at maturity. In case of the subscriber opting for early repayment, the issuer has the faculty, at its discretion, to choose a repayment price that takes into account the current fair value including that of the underlying transactions. As required by par. 4.3.3 of IFRS 9, the embedded derivative, identified by the right to include the arbitrage value within the repayment price, has been separated by the obligation valued at amortized cost and booked at the fair value of underlying transactions.

1.4 Breakdown of subordinated debt securities

"Outstanding securities" include the following five subordinated Tier 2 issues, for a total of €1,598,826:

Issue	31/12/2022		
	ISIN code	Nominal value	Book value
MB SUBORDINATO 5.75% 2023	IT0004917842	499,893	519,462
MB SUBORDINATO TV con min 3% 2025	IT0005127508	499,442	503,983
MB SUBORDINATO 3.75% 2026	IT0005188351	300,337	278,075
MB SUBORDINATO 1.957% 2029	XS1579416741	50,000	50,561
MB SUBORDINATO 2.3% 2030	XS2262077675	249,154	222,437
Total subordinated securities		1,598,826	1,574,517

In line with the funding plan, the issue of a subordinated security of €300m with a 3-month Euribor +480 bps has been scheduled in February.

1.6 Lease liabilities

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

SECTION 2

Heading 20: Trading financial liabilities

2.1 Trading financial liabilities: composition

Transaction Type/Values	31/12/2022					30/06/2022				
	Nominal or notional value	Fair Value			Fair value *	Nominal or notional value	Fair Value			Fair value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	15,089	12,770	1,467	—	14,237	9,642	8,981	—	—	8,981
2. Due to customers	4,065,202	4,030,482	—	—	4,030,482	3,732,348	3,720,646	—	—	3,720,646
3. Debts securities	—	—	—	—	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	X	—	—	—	—	X
3.1.2 Other bonds	—	—	—	—	X	—	—	—	—	X
3.2 Other securities	—	—	—	—	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	X	—	—	—	—	X
3.2.2 Other	—	—	—	—	X	—	—	—	—	X
Total (A)	4,080,291	4,043,252	1,467	—	4,044,719	3,741,990	3,729,627	—	—	3,729,627
B. Derivative instruments										
1. Financial derivatives [1]	—	717,669	4,060,217	286,976	—	—	875,249	3,367,400	703,975	—
1.1 Trading	X	717,669	4,060,151	286,976	X	X	875,249	3,366,543	703,490	X
1.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
1.3 Other	X	—	66	—	X	X	—	857	485	X
2. Credit derivatives	—	—	424,660	—	—	—	—	530,454	—	—
2.1 Trading	X	—	424,660	—	X	X	—	530,454	—	X
2.2 Related to the fair value option	X	—	—	—	X	X	—	—	—	X
2.3 Other	X	—	—	—	X	X	—	—	—	X
Total (B)	X	717,669	4,484,877	286,976	X	X	875,249	3,897,854	703,975	X
Total (A+B)	X	4,760,921	4,486,344	286,976	X	X	4,604,876	3,897,854	703,975	X

* Fair value calculated excluding variations in value due to changes in the issuer's credit standing.

[1] Respectively €35,730 and €409,692 for options traded, matching the amount recorded among assets held for trading.

SECTION 3

Heading 30: Financial liabilities designated at fair value

3.1 Financial liabilities designated at fair value: composition

Transaction Type/Values	Total 31/12/2022					Total 30/06/2022				
	Nominal value	Fair value			Fair value	Nominal value	Fair value			Fair value
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	—	—	—	—	—	—	—	—	—	—
1.1 Structured	—	—	—	—	X	—	—	—	—	X
1.2 Other	—	—	—	—	X	—	—	—	—	X
of which:										
- loan commitments	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
- financial guarantees issued	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
2. Due to customers	—	—	—	—	—	—	—	—	—	—
2.1 Structured	—	—	—	—	X	—	—	—	—	X
2.2 Other	—	—	—	—	X	—	—	—	—	X
of which:					—					—
- loan commitments	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
- financial guarantees issued	—	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*	*X*
3. Debts securities	1,182,406	—	1,067,030	5,075	1,072,105	751,428	—	779,544	—	641,664
3.1 Structured	1,171,141	—	1,060,839	—	X	751,428	—	779,544	—	X
3.2 Other	11,265	—	6,190	5,075	X	—	—	—	—	X
Total	1,182,406	—	1,067,030	5,075	1,072,105	751,428	—	779,544	—	641,664

This item mainly contains certificates (€1,014.2m), one of which is significant (€512.4m) and covered by specific financial assets (Financial assets designated at fair value - Item 20).

SECTION 4

Heading 40: Hedging derivatives

4.1 Hedging derivatives: by hedge type and level

	31/12/2022				30/06/2022			
	Fair value			Nominal Value	*Fair value*			Nominal Value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	—	2,133,953	—	53,210,490	—	1,361,863	—	38,300,798
1) Fair value	—	2,133,061	—	53,180,490	—	1,358,504	—	38,164,524
2) Cash flow hedges	—	892	—	30,000	—	3,359	—	136,274
3) Foreign investments	—	—	—	—	—	—	—	—
B. Credit derivatives	—	—	—	—	—	—	—	—
1) Fair value	—	—	—	—	—	—	—	—
2) Cash flow hedges	—	—	—	—	—	—	—	—
Total	—	2,133,953	—	53,210,490	—	1,361,863	—	38,300,798

4.2 Hedging derivatives: by portfolio hedged and hedge type

Transaction / Type of hedge	*Fair Value*							Cash flows		Foreign invest
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equities and equity index	currencies and gold	credit	commodities	others				
1. Financial assets measured at fair value through other comprehensive income	—	—	—	—	X	X	X	—	X	X
2. Financial assets measured at amortized cost	87,688	X	—	—	X	X	X	—	X	X
3. Portfolio	X	X	X	X	X	X	—	X	—	X
4. Other transactions	—	—	—	—	—	—	X	—	X	—
Total assets	87,688	—	—	—	—	—	—	—	—	—
1. Financial liabilities	2,045,373	X	—	—	—	—	X	892	X	X
2. Portfolio	X	X	X	X	X	X	—	X	—	X
Total liabilities	2,045,373	—	—	—	—	—	—	892	—	—
1. Highly probable transactions	X	X	X	X	X	X	X	—	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	—	X	—	—

SECTION 6

Heading 60: Tax liabilities

Please see asset section 11.

SECTION 7

Heading 70: Liabilities associated to disposal group of assets

Please see asset section 12.

SECTION 8

Heading 80: Other liabilities

8.1 Other liabilities: composition

	31/12/2022	30/06/2022
1. Working capital payables and invoices pending receipt	326,023	368,606
2. Amounts due to revenue authorities	101,207	58,740
3. Amounts due to staff	226,925	254,751
4. Other items	242,420	273,095
- bills for collection	28,017	25,698
- coupons and dividends pending collection	14,006	2,638
- available sums payable to third parties	69,901	74,134
- premiums, grants, and other items in respect of lending transactions	16,141	20,400
- sundry items [1]	114,355	150,225
Total	896,575	955,192

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

SECTION 9

Heading 90: Provision for statutory end-of-service payments

9.1 Provision for statutory end-of-service payments: changes during the period

	Total 31/12/2022	Total 30/06/2022
A. Opening balance	21,969	26,886
B. Increases	5,424	9,878
B.1 Provisions for the year	3,914	7,630
B.2 Other changes	1,510	2,248
- of which business combinations	—	—
C. Decreases	6,151	14,795
C.1 End-of service payments	1,004	3,132
C.2 Other changes [1]	5,147	11,663
- of which business combinations	—	—
D. Closing balance	21,242	21,969
Total	21,242	21,969

[1] Includes €2,727 in transfers to external, defined contribution pension schemes (€4,750 at 30 June 2022).

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

9.2 Other information

The provision for statutory end-of-service payments is configured as a defined benefit plan; the actuarial model used is based on various demographic and economic assumptions. For some of the assumptions used, reference has been made directly to the Group's own experience (e.g. estimates of disability incidence, frequency of early retirement, annual increase in rate of remuneration, frequency with which advance withdrawals from the provision are requested, etc.), while for the others, account has been taken of the relevant best practice (e.g. the mortality rate has been determined using the IPS55 life tables, whereas the retirement age has been determined taking into account the most recent legislation in this area); for the discount rate, the iBoxx Eurozone Corporate AA index as at 31 December 2022 has been used for similar companies to those being valued (equal to 3.62%, compared with 2.74% at end-June 2022), while the inflation rate is 2.50%.

SECTION 10

Heading 100: Provisions for risks and charges

10.1 Provisions for risks and charges: breakdown

Items/Components	31/12/2022	30/06/2022
1. Provisions for credit risk related to commitments and financial guarantees issued	22,016	23,727
2. Provisions for other commitments and guarantees issued	825	537
3. Retirement plans [1]	—	—
4. Other risk and obligation funds	120,467	113,504
4.1 legal and fiscal controversies	—	—
4.2 obligations for employees	2,535	2,458
4.3 other	117,932	111,046
Total	143,308	137,768

[1] These regard the Swiss company RAM AI, in line with Swiss regulations.

IAS 37 requires provisions to be set aside in cases where there is an obligation, whether actual, legal or implicit, the amount of which may be reliably determined and the resolution of which is likely to entail a cash outflow for the company. The amount of the provision is determined from the management's best estimate, based on experience of similar operations or the opinion of independent experts. Provisions are revised on a regular basis in order to reflect the best current estimate.

At 31 December the item "Other provisions for risks and charges" amounted to €143.3m, a slight increase compared to €137.8m at 30 June 2022. The balance includes €22.8m (€24.3m) to cover loan commitments and financial guarantees, and €120.5m (€113.5m) in "other provisions" for legal disputes and other liabilities including personnel charges. In particular, the amount of "other provisions" is mainly split between Mediobanca (€65.9m), Compass Banca (€21.1m), CheBanca! (€18.5m), SelmaBipiemme (€6.7m), MBCS (€4m) and CMB (€2.2m).

Compared to the 2022 Financial Statements, the following should be noted:

– regarding the claim for damages made by Lucchini S.p.A. in A.S. ("Lucchini") against 12 banks (including Mediobanca) on the assumption that they had allegedly contributed to the company's economic and financial instability, by ruling dated 28 December 2022, the Court of Appeal of Milan dismissed the claims brought by Lucchini splitting legal expenses among the parties. The term for Lucchini to bring a possible appeal before the Court of Cassation remains pending;

– in relation to the effects of the so-called "Lexitor" ruling of the Court of Justice of the European Union, the Italian Constitutional Court, by ruling dated 22 December 2022, stated that Article 11-octies, paragraph 2, of the Italian government's Sostegni Bis Decree was partially unconstitutional. As a result of such ruling of the Constitutional Court, consumers will be entitled to a proportional reduction of all costs incurred in relation to consumer credit agreements, even if they were concluded before 25 July 2021, without prejudice to the statute of limitations provided by law (10 years). As reported above, on the basis of this ruling it was deemed appropriate to set aside €3.3m, bringing provisions to €15m;

With regard to disputes pending with the Italian Tax Authorities, the following significant changes should be noted:

– with reference to the alleged failure to apply transparency tax rules as required by the legislation on Controlled Foreign Companies (CFC) on income earned by CMB Monaco and Compagnie Monégasque de Gestion in financial years 2013, 2014 and 2015 (for a total of €124.4m of income and €53.7m in disputed taxes, plus penalties and interest), three disputes were pending against the Tax Authorities, at different levels of judgement. In detail, Mediobanca won the case in the first and second instances of the dispute relating to financial year 2013/2014 (2013 profits, tax of €21.3m, plus interest and penalties). On 14 September 2022, the tax authorities notified the appeal before the Court of Cassation and on the following 20 October Mediobanca notified its counter-claims. In the joint disputes relating to financial years 2014/2015 and 2015/2016 (respectively 2014 and 2015 profits, taxes of €16.1m and €16.4m, plus interest and penalties), the Bank, which had won the case in the first instance, last 13 September 2022 filed an appearance in Court to defend its rights in the second instance before the Lombardy Regional Tax Commission. The discussion on appeal will take place on 15 February;

– with reference to Mediobanca's alleged failure to apply withholding taxes on interest expense paid as part of a secured financing transaction, a total of three disputes relating to the years 2014 - 2015 - 2016 (taxes, respectively, of €2.3m, €1.9m and €2.2m, plus interest and penalties) are pending. For the first two years, the Milan Provincial Tax Commission had dismissed the appeals lodged by the Bank; the two rulings were later appealed on 6 October and 12 December 2022, respectively. With reference to the disputed third year, Mediobanca filed an appearance by lodging a tax settlement application on 15 December 2022.
– the dispute relating to the former Banca Esperia's failure to report a money transfer abroad as part of the tax monitoring communication requirements, for which fines of €5.9m had been handed down, can be considered ended. On 29 September 2022, the ruling of the Court of Cassation was published. In it, the Court dismissed the appeal lodged by the Bank and ordered it to pay the costs of the litigation.

In addition to the foregoing, the pending disputes at 31 December were as follows:

– two disputes relating to non-repayment of interest accrued on VAT credits claimed by SelmaBipiemme for the year 2008 (total amount of €2.5m); With reference to interest on VAT credits for the third quarter of 2008, the Company won the case in the first instance. The Italian Revenue Agency later notified the appeal on 18 October 2022 against which the Company filed an objection on 12 December 2022;
– six disputes involving direct and indirect tax of minor amounts and at different stages of the ruling process, involving a total certified amount of €1.6m in tax.

In addition to the above, there are no significant changes in the Group's other tax disputes with the Revenue Agency compared to the ones indicated on 30 June.

The risk and expense fund shall adequately meet any charges related to all cases brought against Mediobanca and Group companies (for which there are no other significant legal disputes).

10.2 Provisions for risks and charges: changes during the period

	Provisions for other commitments and guarantees issued	Retirement plans	Other provisions for risks and charges: Obligations for employees	Other provisions for risks and charges: Other	Total
A. Opening balance	537	—	2,458	111,046	114,041
B. Increases	288	—	205	18,250	18,743
B.1 Provisions of the year	288	—	205	18,250	18,743
B.2 Changes due to the passage of time	—	—	—	—	—
B.3 Changes due to fluctuations in the discount rate	—	—	—	—	—
B.4 Other changes	—	—	—	—	—
- of which business combinations	—	—	—	—	—
C. Decreases	—	—	128	11,364	11,492
C.1 Uses during the year	—	—	128	11,281	11,409
C.2 Changes due to fluctuations in the discount rate	—	—	—	—	—
C.3 Other changes	—	—	—	83	83
- of which business combinations	—	—	—	—	—
D. Closing balance	825	—	2,535	117,932	121,292

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

	Provisions for credit risk related to commitments and financial guarantees issued				
	First stage	Second stage	Third stage	Purchased or originated credit impaired assets	Total
Loan commitments	17,999	2,469	169	—	20,637
Financial guarantees issued	966	413	—	—	1,379
Total	18,965	2,882	169	—	22,016

10.5 Corporate defined-benefit retirement plans

This refers to the defined benefit company retirement pension scheme operated by Caisse Bâloise on behalf of RAM AI staff as required by Swiss law. The provision is subject to actuarial quantification by an independent actuary using the Projected Unit Credit Method.[3] The present value of the obligation is also reduced by the fair value of any assets serving the Plan. Significant market changes in 2022 led to a noteworthy reduction in the value of the Fund's liability

[3] This method involves future outflows being projected on the basis of historical statistical analysis and the demographic curve, and then being discounted based on market interest rates.

against an asset value that also decreased but not with the same intensity as the liability. The "technical" surplus that at 30 June had led to an adjustment pursuant to IFRIC 14 [4] in the same amount and a zeroing of the net liability was therefore maintained.

Financial assumptions (discount rate of 2.30% against 2.25% in June 2022 and 0.15% in December 2021, salary increase of 1%) and demographic assumptions were used to determine the value of the liability.

The following Table shows the breakdown of the net defined benefit obligation as at the most recent reporting date (30 June 2022):

IAS19 Net obligation	**CHF/1000**		**EUR/1000**	
	31/12/2022	**30/06/2022**	**31/12/2022**	**30/06/2022**
Present value of defined benefit obligation	(6,443)	(6,440)	(6,469)	(6,466)
Present value of assets servicing the fund	7,136	7,221	7,165	7,250
Surplus/(deficit)	693	781	696	784
IFRIC14 adjustment	(693)	(781)	(696)	(784)
Net accounting (liability)/asset	—	—	—	—

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

[4] Paragraph 64 of IAS 19 limits the measurement of an asset serving a defined benefit plan to the lower of the surplus in the defined benefit plan and the asset ceiling. Paragraph 8 of IAS 19 defines the asset ceiling as 'the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'. Questions arose in regard of the time in which the refunds or reductions in future contributions should be considered available. Under IFRIC 14, the IASB provided the required clarifications by establishing that an entity must determine the availability of a refund or a reduction in future contributions in compliance with the terms and conditions of the plan and the statutory provisions applicable in the jurisdiction in which the plan is in operation. In the case at issue, the independent expert did not find that a right to a refund had arisen for the employees as the amount consisted in a surplus that did not derive from "operational" changes to the fund generating a better economic condition but from changes in valuation rates that had an impact on "Actuarial Gains and Losses" resulting in the reduction and cancellation of the liability without recognizing an asset.

SECTION 11

Heading 110: Technical reserves

11.1 Technical reserves: composition

	Direct business	Indirect business	31/12/2022	30/06/2022
A. Non-life insurance	—	115,272	115,272	119,001
A.1 Premium reserves	—	105,155	105,155	108,097
A.2 Claims reserves	—	10,117	10,117	10,904
A.3 Other reserves	—	—	—	—
B. Life insurance	—	—	—	—
B.1 Mathematical reserves	—	—	—	—
B.2 Reserves for sums to pay	—	—	—	—
B.3 Other reserves	—	—	—	—
C. Technical reserves when the investment risk is borne by insured parties	—	—	—	—
C.1 Reserves related to contracts whose performance is linked to investment funds and market indexes	—	—	—	—
C.2 Reserves originated by retirement funds management	—	—	—	—
D. Total technical reserves	—	115,272	115,272	119,001

11.2 Technical reserves: changes during the period

	31/12/2022	30/06/2022
A. Non-life business		
Opening amount	119,001	131,350
Business combinations	—	—
Changes to reserves (+/-)	(3,729)	(12,349)
Other changes	—	—
Closing balance	115,272	119,001
B. Life business and other technical reserves		
Opening amount	—	—
Business combinations	—	—
Changes due to premiums	—	—
Changes due to sums to be paid out	—	—
Changes due to payments	—	—
Changes due to income and other bonuses paid out to insurers (+/-)	—	—
Changes to other technical reserves (+/-)	—	—
Other changes	—	—
Closing balance	—	—
C. Total technical reserves	115,272	119,001

SECTION 13

Heading 120, 130, 140, 150, 160, 170 and 180: Group net equity

13.1 "Capital" and "treasury shares": composition

For the composition of the group's capital, please see part F of the notes to the accounts.

13.2 Share capital: changes in no. of parent company shares in issue during the period

Items/Type	Ordinary
A. Shares in issue at the start of the period	838,885,607
- entirely unrestricted	838,885,607
- with restrictions	—
A.1 Treasury shares (-)	(25,812,945)
A.2 Shares outstanding: opening baance	862,369,906
B. Increases	1,727,182
B.1 New issues for:	1,027,417
- consideration:	—
- business combination	—
- conversion of bonds	—
- exercise of warrants	—
- others	—
- free	1,027,417
- to employees	1,027,417
- to directors	—
- others	—
B.2 Treasury shares' disposal	699,765
B.3 Other increases	—
C. Decreases	—
C.1 Cancellations	—
C.2 Treasury shares' buybacks	—
C.3 Disposal of business	—
C.4 Other decreases	—
D. Shares outstanding: closing balance	840,612,789
D.1 Treasury shares (+)	(8,613,180)
D.2 Shares in issue at the end of the period	849,225,969
- entirely unrestricted	849,225,969
- with restrictions	—

On September 2nd, 16,500,000 treasury shares were cancelled, keeping in the Group's portfolio the number needed to cover its performance share plans and other commitments. As part of the performance share plans, 1,727,182 shares were allocated on 25 November, 699,765 of which through treasury shares and 1,027,417 through a capital increase.

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

Items/Type	**No. of shares**	**Value (€/1000)**
Treasury shares at the start of the periodo	25,812,945	240,808
Increases:	—	—
- Issuances	—	—
- Treasury shares' buyback	—	—
- Other increases	—	—
Decreases:	17,199,765	160,456
- Cancellation	16,500,000	153,928
- Treasury shares' disposal	699,765	6,528
- Other decreases	—	—
Treasury shares at the end of the periodo	8,613,180	80,352

13.4 Profit reserves: other information

Items/Values	**31/12/2022**	**30/06/2022**
Legal reserve	88,728	88,728
Statutory reserve	720,089	836,680
Treasury shares	80,352	240,633
Other	6,185,948	5,742,221
Total	7,075,117	6,908,262

13.5 Equity instruments: breakdown and annual changes

There is no other information to be disclosed other than that already reported on this section.

SECTION 14

Heading 190: Minority interests

14.1 Heading 210: Minority interests: composition

Company name	31/12/2022	30/06/2022
1. SelmaBipiemme S.p.A.	90,993	90,232
2. RAM Active Investments S.A.	951	995
3. Cairn Capital	10,675	10,331
4. Other minors	19	13
Total	102,638	101,571

Other Information

1. Commitments and financial guarantees issued

	Nominal value of commitments and financial guarantees issued				Total 31/12/2022	Total 30/06/2022
	First stage	Second stage	Third stage	Purchased or originated credit impaired assets		
1. Loan commitments	12,140,546	127,364	997	—	12,268,907	15,079,889
a) Central Banks	—	—	—	—	—	—
b) Public administrations	122,567	—	—	—	122,567	2,724,900
c) Banks	4,114	—	—	—	4,114	46,867
d) Other financial companies	1,104,622	5	—	—	1,104,627	1,935,724
e) Non-financial companies	8,138,684	96,985	207	—	8,235,876	7,701,716
f) Households	2,770,559	30,374	790	—	2,801,723	2,670,682
2. Financial guarantees issued	502,460	10,998	—	—	513,458	572,551
a) Central Banks	—	—	—	—	—	—
b) Public administrations	—	—	—	—	—	—
c) Banks	1,887	—	—	—	1,887	11,563
d) Other financial companies	18,430	—	—	—	18,430	19,961
e) Non-financial companies	457,971	10,998	—	—	468,969	509,381
f) Households	24,172	—	—	—	24,172	31,646

2. Other commitments and guarantees issued

	Nominal Value 31/12/2022	Nominal Value 30/06/2022
1. Other guarantees issued	169,730	177,447
of which: non-performing exposures	—	*300*
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	478	478
d) Other financial companies	62,378	61,198
e) Non-financial companies	30,786	35,125
f) Households	76,088	80,646
2. Other commitments	131,266	111,333
of which: non-performing exposures	—	—
a) Central Banks	—	—
b) Public administrations	—	—
c) Banks	105,051	101,645
d) Other financial companies	—	—
e) Non-financial companies	26,215	9,688
f) Households	—	—

[1] These concern other guarantees issued by the Parent Company to non-performing counterparties.

5. Assets managed on behalf of third parties

Type of service	Amount 31/12/2022	Amount 30/06/2022
1. Orders execution on behalf of customers		
a) purchases	22,167,876	39,869,719
1. settled	22,137,926	38,948,514
2. unsettled	29,950	921,205
b) sales	19,346,553	30,693,114
1. settled	19,316,603	29,771,909
2. unsettled	29,950	921,205
2. Portfolio management		
a) individual	7,120,502	7,044,324
b) collective	18,691,353	18,922,300
3. Custody and administration of securities		
a) third-party securities on deposits: relating to depositary banks activities (excluding portfolio management)	9,293,312	8,894,618
1. securities issued by companies included in the area of consolidation	1,031	613
2. other securities	9,292,281	8,894,005
b) third-party securities held in deposits (excluding portfolio management): other	21,476,050	17,986,082
1. securities issued by companies included in the area of consolidation	30,000	30,000
2. other securities	21,446,050	17,956,082
c) third-party securities deposited with third parties	18,329,286	16,448,308
d) own securities deposited with third parties	8,321,363	7,875,485
4. Other transactions	13,154,391	13,015,912

Part C - Notes to the Consolidated Income Statement

SECTION 1

Headings 10 and 20: Net interest income

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other operations	Total First half of the year 2022/2023	Total First half of the year 2021/2022
1. Financial assets measured at fair value through to profit or loss:	33,063	10,369	—	43,432	25,171
1.1 Financial assets held for trading	33,007	55	—	33,062	14,059
1.2 Financial assets designated at fair value	—	10,314	—	10,314	10,958
1.3 Other financial assets mandatorly measured at fair value	56	—	—	56	154
2. Financial assets recognized at fair value with impact taken to other comprehensive income	48,591	—	X	48,591	17,963
3. Financial assets at amortized cost:	44,527	1,046,660	—	1,091,187	807,303
3.1 Due from banks	4,259	45,852	X	50,111	6,013
3.2 Due from customers	40,268	1,000,808	X	1,041,076	801,290
4. Hedging derivatives [1]	X	X	—	—	36,912
5. Other assets	X	X	2,618	2,618	285
6. Financial liabilities [2]	X	X	X	3,635	27,107
Total	126,181	1,057,029	2,618	1,189,463	914,741
of which: interest income on impaired assets	*103*	*25,854*	—	*25,957*	*38,506*
of which: interest income on finance lease	*X*	*25,004*	*X*	*25,004*	*20,624*

[1] Mostly hedges of funding.

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

1.3 Interest expenses and similar charges: breakdown

Items/Technical forms	**Debts**	**Securities**	**Other operations**	**Total First half of the year 2022/2023**	**Total First half of the year 2021/2022**
1. Financial liabilities measured at amortized cost	(124,722)	(175,267)	—	(299,989)	(159,957)
1.1 Due to central banks	(543)	X	X	(543)	(29)
1.2 Due to banks	(70,809)	X	X	(70,809)	(2,983)
1.3 Due to customers	(53,370)	X	X	(53,370)	(22,950)
1.4 Securities in issue	X	(175,267)	X	(175,267)	(133,995)
2. Financial trading liabilities	—	—	—	—	—
3. Financial liabilities designated at fair value	—	(10,637)	—	(10,637)	(10,954)
4. Other liabilities and funds	X	X	—	—	(255)
5. Hedging derivatives	X	X	(34,169)	(34,169)	—
6. Financial assets [1]	X	X	X	(2,217)	(6,199)
Total	(124,722)	(185,904)	(34,169)	(347,012)	(177,365)
of which: interest expenses related to lease liabilities	*(1,066)*	*X*	*X*	*(1,066)*	*(1,083)*

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

SECTION 2

Heading 40 and 50: Net fee and commission income

2.1 Fee and commission income: breakdown

Type of income/Values	First half of the year 2022/2023	First half of the year 2021/2022
a) Financial instruments	126,133	139,199
1. Placement of securities	89,726	93,504
1.1 Underwriting commitment and/or based on an irrevocable commitment	—	—
1.2 Without an irrevocable commitment	89,726	93,504
2. Receipt and sending of orders and execution of orders on behalf of clients	10,780	10,016
2.1 Receipt and sending of orders for one or more financial instruments	10,780	10,016
2.2 Execution of orders on behalf of clients	—	—
3. Other commissions associated with assets linked to financial instruments	25,627	35,679
of which: trading on own account	*7,596*	*3,711*
of which: individual portfolio management	*18,032*	*31,968*
b) Corporate Finance	100,190	101,460
1. Advice on mergers and acquisitions	100,190	101,460
2. Treasury services	—	—
3. Other commissions connected with corporate finance services	—	—
c) Advice on investments	2,466	2,842
d) Netting and settlement	—	—
e) Collective portfolio management	64,763	47,951
f) Custody and administration	11,173	11,367
1. Depository bank	—	—
2. Other fees associated with custody and administration	11,173	11,367
g) Central administrative services for collective portfolio management	—	—
h) Fiduciary activities	3,148	2,809
i) Payment services	22,441	18,471
1. Current accounts	8,759	6,087
2. Credit cards	7,869	7,409
3. Debits cards and other payment cards	3,981	3,462
4. Wire transfers and payment orders	254	227
5. Other fees linked to payment services	1,578	1,286
j) Distribution of third parties services	50,240	49,783
1. Collective portfolio management	2,167	2,001
2. Insurance products	41,885	40,248
3. Other products	6,188	7,534
of which: individual portfolio management	*6,129*	*7,534*
k) Structured finance	—	—
l) Securitization servicing	213	228
m) Loan commitments	48,249	34,711
n) Financial guarantees issued	3,428	3,207
of which: credit derivatives	—	—
o) Lending transactions	9,260	7,116
of which: factoring services	*8,130*	*5,881*
p) Currency trading	69	44
q) Commodities	—	—
r) Other commission income	18,593	20,404
of which: for the management of multilateral trading facilities	—	—
of which: for the management of organized trading systems	—	—
Total	460,366	439,592

2.2 Fee and commission expenses: breakdown

Services/Amounts	First half of the year 2022/2023	First half of the year 2021/2022
a) Financial instruments	(4,605)	(5,625)
of which: securities trading	(4,078)	(4,051)
of which: financial instruments placement	(527)	(1,574)
of which: individual portfolio management	—	—
- Own assets	—	—
- Under mandate to third parties	—	—
b) Netting and settlement	—	—
c) Collective portfolio management	(4,398)	(4,464)
1. Own instruments	—	—
2. Under mandate to third parties	(4,398)	(4,465)
d) Custody and administration	(2,362)	(1,955)
e) Collection and payment services	(8,598)	(7,330)
of which: credit cards, debit cards and other payment cards	*(4,431)*	*(3,501)*
f) Securitization servicing	—	—
g) Borrowing commitments	—	—
h) Financial guarantees received	(71)	(70)
of which: credit derivatives	—	—
i) Off-site distribution of financial instruments, products, and services	(8,304)	(8,974)
j) Currency trading	—	—
k) Other commission expense	(48,688)	(51,306)
Total	(77,026)	(79,724)

SECTION 3

Heading 70: Dividends and similar income

3.1 Dividends and similar income: breakdown

Item/Income	First half of the year 2022/2023		First half of the year 2021/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	17,605	1	28,004	3
B. Other financial assets mandatorily measured at fair value	—	5,208	—	15,706
C. Financial assets measured at fair value through other comprehensive income	583	—	223	—
D. Equity investments	—	—	—	—
Total	18,188	5,209	28,227	15,709

SECTION 4

Heading 80: Net trading income

4.1 Net trading income: breakdown

Transactions/ Income	Capital gain (A)	Trading income (B)	Capital loss (C)	Trading loss (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	193,397	510,866	(294,661)	(129,236)	280,366
1.1 Debt securities	159,029	73,306	(91,885)	(49,278)	91,172
1.2 Equity securities	34,197	436,389	(202,718)	(79,522)	188,346
1.3 UCIT units	—	1,169	(22)	(436)	711
1.4 Loans	171	—	—	—	171
1.5 Others	—	2	(36)	—	(34)
2. Trading liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Payables	—	—	—	—	—
2.3 Other	—	—	—	—	—
3. Financial assets and liabilities: exchange rates differences [1]	X	X	X	X	(31,864)
4. Derivatives instruments	2,008,353	1,401,859	(2,197,781)	(1,406,498)	(141,302)
4.1 Financial derivatives	1,629,240	1,087,251	(1,803,126)	(1,123,565)	(157,435)
- on debt securities and interest rates	460,026	438,019	(564,118)	(562,552)	(228,625)
- on equity securities and shares indexes	1,135,516	649,032	(1,210,360)	(560,139)	14,049
- on currencies and gold	X	X	X	X	52,765
- other	33,698	200	(28,648)	(874)	4,376
4.2 Credit derivatives	379,113	314,608	(394,655)	(282,933)	16,133
of which: natural hedges related to the fair value option	X	X	X	X	—
Total	2,201,750	1,912,725	(2,492,442)	(1,535,734)	107,200

[1] Of which €6,063 in negative margins on interest rate derivatives (a negative €663 at 31 December 2021).

SECTION 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): breakdown

Income items/Amounts	First half of the year 2022/2023	First half of the year 2021/2022
A. Income from:		
A.1 Fair value hedging instruments	523,532	135,045
A.2 Hedged asset items (fair value)	20,173	82,227
A.3 Hedged liability items (fair value)	704,159	250,910
A.4 Cash-flows hedging derivatives	3	6
A.5 Assets and liabilities denominated in currency	—	—
Total gains on hedging activities (A)	1,247,867	468,188
B. Losses on:		
B.1 Fair value hedging instruments	(873,514)	(284,010)
B.2 Hedged asset items (fair value)	(356,913)	(165,241)
B.3 Hedged liability items (fair value)	(12,222)	(20,388)
B.4 Cash-flow hedging derivatives	—	(5)
B.5 Assets and liabilities denominated in currency	—	—
Total losses on hedging activities (B)	(1,242,649)	(469,644)
C. Net gain (loss) from hedging activities (A-B)	5,218	(1,456)
of which: gain (loss) of hedges on net exposures	—	—

SECTION 6

Heading 100: Gain (loss) on disposals/repurchases

6.1 Gain (loss) on disposal/repurchase: breakdown

Items/Income	First half of the year 2022/2023			First half of the year 2021/2022		
	Profits	Losses	Net profit	Profits	Losses	Net profit
A. Financial assets						
1. Financial assets measured at amortized cost	34,810	(24,837)	9,973	15,047	(629)	14,419
1.1 Due from banks	(19)	(19)	(38)	2,009	(198)	1,811
1.2 Due from customers	34,829	(24,818)	10,011	13,038	(431)	12,608
2. Financial assets measured at fair value through other comprehensive income	4,577	(12,742)	(8,165)	13,668	—	13,668
2.1 Debt securities	4,577	(12,742)	(8,165)	13,668	—	13,668
2.2 Loans	—	—	—	—	—	—
Total assets (A)	39,387	(37,579)	1,808	28,715	(629)	28,087
B. Financial liabilities measured at amortized cost						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	4,716	(332)	4,384	337	(973)	(636)
Total liabilities (B)	4,716	(332)	4,384	337	(973)	(636)

The effect foreign exchange valuations of financial assets valued at amortised cost and those measured at fair value with effect on other comprehensive income starting from this semester are included in item 80 “Net trading income”. December 31st, 2021 data has been reclassified.

SECTION 7

Heading 110: Net result of other financial assets and liabilities measured at fair value through profit or loss

7.1 Net variation in the value of other financial assets and liabilities measured at fair value through profit or loss: composition of financial assets and liabilities designated at fair value

Transactions/Income	Gains (A)	Proceeds from disposal (B)	Capital losses (C)	Minus from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	6,004	—	—	—	6,004
1.1 Debt securities	—	—	—	—	—
1.2 Loans	6,004	—	—	—	6,004
2. Financial liabilities	18,658	97	(7,007)	(7,341)	4,407
2.1 Debt securities in issue	18,658	97	(7,007)	(7,341)	4,407
2.2 Due to banks	—	—	—	—	—
2.3 Due to customers	—	—	—	—	—
3. Foreign-currency denominated financial assets and liabilities: exchange rate differences	X	X	X	X	119
Total	24,662	97	(7,007)	(7,341)	10,530

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

Transactions/Income	Gains (A)	Proceeds from disposal (B)	Capital losses (C)	Minus from disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	6,667	272	(25,651)	—	(18,712)
1.1 Debt securities	—	—	—	—	—
1.2 Equity securities	—	—	(3)	—	(3)
1.3 UCIT units	6,667	272	(25,648)	—	(18,709)
1.4 Loans	—	—	—	—	—
2. Financial assets: exchange rate differences	X	X	X	X	(1,099)
Total	6,667	272	(25,651)	—	(19,811)

SECTION 8

Heading 130: Net write-offs (writebacks) for credit risk

8.1 Net write-offs for credit risk related to financial assets measured at amortized cost: breakdown

Transactions/ Income	Write-downs 1						Writebacks 2				First half of the year 2022/ 2023	First half of the year 2021/ 2022
	First stage	Second stage	Third stage		Purchased or originated credit impaired assets		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		
			Write-off	Other	*Write-off*	Other						
A. Due from banks	(286)	—	—	—	—	—	530	—	—	—	244	712
- Loans	(170)	—	—	—	—	—	372	—	—	—	202	668
- Debt receivables	(116)	—	—	—	—	—	158	—	—	—	42	44
B. Due from customers	(129,199)	(161,954)	(1,700)	(168,120)	(26,313)	(28)	145,633	89,038	73,754	41,479	(137,410)	(133,780)
- Loans	(127,585)	(158,259)	(1,700)	(168,017)	(26,313)	(28)	143,609	89,038	73,754	41,479	(134,022)	(132,792)
- Debt receivables	(1,614)	(3,695)	—	(103)	—	—	2,024	—	—	—	(3,388)	(988)
Total	(129,485)	(161,954)	(1,700)	(168,120)	(26,313)	(28)	146,163	89,038	73,754	41,479	(137,166)	(133,068)

8.2 Net write-offs for credit risk related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/ Income	Write-downs 1						Writebacks 2				First half of the year 2022/ 2023	First half of the year 2021/ 2022
	First stage	Second stage	Third stage		Purchased or originated credit impaired assets		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		
			Write-off	Other	*Write-off*	Other						
A. Debt Securities	—	—	—	—	—	—	591	141	—	—	732	(764)
B. Loans	—	—	—	—	—	—	—	—	—	—	—	—
- To customers	—	—	—	—	—	—	—	—	—	—	—	—
- To banks	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	591	141	—	—	732	(764)

SECTION 9

Heading 140: Gains (losses) from contractual modifications without derecognition

9.1 Gains (losses) from contractual modifications: breakdown

This heading, which reflects a loss of €135,000, includes the impact of modifications to contracts for financial assets which, as they do not constitute substantial modifications, under IFRS 9 and the Group's own accounting policies, do not entail derecognition of the assets but require the modifications to the cash flows provided for contractually to be recognized in the profit and loss account.

SECTION 10

Heading 160: Net premium income

10.1 Net premiums: breakdown

Premium for insurance	Direct business	Indirect business	First half of the year 2022/2023	First half of the year 2021/2022
A. Life business				
A.1 Gross premiums accounted (+)	—	—	—	—
A.2 Outward reinsurance premiums (-)	—	X	—	—
A.3 Total	—	—	—	—
B. Non-life business				
B.1 Gross premiums accounted (+)	—	18,005	18,005	15,694
B.2 Outward reinsurance premiums (-)	—	X	—	—
B.3 Change in gross value of premium reserve (+/-)	—	2,942	2,942	7,563
B.4 Change in premium reserve for premiums ceded to reinsures (+/-)	—	—	—	—
B.5 Total	—	20,947	20,947	23,257
C. Total net premiums	—	20,947	20,947	23,257

SECTION 11

Heading 170: Other (net) income from insurance activities

11.1 Other (net) income from insurance activities: breakdown

Items	First half of the year 2022/2023	First half of the year 2021/2022
1. Net change in technical reserves	—	—
2. Claims paid out during the year	(3,166)	(5,209)
3. Other income and expense from insurance	(1,957)	(2,115)
Total	(5,123)	(7,324)

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

Charges for claims	First half of the year 2022/2023	First half of the year 2021/2022
Life-business: expense related to claims, net of reinsurance ceded		
A. Amounts paid out	—	—
A.1 Gross annual amount	—	—
A.2 (-) Amounts reinsured with third parties	—	—
B. Change in reserve for amount payable	—	—
B.1 Gross annual amount	—	—
B.2 (-) Amounts reinsured with third parties	—	—
Total life-business claims	—	—
Non-life business: expense related to claims, net of recoveries and reinsurance ceded		
C. Amounts paid out	(3,952)	(4,882)
C.1 Gross annual amount	(3,952)	(4,882)
C.2 (-) Amounts reinsured with third parties	—	—
D. Change in recoveries net of amount ceded to reinsures	—	—
E. Change in claims reserves	786	(327)
E.1 Gross annual amount	786	(327)
E.2 (-)Amounts reinsured with third parties	—	—
Total non-life business claims	(3,166)	(5,209)

SECTION 12

Heading 190: Administrative expenses

12.1 Personnel cost: breakdown

Type of expense/Sectors	First half of the year 2022/2023	First half of the year 2021/2022
1) Employees	(353,178)	(321,057)
a) wages and salaries	(262,426)	(235,568)
b) social security contributions	(55,145)	(51,293)
c) End-of-service indemnity	(1,664)	(1,827)
d) social security costs	—	—
e) provisions to statutory end-of-service payments	(8,434)	(7,627)
f) provision for retirement and similar provisions:	107	(22)
- defined contribution	—	—
- defined benefits	107	(22)
g) payments to external pension funds:	(8,185)	(7,619)
- defined contribution	(8,185)	(7,619)
- defined benefits	—	—
h) expenses resulting from share based payments	(6,289)	(5,690)
i) other employees' benefits	(11,142)	(11,411)
2) Other staff in service	(3,206)	(3,196)
3) Directors and Statutory Auditors	(6,586)	(3,842)
4) Early retirement costs	—	(467)
Total	(362,970)	(328,562)

12.2 Average number of staff by category

	First half of the year 2022/2023	First half of the year 2021/2022
Employees:		
a) Senior executives	491	443
b) Executives	2,175	2,074
c) Other employees	2,297	2,333
Other staff	287	288
Total	5,249	5,138

12.5 Other administrative expenses: breakdown

Type of service/Values	First half of the year 2022/2023	First half of the year 2021/2022
OTHER ADMINISTRATIVE EXPENSES		
- legal, tax and professional services	(28,415)	(26,296)
- loan recovery activity	(39,973)	(35,767)
- marketing and communications	(22,763)	(18,167)
- property	(11,030)	(10,477)
- EDP	(76,927)	(70,229)
- info-providers	(26,393)	(24,780)
- bank charges, collection and payment fees	(16,380)	(15,285)
- operating expenses	(32,960)	(29,527)
- other staff expenses	(8,519)	(4,933)
- other [1]	(35,892)	(38,063)
- indirect and other taxes	(54,589)	(47,837)
Total other administrative expenses	(353,841)	(321,361)

[1] The item includes contributions to the various resolution funds: €25m for the year ended at 31 December 2022, and €21.9m for the year ended at 31 December 2021.

SECTION 13

Heading 200: Net transfers to provisions for risks and charges

13.1 Net transfers for credit risk related to loan commitments and financial guarantees issued: breakdown

	First half of the year 2022/2023			First half of the year 2021/2022
	Provisions	Reallocation of surplus	Total	Total
Loan commitments	(7,435)	8,495	1,060	2,400
Financial guarantees issued	(201)	915	714	197
Total	(7,636)	9,410	1,774	2,597

13.2 Net transfers related to other commitments and guarantees issued

	First half of the year 2022/2023			First half of the year 2021/2022		
	Provisions	Reallocation of surplus	Total	Provisions	Reallocation of surplus	Total
Other commitments	—	—	—	—	—	—
Other guarantees issued	(288)	—	(288)	(60)	—	(60)
Total	(288)	—	(288)	(60)	—	(60)

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

	First half of the year 2022/2023			First half of the year 2021/2022
	Provisions	**Reallocation of surplus**	**Total**	
1. Other funds				
1.1 Legal disputes	—	—	—	—
1.2 Staff costs	—	—	—	(432)
1.3 Other	(15,621)	2,557	(13,064)	(4,765)
Total	(15,621)	2,557	(13,064)	(5,197)

SECTION 14

Heading 210: Net adjustments to tangible assets

14.1 Net adjustments to tangible assets: breakdown

Asset/Income	Depreciation (a)	Impairment losses (b)	Writebacks (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. Core	(29,478)	—	—	(29,478)
- Owned	(7,708)	—	—	(7,708)
- Right-of-use assets acquired through lease	(21,770)	—	—	(21,770)
2. Held for investment purposes	(983)	—	—	(983)
- Owned	(983)	—	—	(983)
- Right-of-use assets acquired through lease	—	—	—	—
3. Inventories	X	—	—	—
Total	(30,461)	—	—	(30,461)

SECTION 15

Heading 220: Net adjustments to intangible assets

15.1 Net adjustments to intangible assets: breakdown

Asset/Income components	Depreciation (a)	Impairment losses (b)	Writebacks (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	*(11,950)*	—	—	*(11,950)*
A.1 Owned	(15,133)	—	—	(15,133)
- Generated by the company internally	—	—	—	—
- Other	(15,133)	—	—	(15,133)
A.2 Right-of-use assets acquired through lease	—	—	—	—
Total	(15,133)	—	—	(15,133)

SECTION 16

Heading 230: Other operating income (expense)

16.1 Other operating expenses: breakdown

Type of service/Values	First half of the year 2022/2023	First half of the year 2021/2022
a) Leasing activity	(4,339)	(4,485)
b) Sundry costs and expenses [1]	(9,476)	(14,130)
Total operating expenses	(13,815)	(18,615)

[1] This item includes the provision for the portion of ordinary and extraordinary dividends pertaining to minority interests of Messier et Associés, amounting to €2m. The extraordinary dividend component was calculated on the basis of the company's 2022 net calendar year profits.

16.2 Other operating income: breakdown

Type of service/Values	First half of the year 2022/2023	First half of the year 2021/2022
a) Amounts recovered from customers	48,988	44,009
b) Leasing activity	4,085	3,964
c) Other income	49,494	48,456
Total	102,567	96,429

SECTION 17

Heading 250: Gain (loss) on equity investments

17.1 Gain (loss) on equity investments: breakdown

Income components/Sectors	First half of the year 2022/2023	First half of the year 2021/2022
1) Joint venture		
A. Incomes	—	—
1. Revaluation	—	—
2. Gain on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	—	—
1. Write-downs	—	—
2. Impairment losses	—	—
3. Losses on disposal	—	—
4. Other expenses	—	—
Net profit	—	—
2) Companies subject to significant influence		
A. Incomes	196,471	186,509
1. Revaluation	196,471	186,509
2. Gain on disposal	—	—
3. Writebacks	—	—
4. Other gains	—	—
B. Expenses	(1,056)	(781)
1. Write-downs	(1,056)	(781)
2. Impairment losses	—	—
3. Losses on disposal	—	—
4. Other expenses	—	—
Net profit	195,415	185,728
Total	195,415	185,728

SECTION 20

Heading 280: Gain (loss) on disposal of investments

20.1 Gain (loss) on disposal of investments: breakdown

Income components/Sectors	First half of the year 2022/2023	First half of the year 2021/2022
A. Real property	14	(416)
- Gains on disposal	14	46
- Losses on disposal	—	(462)
B. Other assets	400	—
- Gains on disposal	410	—
- Losses on disposal	(10)	—
Net profit (loss)	414	(416)

At 31 December 2022, this item includes the capital gains recorded by Spafid Connect following the transfer of the last issuer service held for sale.

SECTION 21

Heading 300: Income tax for the year on ordinary activities

21.1 Income tax for the year on ordinary activity: breakdown

Income components/Sectors	First half of the year 2022/2023	First half of the year 2021/2022
1. Current tax expense (-)	(143,685)	(130,543)
2. Changes in current taxes of previous years (+/-)	3,806	(73)
3. Reduction in current taxes for the year (+)	32	153
3.bis Reduction in current taxes for the year due to tax credits pursuant to Law No. 214/2011 (+)	—	129
4. Changes in prepaid taxes (+/-)	(58,071)	9,157
5. Changes in deferred taxes (+/-)	6,707	745
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(191,211)	(120,432)

SECTION 23

Heading 340: Net profit (loss) attributable to minority interests

23.1 Breakdown of Heading 340, "Net profit (loss) for the year attributable to minority interests"

Company name	First half of the year 2022/2023	First half of the year 2021/2022
1. SelmaBipiemme S.p.A.	1,522	16
2. RAM Active Investments S.A.	(58)	(47)
3. Cairn Capital Group Ltd.	616	220
Total	2,080	189

SECTION 25

Earnings per share

25.1 Average number of ordinary shares on a diluted basis

	First half of the year 2022/2023	First half of the year 2021/2022
Net profit	555,079	525,814
Avg. no. of shares in issue	840,571,486	862,328,603
Avg. no. if potentially diluted shares [1]	4,386,469	4,158,123
Avg. no. of diluted shares	844,957,955	866,486,726
Earnings per share	0.66	0.61
Earnings per share, diluted	0.66	0.61

[1] The number of shares in issue at December 31st, 2021 takes into account the shares repurchased under the buyback plan.

Part E - Information on risks and related hedging policies

INTRODUCTION

As part of the Group’s risks governance process, a key role is played by the Risk Management Unit, which identifies, measures and monitors all the risks to which the Banking Group [1] (or, the “Group”) is exposed, and manages and mitigates them in co-ordination with the various business areas. The unit’s main duties and responsibilities are described below, along with its characteristics in terms of independence, plus an indication of the role of the other company units in risk management.

For the qualitative disclosure, please refer to Section 2 - Consolidated prudential risks.

SECTION 1

Consolidated accounting risks

The accounting consolidation area includes the line-by-line consolidation of controlled entities Compass RE (reinsurance), Compass Rent and MBContact Solutions (other companies), which under the banking group method of consolidation are accounted under the equity method.

[1] The following subsidiaries of the Group’s legal entities are excluded from the prudential scope of application: Compass RE (reinsurance), Compass Rent and MBContact Solutions (other companies).

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing accounts: amounts, adjustments, trends and segmentation by earnings

A.1.1 Financial assets by portfolio and credit quality (book value)

Portfolio/quality	Bad loans	Unlikely to pay	Overdue non-performing exposures	Overdue performing exposures	Other performing exposures *	Total
1. Financial assets measured at amortized cost	300,949	212,215	88,026	201,346	61,864,175	62,666,711
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	3,881,413	3,881,413
3. Financial assets designated at fair value	—	—	—	—	512,341	512,341
4. Other financial assets mandatorily measured at fair value	—	4,626	—	—	1,667	6,293
5. Financial assets held for sale	—	—	—	—	—	—
Total 31 December 2022	300,949	216,841	88,026	201,346	66,259,596	67,066,758
Total 30 June 2022	402,779	248,095	84,146	198,303	63,567,366	64,500,689

* Include the NPLs acquired by Revalea (formerly MBCredit Solutions) in an amount of €256.2m, €255.3m of which bad loans (net values).

Overdue performing loans mainly refer to factoring (€82.6m, 0.1% of total performing loans of the segment) and mortgage loans (€55m, i.e. 0.8%). The item also includes net exposures being renegotiated under the terms of collective agreements amounting to €192.3m, consisting primarily of mortgage loans totalling €192.1m. Of the overdue performing loans, the instalments actually unpaid stood at 36% (gross value of €89.6m).

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

Portfolio/quality	Non-performing				Performing			Total (Net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortized cost	1,553,419	(952,229)	601,190	4,248	62,798,077	(732,556)	62,065,521	62,666,711
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	3,890,146	(8,733)	3,881,413	3,881,413
3. Financial assets designated at fair value	—	—	—	—	X	X	512,341	512,341
4. Other financial assets mandatorily measured at fair value	11,262	(6,636)	4,626	—	X	X	1,667	6,293
5. Financial assets held for sale	—	—	—	—	—	—	—	—
Total 31 December 2022	1,564,681	(958,865)	605,816	4,248	66,688,223	(741,289)	66,460,942	67,066,758
Total 30 June 2022	1,688,411	(953,391)	735,020	4,307	63,951,310	(703,347)	63,765,669	64,500,689

Portfolio/quality	Assets with obviously poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	—	—	8,974,932
2. Hedging derivatives	—	—	229,682
Total 31 December 2022	—	—	9,204,614
Total 30 June 2022	—	—	8,270,450

Net non-performing assets include €256.2m held by Revalea (purchases of Non-Performing Loans) corresponding to a nominal value of €6.6bn; of these €4.6m, for a nominal value of €373.1m, relate to assets (essentially Consumer Banking) purchased from other Group companies.

Information on sovereign debt exposures

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

Portfolio/quality	Non performing loans				Performing			Total net exposure [1]
	Gross exposure	Individual adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	(1,740,164)	(1,740,164)
France	—	—	—	—	X	X	(286,272)	(286,272)
Germany	—	—	—	—	X	X	—	—
Italy	—	—	—	—	X	X	(523,102)	(523,102)
Belgium	—	—	—	—	X	X	(910,842)	(910,842)
Others	—	—	—	—	X	X	(19,948)	(19,948)
2. Financial assets designated at fair value through other comprehensive income	—	—	—	—	2,822,422	—	2,822,422	2,822,422
Italy	—	—	—	—	1,843,171	—	1,843,171	1,843,171
Germany	—	—	—	—	267,329	—	267,329	267,329
United States	—	—	—	—	661,714	—	661,714	661,714
Spain	—	—	—	—	—	—	—	—
Others	—	—	—	—	50,208	—	50,208	50,208
3. Financial assets at amortized cost	—	—	—	—	3,372,954	—	3,372,954	3,372,954
Italy	—	—	—	—	2,184,294	—	2,184,294	2,184,294
Germany	—	—	—	—	450,779	—	450,779	450,779
United States	—	—	—	—	399,695	—	399,695	399,695
France	—	—	—	—	306,164	—	306,164	306,164
Others	—	—	—	—	32,022	—	32,022	32,022
Total 31/12/22	—	—	—	—	6,195,376	—	4,455,212	4,455,212

* Does not include financial or credit derivatives.

1 The net exposure includes positions in securities (long and short) measured at fair value (including the outstanding accrual) except for assets held to maturity which are measured at amortized cost, whose implied fair value is €-137m.

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

Portfolio/quality	Trading Book [1]			Banking Book [2]			
	Nominal value	Book value	Duration	Nominal value	Book value	Fair value	Duration
Italy	(349,221)	(286,272)	2.17	4,158,077	4,027,465	3,936,723	3.71
United States	—	—		740,671	718,108	698,079	1.80
Germany	(556,440)	(523,102)	2.30	1,070,000	1,061,409	1,049,457	0.80
France	(896,525)	(910,842)	0.54	310,400	306,164	292,034	2.15
Others	(22,000)	(19,948)	—	84,436	82,230	82,083	—
Total 31/12/2022	(1,824,186)	(1,740,164)		6,363,584	6,195,376	6,058,376	

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

[1] This item does not include sales on the Bund / Bobl / Schatz future (Germany) for €97m (with a positive fair value of €2.5m) and sales on the BTP future (Italy) for €555m (with a positive fair value of €12.8m); moreover, net hedge purchases of €1,783m, nearly all of which allocated to France country risk, were not counted.

[2] This item does not include the instrument linked to the appreciation of Greek GDP (referred to as "GDP Linkers Securities") with a notional value of €127m.

Information on structured entities

In accordance with the provisions of IFRS 12, the Group treats the entities it sets up in order to achieve a limited and well-defined objective regulated by contractual agreements that often impose narrow restrictions on the decision-making powers of its governing bodies as structured entities (i.e. special purpose vehicles, SPV, or special purpose entities, SPE). Such entities are structured to ensure that the voting rights (or similar) are not the main factor in establishing who controls them (the relevant activities are often governed by contractual agreements agreed when the entity itself is structured and are therefore difficult to change).

B.1 Consolidated structured entities

As stated in Part A – Section 3 of the Notes to the Accounts, the securitization SPVs instituted pursuant to Italian Law No. 130/99, namely Quarzo S.r.l., Quarzo CQS S.r.l. and MB Funding Lux S.A., a company incorporated under Luxembourg law and 100%-owned by Mediobanca S.p.A., are included in the Group's area of consolidation.

B.2 Structured entities not consolidated in accounting terms

The Group holds no other interests in the capital of structured entities, with the exception of investments mainly in UCITS units referring to its activities as sponsor and investor in funds of Mediobanca S.p.A. and of the Group companies, including Seed Capital activities on behalf of funds managed by the Group companies. In particular, it should be noted that:

– funds managed by RAM Active Investments SA, in which the Parent Company subscribed to funds for a NAV of €225.8m, namely: RAM Global Sustainable Income Equities (€13.8m), RAM Diversified Alpha (€67.7m), RAM Stable Climate Global Equities (€29.3m), RAM Global Multi-Asset (€37.4m), RAM Asia Bond Total Return (€15.8m), RAM Mediobanca Strata UCITS (€51.3m); all these investments are UCITS under Luxembourg law with a NAV calculated daily to which direct investments of €5m are added; lastly, there was an investment of €10.6m in RAM Systematic I/O, a fund under Cayman Islands law.

– funds managed by Polus Capital Management, in which the Parent Company subscribed to investments for a NAV of €152.9m, namely: Polus European Loan Fund (€104.5m), direct investments for €1.8m in addition to €46.7m invested in the CLO special purpose vehicles called CLI Holdings (€10m) and CLI Holdings II (€36.7m), the latter recognized by the Parent Company using the equity method (IAS 28) as Qualifying Noteholder.

– funds managed by Mediobanca SGR and Mediobanca Management Company, in which the Group subscribed to funds for a total NAV of €56.2m, of which €13.8m subscribed by the Parent Company in the funds called Mediobanca *Fondo per le Imprese* II (€2.5m), Mediobanca Euro High Yield (€4m) and Mediobanca Social Impact (€7.4m) and €42.4m subscribed by CheBanca! as part of its distribution activities, relating to the funds called Mediobanca MFS Prudent Capital (€8.4m), Mediobanca MFS Prudent Capital Euro Hedged (€8.5m), Mediobanca Global Multimanager 15 and 35 (€8.4m and €4.6m respectively), Palladium Protetto (€1.5m), Mediobanca Corporate Bond (€3m) and the new Mediobanca Nordea World Climate Engagement IE (€8m).

– CMB Monaco has placed six segments of CMB Global Lux (a company authorized under Luxembourg law) with its clients; the SICAV is managed by CMB Monaco itself, while the management and custody of the funds is the responsibility respectively of its subsidiary CMG Monaco and CACEIS Luxembourg. At 31 December 2022, the Parent company did not have investments in place in the segments referred to above.

Mediobanca participates in the Negentropy RAIF – Debt Select Fund, an alternative investment fund under Luxembourg law managed by Negentropy

Capital Partners Limited with an investment of €64.1m; the decline recorded in the half year takes into account uncertainties about recoveries and the rise in interest rates. For further information on the fund and its underlying, please refer to section C – Securitization.

B.2.1 Structured entities consolidated prudentially

At 31 December 2022 there was no disclosure to be made as no instances of this type of interest applied.

B.2.2 Other structured entities

At 31 December 2022 there was no disclosure to be made as no instances of this type of interest applied.

The process of delegating and sub-delegating investment activities, along with the broad powers of discretion afforded to delegates and the temporary nature of the investments mean that the ability to impact on returns stipulated by IFRS 10 as a precondition for establishing control of SICAVs does not apply in these cases; hence Mediobanca does not have direct control.

Asset-Backed SPEs

The entities in this case have been set up to acquire, build or manage physical or financial assets, for which the prospect of recovering the credit concerned depends largely on the cash flows to be generated by the assets.

As part of its ordinary lending operations, the Group finances asset-backed SPEs but without holding any form of direct equity stake or interest in them, hence this does not qualify as acting as sponsor.

Hold to Collect lending transactions, recorded under asset heading 40, “Financial assets measured at amortized cost – due from customers: composition”, in which the Group is the sole lender, amounted to €569m.

B.2 Leveraged Finance Transactions

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

– whose ratio between the total committed gross debt and EBITDA, at the time of disbursement, was 4 times higher (if it is 6 times higher, the transactions would be classified as "Highly Leveraged Transactions"), or;
– controlled (more than 50% of the share capital owned or possessed) by a Financial Sponsor.

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

At 31 December 2022, the total exposure of Leveraged Transactions amounted to €3,777m,[2] an increase of 9% compared to 30 June last (€3,471m, from €4,486m including Holding and Margin Loans) representing 20% of the total loan portfolio, i.e. approximately 7% of the Group's RWA.

The portion of Highly Leveraged Transactions (HLT) amounted to €1,431m, i.e. 38% of the total Leveraged Portfolio, slightly down on June 2022 (€1,490m, pro-forma after the exit of approximately €700m of Holding and Margin Loans, as referred to above); the exposure in "Pure LBOs" remained extremely limited (€151m). The NPL portion fell by 15%, from €131m to €112m, following the reclassification of a UTP transaction as performing.

Leveraged exposure mainly related to the Corporate and Infrastructure categories. Among these, the main sectors were Telecom&Media with €685m and Gaming&Leisure with €684m (both 18%), followed by Services with €472m (13%). The geographical diversification of the Leveraged portfolio increased thanks to the contribution of loans on the international market, which today represents 61% (from 54%).

[2] To which off-balance sheet exposures (commitments and derivatives) of €1,678m should be added (down 19% compared to 30 June last, which included a transaction with a significant ticket disbursed in July and now merged into the Corporate segment).

During the financial year, new loans of €720m, repayments of €265m, and net repayments on revolving lines of €17m were recorded. Exits from the Leveraged scope due to an improvement in the classification parameters amounted to €203m.

SECTION 2

Consolidated prudential risks *

1.1 CREDIT RISK

QUALITATIVE INFORMATION

Although risk management is the responsibility of each individual business unit, the Risk Management Unit presides over the functioning of the Group's risk system, defining the appropriate global methodologies for measuring risks, current and future, in conformity with the regulatory requirements and the Group's own operating choices identified in the RAF, [3] monitoring risks, and ascertaining that the various limits established for the various business lines are complied with.

Risk Management is organized around local teams based at the various Group companies, in accordance with the principle of proportionality, under the co-ordination of the Risk Management unit at Parent Company Mediobanca S.p.A. (the "Group Risk Management Unit"), which also performs specific activities for the Parent Company scope of risk, in the same way that the local teams do for their own companies. The Group Risk Management Unit, which reports directly to the Chief Executive Officer under the Group Chief Risk Officer's leadership, consists of the following sub-units: i) Supervisory Relations & Risk Governance, which manages relations with the Supervisory Authorities; ii) Enterprise Risk Management, which carries out the Group's integrated processes (ICAAP, RAF, Recovery Plan, planning support); iii) Quantitative Risk Methodologies, responsible for the development of quantitative methodologies to measure and manage credit, market and counterparty risks; iv) Credit Risk Management,

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

[3] On 22 June 2022, the Board of Directors approved a reviewed version of the Group Policy on Risk Appetite Framework (RAF), which sets out the general principles, organizational model and implementation process. In this Framework, based on the strategic plan and the maximum tolerable risk, the Group defines the level and type of risks which the Bank intends to assume, plus any objectives, tolerance thresholds and operating limits to be complied with under normal operating and stress conditions.

responsible for credit risk analysis, assigning internal ratings to counterparties and the loss-given default indicator in the event of insolvency; v) Market Risk Management and Transformation, which is in charge of monitoring market and counterparty risk and is responsible for developing, co-ordinating, rationalizing and harmonizing IT developments within Risk Management; vi) Asset and Liquidity Risk Management, which is in charge of monitoring liquidity and interest rate risks on the banking book; vii) Non-financial Risk Management, responsible for overseeing Operational Risks and risks associated with the distribution of investment products and services to customers; viii) Internal Validation & Control, which defines the methodologies, processes, instruments and reporting for use in internal validation activities, is responsible for validating the Group's risk measurement systems, defines and performs control activities over the Parent Company's various lending processes.

With reference to the authorization process to use AIRB models in order to calculate the regulatory capital requirements for credit risk, the Group has been authorized by the Supervisory Authorities to calculate its capital requirements using its own internal rating system (based on the Probability of Default and Loss Given Default indicators) for the Mediobanca and Mediobanca International corporate loan books and for the CheBanca! Italian mortgage loan book. As an integral part of this process, in accordance with the regulatory provisions in force on prudential requirements for credit institutions (Regulation (EU) No. 575/2013 of the European Parliament and of the Council, as amended – the "CRR"), the Group has compiled a roll-out plan for the gradual adoption of the internal models for the various credit exposures (the "Roll-Out Plan"). In the previous financial year, once the executive phase of the development project of its consumer exposure rating system had been completed, Compass submitted its Application Package to the Supervisory Authority with the hope of obtaining authorization by the following 30 June. The development of the model applicable to Corporate exposures relating to the factoring activities of MBFacta is also in progress. The related Application Package is expected to be submitted by the end of 2023. In 2023, the Group plans to submit an application to change its internal forms for the Corporate portfolio of Mediobanca and Mediobanca International to the Supervisory Authority, with the aim of addressing the remarks made and making the methodologies even more robust (by also adding updated data). For the exposures, for which the standardized methodology is used to calculate the regulatory capital requirements, the Group has nonetheless developed internal credit risk models that are used for management purposes.

The Group has also adopted a portfolio model in order to calculate the economic capital for credit risk, which enables geographical and sector concentration and diversification effects to be factored in.

Impacts deriving from the war in Ukraine

The Group's portfolio does not show significant direct credit exposures to Russia and Ukraine: around €16m in Corporate exposures (down from €28m last June), €185m in private loans (€240m) and €98m in Retail (essentially unchanged). The impacts were examined and deemed limited also in terms of indirect exposure, as detailed below.

CIB direct exposure (€16m) is disbursed by Mediobanca International and classified as Stage 2 despite ongoing collections; the positions in MBFacta have been completely ended.

Private Banking exposures (€185m) concerned 35 items belonging to CMB Monaco clients of Russian or Ukrainian nationality, most of whom residing abroad (only 9 items relating to persons residing in the Russian Federation remain with a declining exposure from €87m to €28m). These are loans secured by prestigious properties located in the Monaco and Côte d'Azur area and/or by financial instruments deposited with the Bank (overall guarantees recognized for these exposures involve a contained Loan-to-Value ratio, under 30%).

Retail exposures (€98m) concerned Compass (€70m) and CheBanca! clients. (€28m) clients, classified according to their Russian and Ukrainian nationality, even though residing in Italy in almost all cases. In particular, all the properties securing the loans granted by CheBanca! are located on the Italian State territory.

Counterparties earning revenues of more than 5% attributable to the countries involved in the conflict or with a significant production plant located there were taken into consideration in the analysis of indirect risk on Large Corporate customers. The analyses conducted show a low dependence on the Russian and Ukrainian markets, as also proven by the performance of these counterparties during the 2022 calendar year.

2. Credit risk management policies

2.1 Organizational aspects

The Group has adopted a risk governance and control system structured across a variety of organizational units involved in the process, ensuring that all relevant risks to which the Group is or might be exposed are managed effectively, and at the same time guaranteeing that all forms of operations are consistent with their own risk appetite.

The Board of Directors, in view in particular of its role of strategic supervision, is responsible for approving strategic guidelines and directions of the Risk Appetite Framework (RAF), the Internal Rating Systems (IRB) at the Parent Company level and the Roll-Out Plan for gradually extending the IRB approach across the whole Group, business and financial plans, budgets, risk management and internal control policies, and the Recovery Plan drawn up in accordance with the provisions of the Bank Recovery and Resolution Directive (Directive 2014/59/EU).

The Executive Committee is responsible for the ordinary management of the Bank and for co-ordination and management of the Group companies, without prejudice to the matters for which the Board of Directors has sole jurisdiction. The Risk Committee assists the Board of Directors in performing monitoring and instruction duties in respect of the internal controls, risk management, and accounting and IT systems. The Statutory Audit Committee supervises the risk management and control system as defined by the RAF and the internal controls system generally, assessing the effectiveness of the structures and units involved in the process and co-ordinating them.

Within the Parent Company's credit risk governance system, the following Management Committees have specific responsibilities in the processes of taking, managing, measuring and controlling risks: Group Risk Management Committee, responsible for issuing guidance at the Group level in respect of all risks, responsible for investigating proposals addressed to the Risk Committee and to the Board of Directors, and with powers of approval on market risks; Lending and Underwriting Committee, with decision-making powers over credit, counterparty and issuer risks; New Operations Committee, for the preventive evaluation of new activities and approval of the entry into new sectors, new products and related pricing models.

2.2 Management, measurement and control systems

In the process of defining its Risk Appetite Framework ("RAF"), Mediobanca has determined the level of risk (overall and by individual type) which it intends to assume in order to pursue its own strategic objectives, and has identified the metrics to monitor and the relevant tolerance thresholds and risk limits. The RAF is the framework which links risks to the company's strategy (translating mission and strategy into qualitative and quantitative risk variables) and risk objectives to the company's operations (translating risk objectives into limits and incentives for each area).

As required by the prudential regulations, the formalization of risk objectives, through definition of the RAF, which are consistent with the maximum risk that can be taken, the business model and strategic guidance is a key factor in establishing a risk governance policy and internal controls system with the objective of enhancing the bank's capability in terms of governing its own company risks, and also ensuring sustainable growth over the medium and long term. In this connection, the Group has developed a Risk Appetite Framework governance model which identifies the roles and responsibilities of the corporate bodies and units involved, with co-ordination mechanisms instituted to ensure the risk appetite is suitably incorporated into the management processes.

In the process of defining its Risk Appetite, the Parent Company:

– identifies the risks which it is willing to assume;
– defines, for each risk, the objectives and limits in normal and stressed conditions;
– identifies the action necessary to bring the risk back within the set objective.

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

In addition to identifying and setting the risk appetite parameters, the Bank also governs the mechanisms regulating the governance and processes for establishing and implementing the RAF, in terms of updating/reviewing, monitoring, and reporting to the Committees and corporate bodies. Based on its operations and the markets in which it operates, the Group has identified the relevant risks to be submitted to specific assessment in the course of the reporting for the ICAAP (Internal Capital Adequacy Assessment Process), in accordance with the Bank of Italy instructions contained in Circular no. 285 issued on 17 December 2013, "Supervisory instructions for banks" as amended, appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario. As required by the provisions of the Capital Requirements Directive IV ("CRD IV"), the Group prepares an Internal Liquidity Adequacy Assessment Process document (ILAAP), describing the set of policies, processes and instruments put in place to govern liquidity and funding risks. The Group's objective is to maintain a level of liquidity that enables it to meet ordinary and extraordinary payment obligations, while minimizing costs at the same time. The Group's liquidity management strategy is based on the desire to maintain an appropriate balance between potential inflows and potential outflows, in the short and the medium/long term, by monitoring both regulatory and management metrics, in accordance with the risk profile defined as part of the RAF.

2.3 Methods for measuring expected losses

Under IFRS 9 "Financial Instruments", assets not measured at fair value on a regular basis (i.e. financial assets and liabilities measured at amortized cost and off-balance sheet exposures) must be tested for impairment based on expected losses.

The internal rating models are the baseline instrument for determining the risk parameters to be used in calculating expected losses, subject to the regulatory indicators being adjusted for aspects which are not suitable to be used directly in an accounting environment (e.g. in some cases reconverting the data to reflect a "point-in-time" approach). Under IFRS 9, expected losses are calculated as the product of the PD, LGD and EAD metrics. This calculation takes place on the basis of the residual life of instruments that have undergone a significant deterioration in risk (referred to as "Stage 2") or which show objective signs of deterioration ("Stage 3") and over a 12-month horizon for instruments that do not fall within the previous categories ("Stage 1"). For off-balance sheet exposures, credit conversion factors arising from internal models are used to calculate expected losses; if there are no specific models, the factors associated with the standard EAD calculation are used.

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

Consistent with the options granted by IFRS 9, a change in forward-looking twelve-month PD is used as the benchmark quantitative metric for measuring the Significant Increase in Credit Risk (SICR) for the purpose of identifying positions to be classified as Stage 2. The Group verifies whether the 12-month PD represents a reasonable approximation of risk increases on a lifetime basis. The change in PD selected to determine reclassification to Stage 2, and the qualitative elements observed, are specific to each Group company.

During 2022, the Supervisory Authority conducted a specific assessment of the Parent Company's Corporate portfolio by analysing, among other things, quantitative aspects relating to the IFRS 9 scope. Based on the findings of the above analysis, the methodological approach is currently being perfected for the purpose of refining the "Low Credit risk Exemption" criteria and moving towards a life-time approach for the evaluation of SICR. The new features identified will be progressively introduced over the course of the next financial year.

Provisioning reflects the sum of the expected credit losses (over a time horizon of twelve months or based on a lifetime approach [4] depending on the relevant Stage), discounted at the effective interest rate. The expected credit loss is the result of a joint assessment of three scenarios, a baseline scenario and two alternative scenarios. The scenarios, drawn up at Group level, are revised at least once every six months. In particular, the Group defines the forecasts of scenarios by processing the economic variables through customizations obtained through an external macroeconomic model.

In light of the macroeconomic situation made uncertain by the conflict in Ukraine, the Group has defined alternative scenarios based on different underlying assumptions. In particular, a macroeconomic context characterized by the continuation of the war in Ukraine which will exacerbate the strong tensions on the energy and raw materials market (referred to as "Stagflation") was identified as baseline scenario. Two alternative scenarios, "Gas Rationing" and "Upside", were also identified, which define assumptions that are respectively more conservative, on the one hand, and more favourable, on the other, in regard of the geopolitical framework that affects macroeconomic trends.

For more information on macroeconomic scenarios, please refer to paragraph 6.

The weights of the scenarios used in calculating ECL were set at 50% for the baseline scenario and 25% for the alternative ones; the values were set on a judgemental basis as they are linked to the likelihood that assumptions external to the macroeconomic system may be realized and therefore they cannot be quantified in detail on the basis of historical analyses.

In light of the main assumptions characterizing the base case scenario relating to a level of inflation that will remain steadily very high, and in consideration of the fact that the impact will be distributed in a different way across the various product categories, the Mediobanca Group, confirming the decision taken in the previous financial year, decided to adopt additional provisions ("overlays"). Unlike the previous financial year, which was mainly characterized by the effects of the continuation of the pandemic, the current overlays have been applied in the corporate (CIB and Leasing) division concerning sectors particularly exposed to inflationary pressure in order to

[4] The lifetime approach considers the contractual expiry of the exposure where possible. For products which do not have a contractual expiry date (e.g. credit cards, bill repayment plans, cancellable credit lines, current accounts or overdrafts on current account), the calculation is made over a 12-month time horizon.

enhance any risk peaks in specific industrial sectors that the quantitative methodology captures only on average. Overlays on retail positions (Consumer Banking and mortgage loans) were maintained to increase the level of overall provisioning against the uncertainties of the macroeconomic scenario, in line with the previous financial year.

With regard to the calculation of ECLs, sensitivity analyses were also carried out with respect to possible alternative macroeconomic scenarios in order to assess how the forward-looking factors could affect expected losses in different scenarios based on consistent forecasts during the evolution of the various macroeconomic factors. The number of possible interrelations between the individual macroeconomic factors is so high that a sensitivity analysis of expected losses based on one factor alone is practically meaningless. In particular, the impact resulting from applying the risk parameters obtained respectively through the adoption of the three alternative scenarios that were used in the weighted ECL calculation was estimated in terms of ECL. The analysis covered the performing exposures in the Group's largest portfolios: the Wholesale loan book of Mediobanca S.p.A. and Mediobanca International, the Mediobanca Private Banking book, the CheBanca! mortgage loans, the Compass consumer credit, the MBFacta factoring, the Selma leasing operations, and the CMB Monaco loan book. The impact deriving from the adoption of the base-case scenario Stagflation (100% probability of occurrence) is substantially in line with the level of overall ECL, with additional costs of only around €5 (0.8% of pre-overlay ECL and 0.5% of post-overlay ECL) Conversely, the adoption of the more favourable Upside scenario (100% probability of occurrence) results in a reduction of the ECL of approximately €61m (-12.0% of pre-overlay ECL and -8% of post-overlay ECL). Based on this assumption, the impact trend is driven by the consumer credit portfolio for around 75% of the total, due to a marked improvement in the variables affecting this area. For this scenario, a reduction of approximately €320m in Stage 2 is recorded at the same time, 85% once again determined by the consumer credit portfolio. Lastly, the adoption of the worst-case scenario Gas Rationing (100% probability of occurrence) results in an increase in ECL of around €85m (17% of pre-overlay ECL and 10% of post-overlay ECL), approximately 60% of which due to the Wholesale portfolio, which also drives the simultaneous 90% increase in Stage 2, i.e. approximately €680m. The analysis shows that the use of overlays adequately mitigates the effects of volatility that may become significant in the macroeconomic scenario.

2.4 Credit risk mitigation techniques

The Group has put in place a system for managing credit risk mitigation techniques, which covers the entire process of obtaining, assessing, supervising and implementing the mitigation instruments in use. The requirements for eligibility of collateral and guarantees are set out in Regulation (EU) 575/2013 of the European Parliament and of the Council as amended (the "CRR"). The Group has also compiled specific criteria by which collateral not recognized for regulatory purposes may in any case be recognized at the operating level as effective to mitigate credit risk.

The use of financial instruments or of moveable and immoveable assets as collateral and of personal guarantees is widespread in lending activity. In particular:

- mortgage guarantees: when mortgages are taken out, valuations are required from independent experts; specific procedures are also in place to calculate the fair value of the asset and monitor it at regular intervals, based on market indicators furnished by external information providers; further valuations are also required in cases where significant departures are noted from the most recent valuation available;
- pledges: pledges are valued according to the market value for listed financial instruments, or on the basis of their expected realizable value; prudential haircuts are then applied to the values thus calculated which differ according to the financial instruments over which the pledge has been made.

The Group also adopts risk mitigation policies by entering into netting and collateral agreements, verifying whether the agreements are legally valid and meet the regulatory criteria to be recognized for prudential purposes.

Credit Risk Mitigation activities are governed by specific Directives adopted by the Group companies concerned. The specific nature of the products originated by the individual businesses and the forms of collateral securing them, as well as the different organizational models necessarily adopted by the various Group Legal Entities, means that different CRM processes must coexist within the Group as a whole. In particular, the phases of obtaining the collateral, checking, reporting and assessing its eligibility may be performed by different units. However, the role of Risk Management unit in setting eligibility criteria for regulatory and management purposes remains central, and the Group Risk Management Unit is responsible for supervising overall consistency in this area. Controls of the mitigation instruments are included in the general risk control and management framework.

In Private Banking in particular, the situations most at risk have been identified, and for “Lombard” credit in particular work has begun quickly on restoring the collateral margins typically associated with this form of credit. The overall exposure reflects both portfolio diversification for the collateral and the haircuts required when the lending value is determined.

3. Non-performing credit exposures

The Group is distinguished by its prudent approach to risk, which is reflected in the fact that its overdue exposure levels (Non-performing loan - NPL) are among the lowest seen in the Italian national panorama. The Group’s management of non-performing loans also helps to keep their level low on the books, including the use of different options typically available, such as disposals (of both individual assets and portfolios), collateral enforcement, and negotiation of restructuring agreements.

The Group uses a single, like-for-like definition for the concepts of “default” as defined by the regulations on regulatory capital requirements, “non-performing”, used for supervisory reporting statistics, and Stage 3 assets, or “credit-impaired” assets, as defined by the accounting standards in force. In this regard, the Group has implemented the EBA Guidelines on the adoption of the definition of default (EBA/GL/2016/07), Delegated Regulation (EU) 2018/171 of the Commission of 19 October 2017, and Regulation (EU) 2018/1845 of the ECB of 21 November 2018. In line with these principles, instances of assets which qualify as “non-performing” include:

– exposures identified using the 90 days past due principle, based on which the regulations referred to above have standardized the calculation criteria in use at EU level (in particular with reference to the applicable materiality thresholds, and the irrelevance of which instalment in particular is established as being past due for calculation purposes);
– cases in which the credit obligation has been sold, leading to material losses in relation to the credit risk;

- debt restructuring which entails a cost, i.e. restructuring the debt of a borrower who is in or is about to encounter difficulties in meeting their own financial obligations, which may imply a significantly reduced financial obligation;
- cases of insolvency or other systems of protection covering all creditors or all unsecured creditors, the terms and conditions of which have been approved by a judge in a court of law or another competent institution;
- instances identified through other indicators of a borrower being unlikely to pay, such as the enforcement of guarantees, breach of given financial leverage ratios, negative evidence in information systems such as central credit databases, or the borrower's sources of income suddenly becoming unavailable.

This approach is adopted differently within the individual Group companies, which, depending on the specific monitoring processes they have implemented, may choose to detect non-performing positions before the 90 days past due status by running individual analyses or applying automatic algorithms. Equally, the accounting measurement of non-performing exposures may reflect either the analysis of individual positions, or be based on identifying clusters of similar positions, depending on the specific nature of the Group company's business.

At the monitoring stage, the write-off for credit losses on financial assets is also assessed, i.e. when in part or in whole. Those write-offs are possible even before completion of the legal action to recover the asset, and this does not necessarily entail waiving the Group's legal right to recover the amount.

In order to adequately monitor the management of NPL portfolios, in recent years, several measures have been issued by the Regulator for the purpose of directing the financial sector towards minimizing their stocks of non-performing portfolios and speeding up recovery. On 26 April 2019, the European Parliament published an amendment to Regulation (EU) 575/2013 (CRR) in the Official Journal with the inclusion of new rules to be applied for the coverage of NPLs (referred to as Calendar Provisioning) deriving from loans granted starting from the date of issue of the amended Regulation. Calendar Provisioning requires the full hedging of non-performing loans once they have been held in the portfolio for a defined period.

4. Financial assets subject to commercial renegotiations and concessions

Financial assets may be subject to contractual amendments based primarily on two different needs: maintaining a mutually satisfactory commercial relationship with clients, or re-establishing/improving the credit position of customers who are facing, or about to face, difficulties in complying with the commitments they have entered into.

The former case, defined as commercial renegotiation, recurs when the client might want to end the relationship, as a result of its credit quality and of favourable market conditions. In a situation such as this, changes can be made at the client's initiative or on a preventative basis in order to maintain the relationship with the client by improving the commercial terms offered, without prejudice to a satisfactory return on the risk and in compliance with the general strategic objectives (e.g. in terms of target customers).

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

For an exposure to be classified as forborne, the Group assesses whether or not such concessions (typically rescheduling expiry dates, suspending payments, refinancing operations or waivers to covenants) occur as a result of a situation of financial difficulty which can be traced to the accumulation, actual or potential (if concessions are not granted), of more than thirty days past due. Assessment of the borrower's financial difficulties is based primarily on individual analysis carried out as part of corporate banking and leasing business, whereas certain predefined conditions apply in the case of consumer credit activities (for example, observation of the number of deferrals granted) and real estate loans (e.g. whether the borrower has been made unemployed, cases of serious illness and/or divorce and separation).

Both non-performing exposures and exposures whose difficulties are still compatible with their being treated as performing may be classified as forborne. However, as described in the previous sections, a position being assigned the status of "forborne" is considered to be incompatible with its being treated as Stage 1. For this reason, based on the regulations on supervisory statistical reporting, there is a minimum period of time during which an exposure can be classified as "forborne" and this is reflected in the prudential transitions between Stages 1, 2 and 3. For instance, when concessions have been made in respect of Stage 2 exposures, these exposures cannot return to Stage 1 in less than two years, in line with the minimum duration requirement of two years provided for the "forborne performing exposure" status (during this period, the status can only be downgraded to reflect the exposure's transition to non-performing). Similarly, exposures in Stage 3 cannot return to Stage 1 in less than three years, in line with the one-year duration requirement for "forborne non-performing exposure" status, followed (unless the non-performing status needs to be prolonged) by the two-year minimum duration requirement for the "forborne performing exposure" status.

To return to Stage 1, exposures must give proof of having fully recovered their credit quality and the conditions requiring them to be classified as "forborne" must have ceased to apply. Accordingly, monitoring activities over transitions to Stages 2 or 3 are the same as monitoring activities over exposures which have not moved from Stage 1. However, "forborne" exposures that have returned from Stage 3 to Stage 2 are subject to enhanced monitoring, providing that if there is a delay of more than thirty days in payment or if a new forbearance measure is applied, the exposure will immediately return to Stage 3 for prudential purposes.

5. Details by individual business segment

Corporate activity

The Bank's internal system for managing, evaluating and controlling its credit risk exposure reflects its traditional policy based on prudence and a highly selective approach: risk assumption is based on an analytical approach grounded on an extensive knowledge of the entrepreneurial, asset and management operations of each financed company, as well as of the economic framework in which it operates. During the analysis, all the necessary documentation was acquired in order to carry out an adequate assessment of the borrower's credit quality and define the correct remuneration of the risk assumed; the analysis included assessments of the duration and amount of credit lines, monitoring of suitable collateral and use of contractual commitments (covenants) aimed at preventing the deterioration of the counterparty's credit quality.

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

To determine credit risk, all counterparties are analysed and an internal rating is assigned by the Risk Management unit on the basis of internal models which take into account the specific quantitative and qualitative characteristics of the counterparty. The proposed transactions are also subject to the application of LGD models where appropriate.

Loans originated by the business divisions are appropriately assessed by the Risk Management unit and regulated in accordance with the powers for approval and management of the most significant transactions, through screening at different operating levels.

The Credit Risk Management unit also carries out a review of the ratings assigned to the counterparties at least once a year. Approved loans must also be confirmed by the approving body with the same frequency.

Expected credit losses is calculated individually for non-performing items and based on PD and LGD indicators of the performing portfolio. For individual provisioning, valuations based on discounted cash flows and ratio analysis balance sheet are applied to businesses under the going-concern assumption, while an asset valuation is used in case of liquidation. With regard to performing loans, the PD parameters are obtained starting from the through-the-cycle rating approach used to develop the internal rating model which is then converted to the point-in-time approach. The LGD parameters are determined based on the modelling used for the regulatory calculation, after removing the downturn effect. The forward-looking component of the models is the result of the risk indicators applied to the macroeconomic scenarios defined internally.

In terms of monitoring the performance of individual credit exposures, Mediobanca has adopted an early warning system to identify a list of counterparties (known as the “watch list”) requiring in-depth analysis on account of their potential or obvious weaknesses. The exposures identified are then classified by level of alert (Amber or Red for performing accounts, Black for non-performing items) and are reviewed regularly to identify the most appropriate mitigation actions to be taken. The watch list is used to provide qualitative information regarding allocation to Stage 2, which includes counterparties classified as “Amber” or “Red”. Furthermore, all forborne positions are subject to specific monitoring and revisions can be applied to single-name classifications based on internal decisions supported by individual analyses.

Leases

Individual applications are processed using similar methods to those described above for Corporate Banking. Applications for smaller amounts are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the counterparty’s legal status (type of company).

The activities of analysis, disbursement, monitoring, and credit risk control are significantly supported by the Company’s Information System; the asset being leased is also subject to a technical assessment.

With a view to aligning risk management with the current complex financial and market scenario, the approval rights have also been revised and the measurement and control processes enhanced through the institution of regular valuations of performing loans, including from an early warning (i.e. watch list) perspective. Disputes are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account concerned.

The quantification of provisions for non-performing accounts requires individual analysis to establish the estimated loss, taking into account the protection value of the assets resulting from regularly updated expert valuations, prudentially revised downwards, and any other form of collateral. Scenarios for sales strategies are also factored in. The portfolio of performing accounts is measured on the basis of internal PD and LGD parameters. To define the PD parameters, through-the-cycle transition matrices for the management models based on internal data are used, which are then converted to point-in-time versions. The forward-looking component is factored in by applying the macroeconomic scenarios defined internally to the PD estimates. The LGD estimates for the exposures differ according to type of product (vehicle leasing, core goods, yachts and property), and are subjected to the same macroeconomic scenarios defined internally to obtain forward-looking data.

In terms of criteria for the transition of leasing transactions to Stage 2, in addition to the positions identified using the PD increase quantitative method, forborne performing positions, i.e. positions 30 days past due, the evidence deriving from the parent company's watch list for Corporate customers is used.

Consumer credit

Consumer credit operations are performed primarily by Compass, where applications for finance are approved on the basis of a credit scoring system tailored to individual products. The scoring grids have been developed from internal historical series, enhanced by data provided by central credit *bureaux*. Points of sale are linked electronically to the Company's headquarters, to ensure that applications and credit scoring results are processed and transmitted swiftly. Under the system of powers for approval assigned by the Company's Board of Directors, approval is required by the relevant headquarters units for increasing combinations of amount and expected loss, in accordance with the authorization levels established by the Board of Directors.

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, or legal recovery action. After six unpaid instalments (or four unpaid instalments in particular cases, such as credit cards), the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. As from the six months after such lapse has been established, accounts for which legal action has been ruled out on the grounds of being uneconomic are sold via competitive procedures to factoring companies, for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Provisioning is determined collectively on the basis of PD, LGD and CCF metrics which are estimated using internal models. To estimate PD and LGD parameters for the purpose of calculating lifetime losses, through-the-cycle transition matrices calculated separately by product type were used in line with internal operating processes (revolving / balance payment credit cards, special-purpose loans, low-risk personal loans, high-risk personal loans, small tickets and salary-backed loans to public servants, private individuals or retirees). Once the parameters not conditioned by recent historical evidence have been obtained, the forward-looking component is factored in by conditioning the PDs and LGDs with specific macroeconomic models based on the Group's internal scenarios and on recent trends in internal default and loss rates.

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

Factoring

Factoring, a business in which MBFacta specializes, includes both traditional factoring (i.e. acquisition of short-term trade receivables, often backed by insurance cover) and instalment factoring (acquiring loans from the selling counterparty, to be repaid via monthly instalments by the borrowers whose accounts have been sold, which in virtually all cases is a retail customer).

For traditional factoring, the internal units appraise the solvency of the sellers and the original borrowers via individual analysis using methodologies similar to those adopted for corporate lending; whereas for instalment factoring the acquisition price is calculated following a due statistical analysis of the accounts being sold, and takes into consideration the projected recoveries, costs and expected margins.

Non-performing exposures to corporate counterparties are quantified analytically, while non-performing exposures to retail counterparties are based on the identification of clusters of exposures with similar characteristics. The portfolio of performing assets is valued on the basis of PD and LGD parameters. PD parameters are defined by using the revised parameters supplied by external providers or internal estimates based on the retail portfolio. For transactions valued by the Parent Company as part of its corporate business, the parameters set in the Parent Company's process apply. The evidence obtained from the Parent Company's watch list for corporate clients is also used as qualitative information for reclassification to Stage 2, which includes counterparties classified as "Amber" or "Red".

NPL business [5]

This business is performed by Revalea, which operates on the NPLs market, acquiring non-performing loans on a non-recourse basis at a price well below the nominal value. Credit Risk is managed by consolidated regulations, structures and instruments in line with the Group policies. The Company pursues the objective of splitting up the client portfolio according to selective criteria which are consistent with the objectives in terms of capital and risk/return indicated to it by the Parent Company.

The purchase price for non-performing loans is determined by following well-established procedures which include appropriate sample-based or statistical analysis of the positions being sold, and take due account of projections of expected amounts recovered, expenses and expected margins. At each annual or interim reporting date, the amounts expected to be collected for each individual position are compared systematically with the amounts actually collected. If losses are anticipated at the operating stages, the collection is adjusted downwards on an individual basis. If there is objective evidence of possible losses of value due to the future cash flows being overestimated, the flows are recalculated and adjustments charged as the difference between the scheduled value at the valuation date (amortized cost) and the discounted value of the expected cash flows, which are calculated by applying the original effective interest rate. Such rate is calculated during the calibration of the Fair Value model as the average of the rates used in defining the load curves (IAS). The estimated cash flows take account of the expected collection times, the assumed realizable value of any guarantees and the costs which it is considered will have to be incurred in order to recover the credit exposure.

Private Banking

Private Banking operations include granting loans as a complementary activity in serving "Affluent", "High Net Worth" and institutional clients, with the aim of providing them with Wealth Management and Asset Management services. Credit risk exposure takes various forms, such as cash loans (by granting credit on a bank account or through short-, medium- or long-term

[5] Please refer to Part A of the Notes to the Accounts for a definition and discussion of POCIs.

loans), authorizing overdrafts on current account, endorsements, mortgage loans and credit limits on credit cards.

Loans are normally secured by collateral or guarantees (pledges over the client's financial instruments in case of managed or administered assets, mortgages over properties or guarantees issued by other credit institutions).

Lending activity is governed through operating powers which require the proposed loan to be assessed at various levels of the organization and approved by the appointed bodies according to the level of risk resulting from the size of the loan, the guarantees/collateral and the type of finance involved. Such loans are reviewed on a regular basis (at least annually).

Provisioning for all non-performing contracts is calculated on an individual basis, and takes into account the value of the collateral. Instead, provisioning for the performing contracts is made based on the estimated PD and LGD values, supplied by an external provider, distinguished by counterparty and whether or not there are guarantees. The evidence obtained from the Parent Company's watch list for corporate clients is also used as qualitative information for reclassification to Stage 2, which includes counterparties classified as "Amber" or "Red".

Mortgage lending

Mortgage lending is provided primarily by CheBanca! and processing and approval exposures in this area are performed centrally at the headquarters. The applications are approved, using an internal rating model, based on individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. A constant monitoring of the portfolio, carried out on a monthly basis, ensures control over the risks assumed.

Properties established as collateral are subject to a statistical revaluation process, which is carried out once a quarter. If the review shows a significant reduction in the value of the property, a new valuation is carried out by an independent expert. A new valuation is generally requested for properties established as collateral for positions which have become non-performing.

Accounts (both performing and non-performing) are monitored through a reporting system which allows operators to monitor the trend in the asset quality and, with the help of the appropriate indicators, to enter positions at risk, also to ensure that the necessary corrective actions to credit policies can be taken.

Non-performing accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. In cases where a borrower becomes insolvent (or in fundamentally similar situations), the property enforcement procedures are initiated through external lawyers. Internal procedures require the following to be recorded as unlikely to pay: all cases with four or more unpaid instalments (not necessarily consecutive), cases with persistent irregularities, concessions generating a reduction of more than 1% in the financial obligation, and cases which the unit responsible assesses as unlikely to pay, based on internal or external information (e.g. central databases, public and/or private). Exposures are classified as bad loans once the ineffectiveness of the recovery actions has been certified.

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

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

For the purposes of the Stage 2 classification of real estate mortgage loans, a qualitative identification element is used, consisting in assigning the position to the worst internal rating class before default.

6. Macroeconomic scenarios and impacts

TThe current macroeconomic situation continues to be structurally affected by the war in Ukraine, in relation both to the trends observed until now and to possible future developments.

Evidence that the war is likely to persist beyond what was reasonably expected right at the start of the conflict (February/April 2022) suggests that stagflation – i.e. a period of high price levels combined with a sharp slowdown in economic growth – is the most likely macroeconomic scenario.

Indeed, precisely because the conflict has not been resolved, tensions remain on the fossil fuel commodities market, driving stably high price levels for energy sources, in Europe especially.

However, the overall effects are spread unevenly due to the national economies' differing abilities to react to growth in energy commodity prices, in part due to specific historical circumstances, which in some cases have mitigated the adverse effects observed, and in others have exacerbated future growth difficulties.

With regard to the Italian domestic economy, despite the uninterrupted increase in prices, economic growth was well above expectations in 2022, with GDP growing by over 3%, i.e. half a percentage point more than the basic level 2022 forecast made during the previous half-year period, when the assumptions were also more favourable. This was due to the success of the various forms of support to the economy adopted both at national and EU level, which proved capable of supporting domestic demand despite the inflationary pressure.

Looking ahead, these initiatives appear unlikely to be able to guarantee the same results in 2023 in particular, when the effects of the ongoing monetary tightening policy adopted by the central monetary authorities to counter price increases will start to be felt. This year, economic growth will be basically wiped out, with GDP in some quarters reporting negative values, and the economy forecast to shrink by 0.07% in the year as a whole.

For Europe in general, and its main national economies such as Germany, the same trend is apparent. Growth in 2022 will be above the initial expectations, albeit less pronounced than in Italy, while in 2023 growth will be much lower than previously forecast.

However, the greater resilience of the leading European economies compared to Italy with regard to the effects of the energy crisis, in some cases due to the possibility of enjoying effective price containment measures (such as Germany), and in others due to the availability of alternative energy supplies compared to fossil fuels (such as France), will enable them to resume growth more strongly than in Italy, starting from 2024. For example, for the EU in the 2024-25 two-year period, the growth rates will be 2.2% and 18%, compared to 1.18% and 0.42% respectively in Italy.

An additional aspect that could penalize the Italian domestic economy is unemployment, with the average rate set to rise significantly in the 2023-25 three-year period, and expected to reach 9%, compared with 8.2% in 2022, and a European trend that should remain stable at lower levels.

Alternative hypotheses have been drawn up to complement the scenario considered to be most likely, attributable to causes unrelated to macroeconomic scenario, which could worsen or mitigate the effects of the forecasts seen as most likely.

For instance, on the one hand, it has been assumed that in 2023 gas consumption will not be adequately supported by alternative sources to compensate for the Russian supply channels closing (the “Gas Rationing” scenario). In this scenario, for European economies heavily dependent on this source in particular, energy rationing will become necessary, leading to further reductions in GDP. In this scenario, Italy would report negative growth, with GDP shrinking by 3.22%, matched by the Eurozone, with output falling by 2.58%. However, this scenario is destined to end as from the following two years, marking a recovery from 2024, which in this case will be more marked at EU than at the Italian level.

On the other, there could be a favourable improvement in the geopolitical situation, which might be sufficient to support growth expectations for the 2023-25 three-year period, resulting, among other things, in recessionary dynamics being avoided in the short term (referred to as "Upside" scenario).

Table 1 - "Stagflation" baseline macro-economic scenario at 30/6/22 [6]

GDP	**2022**	**2023**	**2024**	**2025**
Italy	3.3%	-0.1%	1.2%	0.4%
EU	3.0%	0.2%	2.2%	1.8%
USA	1.7%	-0.1%	2.1%	2.7%
Unemployment rate	**2022**	**2023**	**2024**	**2025**
Italy	8.3%	9.2%	9.0%	9.0%
EU	6.2%	6.8%	6.6%	6.6%
USA	3.7%	4.4%	4.5%	4.0%
Interest rate on Government bonds (10 years)	**2022**	**2023**	**2024**	**2025**
Italy	3.4%	4.7%	4.4%	4.3%
Germany	1.3%	2.3%	2.2%	2.2%
USA	3.1%	3.7%	3.3%	3.0%

Table 2 - "Gas-rationing" alternative macro-economic scenario at 31/12/22

GDP	**2023**	**2024**	**2025**
Italy	-3.2%	1.6%	1.1%
EU	-2.6%	2.8%	2.1%
USA	-0.4%	2.0%	2.9%
Unemployment rate	**2023**	**2024**	**2025**
Italy	9.2%	9.0%	9.0%
EU	6.8%	6.6%	6.6%
USA	4.4%	4.5%	4.0%
Interest rate on government bonds (10 years)	**2023**	**2024**	**2025**
Italy	4.7%	4.4%	4.3%
Germany	2.3%	2.2%	2.2%
USA	3.7%	3.3%	3.0%

[6] As described in section 2.3, the Group defines the estimates for the baseline scenario by processing economic variables using an external macroeconomic model which factors in the internal expectations for interest rates.

Table 3 - "Upside" alternative macro-economic scenario at 31/12/22

GDP	2023	2024	2025
Italy	1.3%	1.8%	0.4%
EU	1.1%	2.7%	1.5%
USA	2.6%	2.0%	1.3%
Unemployment rate	**2023**	**2024**	**2025**
Italy	9.7%	10.0%	9.8%
EU	6.5%	6.2%	6.3%
USA	4.3%	4.4%	3.9%
Interest rate on Government bonds (10 years)	**2023**	**2024**	**2025**
Italy	5.2%	5.0%	5.0%
Germany	3.4%	3.5%	3.5%
USA	4.8%	4.2%	3.9%

The Group has maintained the additional provisions (referred to as "overlays") with the aim of ensuring that the uncertainties over the macroeconomic situation's development are reflected in the coverage ratios. Unlike the previous financial year, which was impacted mainly by the effects of the ongoing pandemic, in December 2022 overlays were set aside in the Corporate Banking and Leasing divisions for sectors particularly exposed to inflationary pressure, in order to factor in possible risk spikes in specific industrial sectors (the quantitative methodology captures only average readings). Meanwhile, the overlays for retail banking positions (Consumer Finance and mortgage loans) were maintained in order to increase the level of overall provisioning, in view of the uncertainties of the macroeconomic scenario in line with the previous financial year.

Overall, the overlays amounted to €282m (€230m of which for performing loans), split between Consumer Finance (€216.2m, approx. 77% of the total), Corporate and Investment Banking (€44.3m, approx. 16%, €32.7m of which for Wholesale Banking), and other divisions (approx. 8%). The reduction in overlays compared to end-June 2022 almost exclusively regards the Corporate and Investment Banking segment, partially absorbing the increase in risk parameters due to the changed macroeconomic scenario.

CIB is more influenced by the forward-looking conditions expected for 2023 than the retail sectors, which by contrast were helped by the good macroeconomic performance recorded in 2022, reducing their risk parameters.

The overlays have increased the level of provisioning, which for performing loans now stands at €721.6m (€547.8m of which in Consumer Finance).

Table 4 - Overlays stock

	Overlay stock alla data	
	30 June 2022	**31 December 2022**
Corporate and Investment Banking	57.6	44.3
Consumer Banking	215.3	216.3
Wealth Management	14.9	15.3
Leasing (Holding Functions)	6.1	6.1
Total	**293.9**	**282.0**

Consumer Finance continues to increase the level of provisioning, with overlays in line with the previous half-year period, at €216.2m. Such conservatism offsets recent default rates that have been significantly lower than the typical levels for this market segment, which emerged after the pandemic. Such low levels are only in part accounted for by the stricter lending policies adopted in recent months.

For Corporate and Investment Banking, overlays of €44.3m have been allocated (€32.7m of which in the Large Corporate segment and €11.6m in Factoring). These were lower than at end-June 2022, in view of the models' responsiveness to the worst-case scenarios for 2023-24. The residual amount of overlays was earmarked for sectors particularly exposed to inflationary pressure. The portion of the overlays set aside for leasing was stable at €6.1m.

For mortgage loans, the amount of the overlays was €15.3m, virtually unchanged. Overlays were applied to all performing exposures, with an enhanced degree of conservatism for the portion of the loan book identified as risky after monitoring by the Monitoring and Credit Recovery Unit.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing accounts: amounts, adjustments, trends and segmentation by earnings

A.1.3 Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal values)

Portfolios/risk stages	Gross value / nominal value					
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortized cost	1,187,739	787,024	198,628	93,628	72,458	3,879
2. Financial assets measured at fair value through other comprehensive income	—	—	—	—	—	—
3. Financial assets held for sale	—	—	—	—	—	—
4. Loan commitments and financial guarantees issued	75,520	20,219	6	459	181	1,974
31 December 2022	1,263,259	807,243	198,634	94,087	72,639	5,853
30 June 2022	1,631,750	1,044,661	201,829	179,912	171,262	9,651

A.1.4 Prudential consolidation - On- and off-balance sheet exposures to banks: gross and net values

Types of exposure / value	Gross exposure					Overall value adjustments and overall provisions					Net exposure	Partial write off *
		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
A.1 ON-DEMAND	10,278,418	10,278,418	—	—	—	165	165	—	—	—	10,278,253	—
a) Non-performing	—	—	—	—	—	—	—	—	—	—	—	—
b) Performing	10,278,418	10,278,418	—	—	—	165	165	—	—	—	10,278,253	—
A.2 OTHER	5,485,725	3,868,720	—	—	—	3,442	3,442	—	—	—	5,482,283	—
a) Bad debts	—	X	—	—	—	—	X	—	—	—	—	—
- of which: forborne exposures	—	X	—	—	—	—	X	—	—	—	—	—
b) Unlikely to pay	—	X	—	—	—	—	X	—	—	—	—	—
- of which: forborne exposures	—	X	—	—	—	—	X	—	—	—	—	—
c) Overdue non-performing exposures	—	—	—	—	—	—	—	—	—	—	—	—
- of which: forborne exposures	—	—	—	X	—	—	—	—	X	—	—	—
d) Overdue performing exposures	—	—	—	X	—	—	—	—	X	—	—	—
- of which: forborne exposures	5,485,725	3,868,720	—	X	—	3,442	3,442	—	X	—	5,482,283	—
e) Other performing exposures	5,485,725	3,868,720	—	X	—	3,442	3,442	—	X	—	5,482,283	—
- of which: forborne exposures	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL (A)	15,764,143	14,147,138	—	—	—	3,607	3,607	—	—	—	15,760,536	—
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	—	—	—	—	—	—	—	—	—	—	—	—
b) Performing	15,676,359	10,197	—	—	—	—	—	—	—	—	15,676,359	—
TOTAL (B)	15,676,359	10,197	—	—	—	—	—	—	—	—	15,676,359	—
TOTAL (A+B)	31,440,502	14,157,335	—	—	—	3,607	3,607	—	—	—	31,436,895	—

A.1.5 Prudential consolidation - On- and off-balance sheet exposures to customers: gross and net values

Types of exposure / value	Gross exposure					Overall value adjustments and overall provisions					Net exposure	Partial write off*
		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		First stage	Second stage	Third stage	Purchased or originated credit impaired assets		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Bad debts	667,214	X	—	401,832	258,746	366,265	X	—	356,165	3,464	300,949	3,962
- *of which: forborne exposures*	93,734	X	—	87,098	—	88,874	X	—	82,238	—	4,860	—
b) Unlikely to pay	653,332	X	—	647,745	961	436,491	X	—	436,491	—	216,841	286
- *of which: forborne exposures*	319,827	X	—	315,201	—	210,771	X	—	210,771	—	109,056	35
c) Overdue non-performing exposures	244,135	X	—	244,135	—	156,109	X	—	156,109	—	88,026	—
- *of which: forborne exposures*	48,986	X	—	48,986	—	38,575	X	—	38,575	—	10,411	—
d) Overdue performing exposures	247,089	101,100	145,989	X	—	45,743	461	45,281	X	—	201,346	—
- *of which: forborne exposures*	14,929	—	14,929	X	—	2,828	-	2,828	X	—	12,101	—
e) Other performing exposures	65,840,009	59,037,359	3,237,712	X	—	691,986	335,710338,180	353,806	X	—	65,148,023	5
- *of which: forborne exposures*	654,031	—	654,031	X	—	65,731	-	65,731	X	—	588,300	—
TOTAL (A)	67,651,779	59,138,459	3,383,701	1,293,712	259,707	1,696,594	336,171338,641	399,087	948,765	3,464	65,955,185	4,253
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	998	X	—	998	—	169	X	—	169	—	829	—
b) Performing	25,744,378	12,633,588	139,159	X	—	22,672	18,966	2,881	X	—	25,721,706	—
TOTAL (B)	25,745,376	12,633,588	139,159	998	—	22,841	18,966	2,881	169	—	25,722,535	—
TOTAL (A+B)	93,397,155	71,772,047	3,522,860	1,294,710	259,707	1,719,435	355,137357,607	401,968	948,934	3,464	91,677,720	4,253

* Includes NPLs acquired by Revalea (formerly MBCredit Solutions).

At 31 December 2022, gross non-performing assets decreased from €1,688.4m to €1,563.8m, i.e. 2.8% of on-balance sheet credit exposures to customers (3.2%), the lowest level in the last decade. The increase in the coverage ratio (60.7% against 56.4%) led to a marked reduction in net non-performing loans (from €735m to €359m). The impact of non-performing assets without including NPLs purchased by Revalea stood at 2.4% (2.5%).

Gross NPL ratio Finrep [7]

(€m)

	31/12/22	30/6/22
Loans	53,719.0	51,654.8
NPLs	1,304.1	1,327.3
Loans and advances to customers	55,023.1	52,982.1
NPLs purchased by MBCredit Solutions	259.7	360.3
Treasury financial assets *	15,104.1	12,664.1
Total Loans and Receivables (FINREP)	70,386.9	66,006.5
Gross NPL ratio Finrep %	2.2%	2.6%

* In line with the guidelines of the EBA Risk Dashboard, the calculation excludes cash and includes untied deposits held with Central Banks.

At 31 December 2022, the Mediobanca Group recorded a Finrep Gross NPL ratio of 2.2%, an improvement on last June (2.6%) confirming the Group's position as one of the top players in the domestic market. [8] The Finrep Gross NPL ratio calculated without the NPLs acquired by Revalea stands at 1.9% (2% in June 2022).

[7] In the EBA Risk Dashboard, the Gross NPL ratio is defined as the gross book value of the NPLs (loans and advances) as a percentage of total loans and advances. Source: EBA Risk Dashboard, Risk Indicators in the Statistical Annex (AQT_3.2).

[8] Source: EBA Risk Dashboard of 3Q2022 (2.6%).

B. Distribution and concentration of credit exposures

B.1 Prudential consolidation - Distribution of on- and off-balance sheet exposures to customers by sector

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall alue adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-Balance sheet credit exposures										
A.1 Bad loans	—	(1,027)	321	(6,636)	—	—	65,453	(32,456)	235,175	(326,146)
- of which: forborne exposures	—	—	—	*(6,636)*	—	—	*4,084*	*(16,362)*	*776*	*(65,876)*
A.2 Unlikely to pay	491	(530)	3,566	(3,637)	—	—	74,217	(104,540)	138,567	(327,784)
- of which: forborne exposures	—	—	*1,430*	*(2,638)*	—	—	*37,759*	*(65,526)*	*69,867*	*(142,607)*
A.3 Overdue non-performing exposures	674	(227)	242	(183)	1	(1)	7,462	(4,146)	79,648	(151,553)
- of which: forborne exposures	—	—	*14*	*(14)*	—	—	*922*	*(484)*	*9,475*	*(38,077)*
A.4 Performing exposures	9,012,801	(7,099)	8,595,182	(27,219)	1,190,794	(1,290)	19,768,657	(101,139)	27,972,729	(602,272)
- of which: forborne exposures	—	*(1)*	*27,574*	*(1,287)*	—	—	*229,114*	*(16,433)*	*343,713*	*(50,838)*
Total (A)	9,013,966	(8,883)	8,599,311	(37,675)	1,190,795	(1,291)	19,915,789	(242,281)	28,426,119	(1,407,755)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	165	(43)	664	(126)
B.2 Performing exposures	127,763	(15)	9,941,607	(884)	504,227	(16)	12,777,279	(13,275)	2,893,072	(8,500)
Total (B)	127,763	(15)	9,941,607	(884)	504,227	(16)	12,777,444	(13,318)	2,893,736	(8,626)
Total (A+B) 31 December 2022	9,141,729	(8,898)	18,540,918	(38,559)	1,695,022	(1,307)	32,693,233	(255,599)	31,319,855	(1,416,381)
Total (A+B) 30 June 2022	11,644,185	(9,649)	17,016,190	(28,821)	1,965,484	(1,402)	32,858,916	(226,305)	30,169,755	(1,411,567)

B.2 Prudential consolidation - Distribution of on- and off-balance sheet exposures to customers by

Exposures/geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-Balance sheet credit exposures										
A.1 Bad loans	298,116	(362,413)	2,334	(3,663)	133	(174)	13	(15)	353	—
A.2 Unlikely to pay	166,535	(371,425)	44,537	(64,327)	33	(22)	—	—	5,736	(717)
A.3 Overdue non-performing exposures	75,679	(155,815)	12,348	(285)	—	(1)	—	—	—	(9)
A.4 Performing exposures	49,426,153	(675,716)	12,518,585	(47,627)	2,837,668	(13,659)	225,041	(699)	341,922	(27)
Total (A)	49,966,483	(1,565,369)	12,577,804	(115,902)	2,837,834	(13,856)	225,054	(714)	348,011	(753)
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	807	(166)	22	(3)	—	—	—	—	—	—
B.2 Performing exposures	8,361,749	(14,577)	15,698,665	(6,980)	499,969	(1,117)	893,607	—	267,716	—
Total (B)	8,362,556	(14,743)	15,698,687	(6,983)	499,969	(1,117)	893,607	—	267,716	—
Total (A+B) 31 December 2022	58,328,038	(1,580,112)	28,276,491	(122,885)	3,337,803	(14,973)	1,118,661	(714)	615,727	(753)
Total (A+B) 30 June 2022	58,567,064	(1,571,106)	27,741,778	(86,233)	3,264,045	(17,506)	1,362,455	(383)	753,702	(1,126)

B.3 Prudential consolidation - Distribution of on- and off-balance sheet exposures to banks by geography

Exposures/geographical area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-Balance sheet credit exposures										
A.1 Bad loans	—	—	—	—	—	—	—	—	—	—
A.2 Unlikely to pay	—	—	—	—	—	—	—	—	—	—
A.3 Overdue non-performing exposures	—	—	—	—	—	—	—	—	—	—
A.4 Performing exposures	11,895,543	(3,459)	3,802,979	(146)	60,446	(1)	1,423	(1)	143	—
Total (A)	11,895,543	(3,459)	3,802,979	(146)	60,446	(1)	1,423	(1)	143	—
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	—	—	—	—	—	—	—	—	—	—
B.2 Performing exposures	2,444,869	—	13,231,490	—	—	—	—	—	—	—
Total (B)	2,444,869	—	13,231,490	—	—	—	—	—	—	—
Total (A+B) 31 December 2022	14,340,412	(3,459)	17,034,469	(146)	60,446	(1)	1,423	(1)	143	—
Total (A+B) 30 June 2022	10,203,357	(4,766)	17,762,865	(129)	76,883	(7)	4,201	(2)	39	—

B.4a Credit risk indicators

	31/12/22	30/6/22
a) Gross bad loans/total loans	1.09%	1.31%
b) NPLs/cash exposures	2.37%	2.66%
c) Net bad loans/regulatory capital [1]	3.41%	4.54%

[1] Net bad debts include the NPL portfolios acquired and held by Revalea (formerly MBCredit Solutions), which decreased from €350.6m to €256.2m.

B.4b Large exposures

	31/12/22	30/6/22
a) Book value	10,353,433	8,940,901
b) Weighted value	7,953,473	6,697,929
c) No. of exposures	9	7

At 31 December 2022, exposures (including market risk and equity investments) exceeding 10% of Tier 1 Regulatory Capital concerned nine customer groups (two more than in the previous financial year) for a gross exposure of €10.4bn (€8bn taking into account guarantees and weights), an increase compared to June 2022 (€8.9bn and €6.7bn, respectively). In detail, the nine positions concerned an industrial group, an insurance company and seven banking groups.

C. Securitization

QUALITATIVE INFORMATION

The Group has a portfolio of securities deriving from securitizations by other issuers totalling €1,113.6m, €892.3m of which as part of the banking book and €221.2m as part of the trading book (respectively, €1,021.2m and €261.3m at 30 June last).

The ABS market maintained the trend of widening spreads in line with the general market trend linked to inflationary fears, with a slight improvement towards the end of 2022 attributable to forecasts of the central banks normalizing rates (albeit in a context of low liquidity) and narrowing BTP-Bund differences (for the domestic component).

The primary market partially reopened for issuers of high standing in the core European area (for example German and French auto loans), while it remained practically closed for other issuers who relied on alternative sources of funding in the short term waiting for greater clarity in the macro-economic context.

The banking book amounted to €892.3m (€1,021.2m), most of which senior securities with a prevalence of those with underlying NPLs (€586.3m, down by €117.3m in the half-year period after the first repayments of the GACS transaction last year and an increase in provisioning of €3.7m) and CLO (€258.9m). Positions on mezzanine tranches (€3.5m) and junior tranches (€0.5m) remained steady and contained. The difference between book value (amortized cost) and fair value (taken from market platforms) stood at €19.7m due to the worsening market conditions.

The trading book stood at €221.2m (€261.3m): the senior portion amounted to €121.5m (€143.3m), €100m of which in the Transferable Custody Receipt transaction; [9] €15.8m in performing consumer loans (down by €7.4m) and €5.5m in CLOs (down by €14m). The mezzanine portion amounted to €97.1m (€115.3m) divided between €61.1m in the "negative basis" strategy, €14.2m in CLOs and 2 tranches in Italian consumer ABS on salary-backed loans (€21.8m). The share of junior securities was steady at €2.7m.

Mediobanca also has an exposure to:

- CLI Holdings I and CLI Holdings II, [10] SPVs under English law, which respectively subscribed to the capital of Cairn Loan Investments and Cairn Loan Investments II, independent managers of Cairn-branded CLOs, which invested in the junior tranches of the CLOs they manage in order to comply with prudential regulations (Article 405 of Regulation [EU] 585/2013); At 31 December, CLI H I was recognized for €10.0m and CLI H II had a value of €36.7m;
- Italian Recovery Fund, a closed-end alternative investment fund (AIF) incorporated under Italian law and managed by DeA Capital SGR S.p.A.

[9] The Bank signed a note issued by the custodian bank in which three CLO positions (with underlying European corporate loans) purchased by Mediobanca and some financial guarantees on the same CLOs with which the Bank purchased hedging had been contributed in the form of a trust; TCR pays out principal and interest of the underlying CLOs after the premium of financial guarantees.

[10] CLI H I is reported in the disclosure on structured entities not consolidated for accounting purposes, while CLI H II is an investment consolidated using the equity method pursuant to IAS 28.

which is currently invested in five securitizations (Valentine, Berenice, Cube, Este and Sunrise I) with Italian banks' NPLs as the underlying instrument; the €30m commitment has to date been drawn as to €29m;

– Negentropy RAIF – Debt Select Fund, an alternative investment fund instituted under Luxembourg law and managed by Negentropy Capital Partners Limited, for which Mediobanca acted as advisor; the fund has senior tranches of Italian NPLs as the underlying instrument, with an aggregate NAV of €116.4m (the share of Mediobanca being €64.1m), a reduction in the half-year period to take into account uncertainties on recoveries and rate hikes.

QUANTITATIVE INFORMATION

C.2 Prudential consolidation - Exposures from main "third-party" securitizations divided by asset type / exposure type

Type of securitized assets/ Exposure	Cash exposure					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Italy NPLs (residential mortgages and real estates)	586,451	(3,295)	—	—	—	—
B. Italy Consumer ABS	2,243	(5)	21,794	(170)	—	—
C. Netherlands Performing Loans	5,280	—	988	—	459	—
D. UK Performing Loans	37,841	—	—	—	—	—
E. Germany Consumer ABS	13,525	(613)	—	—	—	—
F. Spain Consumer ABS	—	—	—	—	2,690.0	(36.0)
G. Other receivables	364,517	(73)	77,777	(2,862)	—	—
Total 31/12/2022	1,009,857	(3,986)	100,559	(3,032)	3,149	(36)
Total 30/06/2022	1,160,628	(4,277)	118,778	(12,860)	3,185	(402)

C.3 Prudential consolidation - Interests in SPVs

Name	Head office	Type of consolidation	Assets			Liabilities		
			Receivables	Debt securities	Other items	Senior	Mezzanine	Junior
Quarzo 7 - Quarzo S.r.l.	Milan	Accounting	1,174,351	—	134,385	1,007,448	—	290,900
Quarzo 9 - Quarzo S.r.l.	Milan	Accounting	445,100	—	54,430	200,042	—	120,915
Quarzo 10 - Quarzo S.r.l.	Milan	Accounting	1,001,582	—	91,908	843,576	—	248,800
Quarzo CQS S.r.l. Quarzo 2018	Milan	Accounting	82,345	—	8,423	32,563	—	52,000
MB Funding Lux S.A.	Luxembourg	Accounting	1,143,585	—	—	1,110,686	—	—

C.5 Prudential consolidation - Servicing - Collecting securitized receivables and redeeming securities issued by SPVs

Servicer	Vehicle company	Securitized assets (31/12/2022)		Receivables collected during the year		Percentage share of securities repaid (31/12/2022)					
						Senior		Mezzanine		Junior	
		Non performing	Performing	Non performing	Performing	Non performing	Performing	Non performing	Performing	Non performing	Performing
Compass	Quarzo CQS (2018)	7,336	79,522	—	23,842	—	95.0	—	—	—	—
Compass	Quarzo Srl (Q7)	64,907	1,203,315	—	407,388	—	17	—	—	—	—
Compass	Quarzo Srl (Q8)	—	—	—	35,395	—	100.0	—	—	—	—
Compass	Quarzo Srl (Q9)	21,957	274,494	—	93,006	—	74.0	—	—	—	—
Compass	Quarzo Srl (Q10)	58,689	1,022,632	—	366,585	—	52	—	—	—	—
Compass	Quarzo Srl (Q11)	10,737	573,053	—	152,556	—	—	—	—	—	—

C.6 Prudential consolidation - Consolidated securitization-related SPVs

Quarzo S.r.l. (Compass Banca)

This SPV currently has four securitizations in place with performing loans granted by Compass Banca as the underlying instrument (Compass has subscribed for the entire number of junior securities), which are ceded on a revolving basis for a period of between 6 and 66 months, at the end of which the amortization phase of the securitization may begin. In some of the deals the Parent Company and/or other Group's companies have subscribed to the senior notes. Last October, Compass, in the capacity of originator, repurchased the residual receivable of the Quarzo 8 transaction for a value of €159.4m, thus closing the transaction.

The four transactions in place are summarized in the table below:

Issue date	*senior*		*junior*	Credits transferred during the year	Redemption start date
	A1	A2			
15/02/17	1,215	—	285	131	15/11/22
25/11/19	600	183	117	—	15/7/20
17/04/20	1,760	—	240	—	15/12/21
06/04/22	528	—	72	128	

Legend:

A1: issued on the market

A2: subscribed to by the Parent Company and/or Group companies

Quarzo CQS S.r.l. (Compass Banca, formerly Futuro)

This special purpose vehicle has only one transaction in place, completed in 2018 with underlying some loans granted by Compass (Futuro salary-backed loans) sold in a single non-revolving tranche. The senior securities (originally issued in a total amount of €598m, with €32.6m currently in issue) are listed on the Dublin stock exchange and sold on the market, while the junior securities (€52m) have been subscribed for entirely by Futuro, which has since been merged into Compass Banca.[11]

MB Funding Lux S.A. (Mediobanca)

This SPV was set up by Mediobanca S.p.A. in order to execute secured transactions with a corporate syndicated loan originated by Mediobanca International (Luxembourg) SA or Mediobanca S.p.A. as the underlying instrument, of which it retains the credit risk. The notes, which form part of the Parent Company's "Medium-Term Note" programme of issuance, have been subscribed for entirely by other Group legal entities and used as collateral for transactions on the interbank market.

[11] See the contents of Part A – Section 3 – Area of consolidation in these Notes to the Accounts

The three transactions have an aggregate nominal value of €1.1bn and are made up as follows:

Issue date	Nominal Value	Redemption date
25/06/17	800	03/07/2028
20/12/19	200	15/10/2026
11/12/20	100	11/06/2026

A single unsecured issue of €10m expiring in June 2023 should also be noted.

* * *

Transactions between the originators and the SPVs during the year under review were as follows:

SPV	Receivables ceded	Amounts collected	Servicing fees	Interest on junior amounts	Additional return accrued
Quarzo CQS S.r.l. Quarzo 2018	—	25.7	0.1	0.5	2.7
Quarzo S.r.l.	259.3	1,063.3	3.6	11.4	149.0
MB Funding Lux	121,913.6	43,395.7	—	—	1.3

D. Covered bond transactions

Mediobanca Covered Bond S.r.l., an SPV incorporated under Article 7-bis of Italian Law 130/99, is owned as to 90% by CheBanca! and as to 10% by SPV Holding.

At a Board meeting held in December 2020, the Bank's Directors approved a resolution to renew the Programme of Covered Bond issuance for a further ten years compared to the original expiry date (December 2021) for a total amount of €10bn.

The deal entails the involvement of:

– Mediobanca, as the issuer of the covered bonds;

– CheBanca! as the seller (including on a revolving basis) of assets eligible for sale under the regulations in force, up to the limits on Mediobanca's regulatory capital ratios, and servicer for the transaction;

– Mediobanca Covered Bond S.r.l. (SPV) as non-recourse transferee of the assets and guarantor of the covered bonds.

Fitch assigned an AA rating to the issues of this programme; after the Italian sovereign rating was raised, the issues of Mediobanca S.p.A.'s covered bonds also obtained an upgrade (previous rating AA-). The programme includes 7 transactions in place for a value of €5,250m (€250m of which carried out during the half-year period as part of the June 2022 transaction) placed with institutional investors and secured by assets sold by CheBanca! to Mediobanca Covered Bond for €7,124.3m, broken down as follows:

Issue date	**Nominal Value**	**Rate**	**Maturity date**
Oct-13	750	Fix: 3.625%	Oct-23
Nov-15	750	Fix: 1.375%	Nov-25
Nov-17	750	Fix: 1.25%	Nov-29
Jul-18	750	Fix: 1.125%	Aug-24
Jul-19	750	Fix: 0.5%	Oct-26
Jan-21	750	Fix: 0.01%	Feb-31
Jun-22*	750	Fix: 2.375%	Jun-27
Total	5,250		

* The issue was finalized on 10/8/2022, with an increase of €250m over the issue of €500m in June.

During the half-year period, CheBanca! sold assets of €339.1m to the vehicle company Mediobanca Covered Bond making simultaneous repurchases of €5.9 million.

1.2 MARKET RISKS

1.2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING PORTFOLIO

QUALITATIVE INFORMATION

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

– Sensitivity – mainly Delta and Vega – to the principal risk factors (interest rates, share prices, exchange rates, credit spreads, inflation and volatility, dividends, correlations, etc.); sensitivity analysis shows the increase or decrease in the value of financial assets and derivatives to local changes in these risk factors, providing a static representation of the market risk of the trading portfolio;

– Value-at-risk calculated using a weighted historical simulation method with scenarios updated daily, assuming a liquidation horizon of one business day and a confidence level of 99%.

Thresholds are monitored daily through VaR and sensitivity analyses to ensure compliance with operating limits, managing the risk appetite established by the Bank for its Trading Book and, in case of VaR, also to evaluate the robustness of the model through back-testing. Stress tests are also carried out daily (on specific positions) and monthly (on the entire portfolio) concerning the main risk factors to show the impact which more substantial movements in the main market variables might have (e.g. share prices and interest or exchange rates) calibrated on the basis of extreme changes in market variables.

Other complementary and more specific risk metrics are also calculated in order to assess risks not fully measured by VaR and sensitivity analyses. The weight of products which require such metrics to be used is in any case extremely limited compared to the overall size of Mediobanca's trading portfolio.

The first half of the year was characterized by the persistence of volatility on credit and interest rate financial instruments, as well as currencies; on the other hand, equity markets had a less turbulent period than in the recent past. The market is still weighed down by uncertainties related to inflation trends and consequently on the FED's and the ECB's monetary policy choices, exacerbated by the continuation of the Russian-Ukrainian war.

The Value-at-Risk of the Trading aggregate, during the six-month period fluctuated between a minimum of €4.5m (reached at the end of August) and a maximum of €13.8m in November. The average figure (€5.1m) was 10% lower than the previous year's average (€6.1m) when, however, the peak had not exceeded €12m. Starting in November, the VaR figure dropped to values close to the minimum at the end of the half-year, also thanks to the expiry of positions in listed derivatives on interest rates and government bonds.

The Value-at-Risk trend is mainly explained by positions in options and futures on Italian government bonds, by listed options on short-term rates (significantly lower than last year's exposure), and by some outright positions on the stock market.

Equally, the Expected shortfall shows an average figure higher than the previous financial year (€10.4m against €8.2m).

In the half year, back-testing of the trading positions did not show any losses higher than the VaR.

Table 1: Value-at-risk and Expected Shortfall of the trading portfolio (€ '000)

Risk factors	**6 mths ended 31/12/2022**				**6 mths ended 30/06/2022**
	31/12/23	**Min**	**Max**	**Average**	**Average**
Interest rates	4,414	1,697	10,307	6,219	2,735
Credit	1,494	1,483	3,641	2,741	1,532
Share prices	3,659	1,837	8,852	4,463	3,817
Exchange rates	826	543	2,327	918	633
Inflation	172	81	356	134	140
Volatility	2,434	2,434	9,832	5,638	3,421
*Diversification effect **	*(7,583)*	*(7,207)*	*(17,883)*	*(12,191)*	*(6,170)*
Total VaR	5,415	4,508	13,842	7,922	6,109
Total Expected Shortfall	**6,744**	**5,581**	**23,735**	**10,430**	**8,190**

Apart from the general VaR limit on aggregate trading positions, a system reflecting a greater degree of granularity for the individual trading desks is also in place. Each desk also has limits in terms of sensitivities to changes in the various risk factors (1 basis point for interest rates and credit spreads, 1 percentage point for equities, exchange rates and share volatility), which are monitored daily. In comparison with the average values for the previous financial year, there was an increase in sensitivity to equity markets (€412,000/1% against €319,000/1%), while the figure relating to the interest rate (US and Euro area) was substantially unchanged (+€8,000/1bp). Sensitivities to implied equity market volatilities decreased from €1,440,000/1% to €24,000/1%, as did those to exchange rates (€164,000/1% against €428,000/1%) and credit (€369,000/1bp against €515,000/1bp).

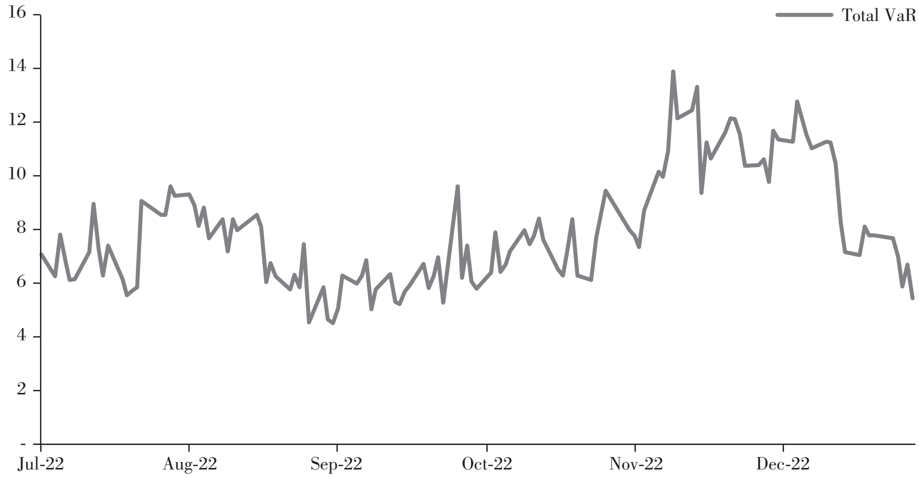
Table 2: Summary of trends in the main trading portfolio sensitivities

(€ '000)

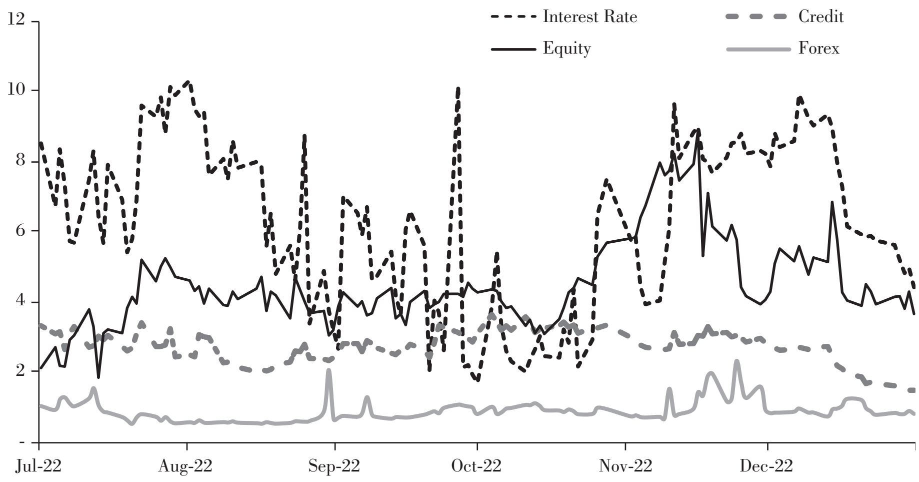
Risk factors	**6 mths ended 31/12/2022**				**6 mths ended 30/06/2022**
	31/12/23	**Min**	**Max**	**Average**	**Average**
Equity delta (+1%)	412	(443)	6,000	684	319
Equity vega (+1%)	24	(461)	3,167	1,349	1,439
Interest rate delta(+1bp)	91	(174)	612	187	83
Inflation delta (+1 bp)	10	3	20	8	2
Exchange rate delta (+1%) *	(164)	(3,757)	745	232	428
Credit delta (1 bp)	369	(4)	731	397	515

* Refers to the Euro gaining versus other currencies.

Trends in VaR of trading portfolio



Trends in VaR constituents (Trading)



1.2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

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

Conversely, the sensitivity of economic value measures the impact of future flows on the current value in the worst-case scenario of those contemplated in the Basel Committee guidelines (BCBS).

All the scenarios present a floor set by the EBA guidelines (EBA/GL/2018/02) at minus 1% on the demand maturity with linear progression up to 0% at the twenty-year maturity.

For both sensitivities, balance sheet items have been treated based on their contractual profile, except for the items related to current account deposits for retail clients (which have been treated on the basis of proprietary behavioural models) and consumer credit items and mortgages (which reflect the possibility of early repayment).

To determine the discounted value of cash flows, various benchmark curves have been used, based on the value date on which the balance sheet item itself is traded (multi-curve). The credit component has been stripped out of the cash flows for the economic value sensitivity only.

With reference to the Group's banking book positions at 31 December, in the event of a non-parallel decrease of the curve that is more heightened in the short rather than the long portion ("Short Down"), the expected interest margin would undergo a negative change of €262m, a clear increase compared to the previous half-year period (€57m) due to the effect of the rise in interest rates which widened the downward shock to a maximum 250 bps.

With reference to the analysis of the present value of future cash flows in the Group's banking book, the shock that may cause the worst change would occur in the event of a parallel decrease in the interest rate curve ("Parallel Down").

The change would in fact be negative by €81m, mainly due to the impact of Mediobanca (loss of €109m) and CMB (loss of €35m) against a positive change for the other subsidiaries. In the previous half-year period, the maximum change amounted to €201m in the "Short Up" scenario.

(€ m)

Data at 30/06/2022	**Banking Book**					
	Maximum level scenario	**Group**	**Mediobanca S.p.A.**	**CheBanca!**	**Compass**	**Others**
Net interest income sensitivity	Short Down	(262)	(198)	(4)	4	(64)
Discounted value of expected cash flows sensitivity	Parallel Down	(81)	(109)	49	15	(37)

At Group level, the values obtained for the interest margin sensitivity are 117 bps higher than the Group RAF limit of 14.5% (interest margin/Group expected interest margin sensitivity), while the economic value sensitivity is lower than the Group RAF limit by 4.5% (Economic Value sensitivity/CET1).

The increase in interest margin sensitivity is linked to temporary factors attributable to: progressive reduction of the effectiveness of the regulatory floor in bearish scenarios, temporary increase in the time lag due to the frequency in which asset and liability rates are set (refixing), and significant increase in liquidity deposited with the Central Bank. The bank has already taken action to return within the limits.

In addition to the scenarios envisaged from a regulatory standpoint, other scenarios were analysed:

– Steepening-Up is a scenario where the curve grows but more pronounced on the long part of the curve;
– Flattening-Up is a scenario in which the curve grows but more pronounced in the short part of the curve;
– +50 bps is a scenario where the curve moves in parallel upwards by 50 basis points;

(€ m)

Data at 30/06/2022	Banking Book	
Scenario	Group	Mediobanca S.p.A.
Steepening Up	105	66
Flattening Up	327	217
+ 50 bps	63	44

Hedging

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of certain financial risk factors (interest rate, exchange rate, credit or some other risk parameter) through the gains that may be realized on a hedging instrument that is capable of offsetting changes in fair value or cash flows of the hedged instrument. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).[12]

A. Fair value hedging

Fair value hedges are used to neutralize exposure to interest rate or price risk for specific asset or liability positions, via derivative contracts entered into with leading market counterparties with high credit rating. In particular, with regard to interest rate risk, the Group applies specific hedges to individual items or clusters of like-for-like assets and liabilities in terms of interest rate risk. The objective of these hedges is to reduce the interest rate risk through swaps that convert fixed-rate into floating rate assets and/or liabilities. The items being mainly hedged are fixed-rate or structured liabilities issued by Mediobanca, investments in fixed-rate securities under assets held in the HTC and HTCS portfolio, the portfolio of fixed-rate mortgage loans, the floors implicit in the floating-rate loans of the Lending division and floating-rate mortgage loans granted by CheBanca! and the deposits of CheBanca! And Private Banking, for which the behavioural model is being taken into account with a benefit on the effective maturity.

[12] This target is maintained even in the presence of hedging contracts with market counterparties with which netting agreements and CSAs (collateralized standard agreements) have been entered into and whose valuation is carried out at Ester interest rates.

If structured bond issues do not present risks related to the main risk, they are broken down into the interest rate component (hedged) and other risks that are represented in the trading book and are usually covered by external positions of an opposite sign. Fair value hedges are also used by the Parent Company to mitigate the price risk of an equity investment recorded within the portfolio of assets measured at fair value through other comprehensive income.

The CheBanca! mortgage loan book is hedged via amortizing swaps, the notional and maturity profile of which takes into account the mortgage repayment plan and the expected prepayment rate for the loan book based on the model developed by Risk Management and subject to internal approval, considering a prudential margin on prepayments.

During the half-year period, the behavioural model on fixed-rate deposits and mortgages, introduced in the previous financial year, was further streamlined, allowing for more effective management of interest rate risk at Group level, with a benefit on net interest income even in a context of significant rate hikes.

With regard to the USD Libor rate, please note that the Group applies Regulation (EU) 2020/34 of 15 January 2020 ("Regulation 34"), which transposed the IASB waivers of September 2019, to avoid that the uncertainty caused by the absence of a single alternative benchmark for the entire market may lead to discontinuing a hedging relationship.

B. Cash flow hedging

This form of hedging is mainly used in the context of some Group companies' operations (in particular with reference to consumer credit and leasing), where provisions at a floating rate are set aside for a significant amount against a large number of transactions for a negligible amount, generally at a fixed rate. The hedge is made in order to transform these positions into fixed-rate positions, correlating the relevant cash flows with investments. Normally, the Group uses derivatives to fix the expected cost of deposits over the reference period to cover floating-rate loans in place and future transactions linked to systematic renewals of such loans upon expiry.

C. Foreign investment hedging activities

This involves hedging an exposure to a controlling interest in a company and the goodwill associated with it (including any intangibles identified as a result of the Purchase Price Allocation process) in currencies other than the Euro. The exposure may be hedged via derivatives or other financial instruments in different currencies, such as bond issues. The exchange rate effect of the hedge is taken through the net equity reserve to cover the effects of the hedged instrument. Reference is made to section 1.2.3 Exchange rate risk below for a description of the only hedge of this kind entered into by the Group.

D. Hedging instruments

E. Hedged items

Hedged items and hedging instruments have been exhaustively described in the previous paragraphs and throughout the document.

Counterparty risk

Counterparty risk generated by market transactions with institutional customers or counterparties is measured in terms of expected potential future exposure. With regard to derivative and short-term collateralized loan products (repos and securities lending), the calculation is based on determining the maximum potential exposure (assuming a 95% likelihood) at various points in time up to 30 years. The scope of application regards all groups of counterparties which have relations with the Bank, taking into account the presence of netting (e.g. ISDA, GMSLA or GMRA) and collateralized loan agreements (e.g. CSA), if any, plus exposures deriving from interbank market transactions. Exposures deriving from transactions on the interbank market should be added to these. For these three types of transactions, different exposure limits are granted to each counterparty and/or group subject to internal analysis and approval by the Lending and Underwriting Committee.

For derivative transactions, as required by IFRS 13, fair value incorporates the effects of the counterparty's credit risk (referred to as Credit Valuation Adjustments, CVA) and Mediobanca's credit risk (referred to as Debit Valuation Adjustment, DVA) based on the future exposure profile of all contracts in place.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques of exchange rate risk

B. Exchange rate risk hedging

The trend in the exchange rate component of VaR shown in paragraph "1.2.1 interest rate risk and price risk" is an effective representation of changes in the risks taken on the forex market, because exposure to exchange rate risk is managed globally.

The investment in RAM in Swiss francs is hedged with a bond loan in the same currency. The currency exchange effect of both items is managed according to the policy for "Net Investments in foreign operations" i.e. currency exchange gains (losses) deriving from asset (goodwill) and liability items issued are directly accounted for in a net equity reserve.

QUANTITATIVE INFORMATION

2. Internal models and other methodologies used for sensitivity analysis

During the half-year period, the euro recovered about 2% against the dollar. The total forex VaR averaged around €800,000, with some peaks above €1m.

1.3 DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

1.3.1 TRADING DERIVATIVES

A. Financial derivatives

A.1 Trading financial derivatives: reporting-date notional values

Underlying assets / Type of derivatives	31 December 2022				30 June 2022			
	Over the counter			Established markets	Over the counter			Established markets
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties		
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements	
1. Debt securities and interest rate	68,186,830	25,286,238	1,440,143	59,914,749	51,140,611	24,802,696	2,223,147	243,799,846
a) Options	—	5,714,416	728,837	58,988,348	—	5,824,722	708,379	242,979,042
b) Swaps	68,186,830	14,283,732	711,306	—	51,140,611	14,862,262	1,514,768	—
c) Forwards	—	277,076	—	—	—	348,654	—	—
d) Futures	—	—	—	926,401	—	—	—	820,804
e) Other	—	5,011,014	—	—	—	3,767,058	—	—
2. Equity securities and stock price indexes	—	15,038,349	2,676,251	13,095,805	—	24,930,392	2,337,731	18,485,564
a) Options	—	14,685,531	359,742	12,810,633	—	23,520,849	328,337	18,079,439
b) Swaps	—	352,818	—	—	—	1,409,543	—	—
c) Forwards	—	—	—	—	—	—	—	—
d) Futures	—	—	—	285,172	—	—	—	406,125
e) Other [1]	—	—	2,316,509	—	—	—	2,009,394	—
3. Currency and gold	—	19,944,349	971,299	—	—	18,773,897	1,377,560	—
a) Options	—	4,247,263	—	—	—	458,175	—	—
b) Swaps	—	7,366,399	512,146	—	—	7,820,925	528,736	—
c) Forwards	—	8,330,687	459,153	—	—	10,494,797	848,824	—
d) Futures	—	—	—	—	—	—	—	—
e) Other	—	—	—	—	—	—	—	—
4. Commodities	—	1,950,000	149,722	—	—	1,700,000	127,453	—
5. Other	—	—	—	—	—	—	—	—
Total	68,186,830	62,218,936	5,237,415	73,010,554	51,140,611	70,206,985	6,065,891	262,285,410

[1] Regards exclusively certificates issued.

A.2 Trading financial derivatives: gross positive and negative fair values by product

Types of derivatives	Total 31 December 2022				Total 30 June 2022			
	Over the counter			Established markets	Over the counter			Established markets
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties		
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements	
1. Positive fair value								
a) Options	—	832,796	241,463	500,276	—	1,039,048	427	784,678
b) Interest rate swaps	240,872	238,825	66,067	—	169,330	196,220	4,753	—
c) Cross currency swaps	—	355,982	21	—	—	381,596	—	—
d) Equity swaps	—	193,672	—	—	—	161,284	—	—
e) Forwards	—	214,586	23,102	—	—	286,453	41,523	—
f) Futures	—	—	—	23,692	—	—	—	11,923
g) Other [1]	—	—	205	—	—	—	—	—
Total	240,872	1,835,861	330,858	523,968	169,330	2,064,601	46,703	796,601
2. Negative fair value								
a) Options	—	857,370	315,983	795,100	—	1,053,244	22,965	1,200,474
b) Interest rate swaps	19,051	600,859	22,235	—	19,959	385,617	2,088	—
c) Cross currency swaps	—	231,076	26,804	—	—	308,391	36,283	—
d) Equity swaps	—	555	—	—	—	685	—	—
e) Forwards	—	158,621	12,125	—	—	252,588	51,894	—
f) Futures	—	—	—	15,084	—	—	—	14,886
g) Other [1]	—	—	2,009,997	—	—	—	1,597,551	—
Total	19,051	1,848,481	2,387,144	810,184	19,959	2,000,525	1,710,781	1,215,360

[1] Regards exclusively certificates issued.

A.3 OTC trading financial derivatives: notional values, gross positive and negative fair values by counterparty

Underlying assets	**Central counterparts**	**Banks**	**Other financial companies**	**Other entities**
Contracts not included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	X	116,983	200,000	1,123,160
- positive fair value	X	67,327	4	20
- negative fair value	X	1,414	1,596	56,886
2) Equity instruments and stock indexes [1]				
- notional amount	X	2,349,759	326,469	22
- positive fair value	X	240,285	197	633
- negative fair value	X	2,252,168	36,260	713
3) Currencies and gold				
- notional amount	X	78,016	347,667	545,617
- positive fair value	X	2	1,190	21
- negative fair value	X	6,003	3,477	28,625
4) Commodities [2]				
- notional amount	X	149,722	—	—
- positive fair value	X	21,179	—	—
- negative fair value	X	—	—	—
5) Other				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	68,186,830	11,822,568	7,118,185	6,345,484
- positive fair value	240,872	304,502	193,980	69,436
- negative fair value	19,051	327,490	267,404	326,457
2) Equity instruments and stock indexes				
- notional amount	—	9,260,867	4,391,688	1,385,794
- positive fair value	—	264,661	320,226	86,120
- negative fair value	—	308,862	140,619	28,616
3) Currencies and gold				
- notional amount	—	11,425,651	4,118,992	4,399,706
- positive fair value	—	294,083	140,141	161,110
- negative fair value	—	246,233	67,305	127,183
4) Commodities [2]				
- notional amount	—	1,350,000	600,000	—
- positive fair value	—	1,603	—	—
- negative fair value	—	6,980	1,334	—
5) Other				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

[1] Of which, certificates with a nominal value of €2,316,509 and a fair value of €2,009,394.

[2] This item includes the embedded derivatives in skew issues and the derivatives of the related arbitrage structures.

B. Credit derivatives

B.1 Trading credit derivatives: reporting-date notional values

Type of transaction	Trading derivatives	
	With a single counterparty	With more than one counterparty (basket)
1. Hedge purchases		
a) Credit default products	4,271,385	27,954,339
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other [1]	249,548	—
Total 30/6/22	4,520,933	27,954,339
Total 30/6/21	4,525,642	26,446,452
2. Hedge sales		
a) Credit default products	2,647,129	27,923,616
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other [1]	—	—
Total 31/12/22	2,647,129	27,923,616
Total 30/06/22	2,199,753	26,791,001

[1] Regards exclusively certificates issued.

The column headed “Basket” includes the positions in credit indexes matched by positions on single names which go to make up the same index for the skew issues [13] (the arbitrage structures have a notional value of €19.5bn). The embedded derivative of the issues (€1.5bn) consists in purchases of hedges on individual entities. [14]

[13] Please refer to “Part B - Liabilities - Liabilities at amortized cost” herein.

[14] Embedded items with underlying commodities and related derivatives are shown in Table A.3.

B.2 Trading credit derivatives: gross positive and negative fair values by product

Types of derivatives	31 December 2022	30 June 2022
1. Positive fair value		
a) Credit default products	151,918	243,371
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other	—	—
Total	151,918	243,371
2. Negative fair value		
a) Credit default products	199,476	297,714
b) Credit spread products	—	—
c) Total rate of return swap	—	—
d) Other [1]	225,185	232,740
Total	424,661	530,454

[1] Regards exclusively certificates issued.

B.3 OTC credit trading derivatives: notional values and gross positive/negative fair value, by counterparty

	Central counterparts	Banks	Other financial companies	Other entities
Contracts not included in offsetting arrangements				
1) Hedge purchases				
– notional value [1]	X	2,260,994	70,829	—
– positive fair value	X	8,834	10,012	—
– negative fair value [1]	X	227,647	—	—
2) Hedge sales				
– notional value	X	14,526	—	—
– positive fair value	X	22,556	—	—
– negative fair value	X	1,637	—	—
Contracts included in offsetting arrangements				
1) Hedge purchases				
– notional value	10,782,120	2,776,868	16,584,462	—
– positive fair value	—	(2,255)	4,833	—
– negative fair value	—	21,320	107,765	—
2) Hedge sales				
– notional value	10,712,072	3,429,021	16,415,126	—
– positive fair value	—	24,635	83,302	—
– negative fair value	14,997	13,346	37,949	—

[1] Of which certificates with a notional value of €249,548 and a fair value of €-225,185.

1.3.2 ACCOUNTING HEDGES

A. Financial hedging derivatives

A.1 Financial hedging derivatives: reporting-date notional value

Underlying assets / Type of derivatives	31 December 2022				30 June 2022			
	Over the counter			Established markets	Over the counter			Established markets
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties		
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements	
1. Debt securities and interest rate	73,028,345	21,887,542	10,000	—	62,909,859	4,301,921	20,000	—
a) Options	—	1,987,864	—	—	—	2,146,137	—	—
b) Swaps	73,028,345	19,899,678	10,000	—	62,909,859	1,913,236	20,000	—
c) Forwards	—	—	—	—	—	242,548	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Other	—	—	—	—	—	—	—	—
2. Equity securities and stock price indexes	—	—	—	—	—	—	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swaps	—	—	—	—	—	—	—	—
c) Forwards	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Other	—	—	—	—	—	—	—	—
3. Currency and gold	—	321,615	—	—	—	306,600	—	—
a) Options	—	—	—	—	—	—	—	—
b) Swaps	—	321,615	—	—	—	306,600	—	—
c) Forwards	—	—	—	—	—	—	—	—
d) Futures	—	—	—	—	—	—	—	—
e) Other	—	—	—	—	—	—	—	—
4. Commodities	—	—	—	—	—	—	—	—
5. Other	—	—	—	—	—	—	—	—
Total	73,028,345	22,209,157	10,000	—	62,909,859	4,608,521	20,000	—

A.2 Financial hedging derivatives: gross positive and negative fair values by product

Types of derivatives	*Positive and negative fair value*								Change in the value used to calculate the hedge effectiveness	
	31 December 2022				30 June 2022					
	Over the counter			Established markets	*Over the counter*			Established markets		
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties			31 December 2022	30 June 2022
		With offsetting arrangements	Without offsetting arrangements			With offsetting arrangements	Without offsetting arrangements			
1. Positive fair value										
a) Options	—	32,267	—	—	—	36,604	—	—		
b) Interest rate swaps	1,344,331	50,038	—	—	817,030	17,164	—	—	244,420	454,468
c) Cross currency swaps	—	1,840	—	—	—	894	—	—	—	—
d) Equity swaps	—	—	—	—	—	—	—	—	—	—
e) Forwards	—	—	—	—	—	739	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Other	—	—	—	—	—	—	—	—	—	—
Total	1,344,331	84,145	—	—	817,030	55,401	—	—	244,420	454,468
2. Negative fair value										
a) Options	—	7,273	—	—	—	6,788	—	—	—	—
b) Interest rate swaps	2,011,196	115,227	208	—	1,245,183	108,810	1,035	—	864,856	1,828,809
c) Cross currency swaps	—	52	—	—	—	—	—	—	—	—
d) Equity swaps	—	—	—	—	—	—	—	—	—	—
e) Forwards	—	—	—	—	—	48	—	—	—	—
f) Futures	—	—	—	—	—	—	—	—	—	—
g) Other	—	—	—	—	—	—	—	—	—	—
Total	2,011,196	122,552	208	—	1,245,183	115,646	1,035	—	864,856	1,828,809

A.3 OTC financial hedging derivatives: notional values, gross positive and negative fair values by counterparty

Underlying assets	Central counterparts	Banks	Other financial companies	Other entities
Contracts not included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	X	10,000	—	—
- positive fair value	X	—	—	—
- negative fair value	X	208	—	—
2) Equity instruments and stock indexes				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
3) Currencies and gold				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
4) Commodities				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
5) Other				
- notional amount	X	—	—	—
- positive fair value	X	—	—	—
- negative fair value	X	—	—	—
Contracts included in offsetting arrangements				
1) Debt securities and interest rates				
- notional amount	73,028,345	18,171,087	3,716,455	—
- positive fair value	1,344,331	60,209	22,097	—
- negative fair value	2,011,196	53,670	68,831	—
2) Equity instruments and stock indexes				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
3) Currencies and gold				
- notional amount	—	271,849	49,765	—
- positive fair value	—	1,618	222	—
- negative fair value	—	52	—	—
4) Commodities				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—
5) Other				
- notional amount	—	—	—	—
- positive fair value	—	—	—	—
- negative fair value	—	—	—	—

1.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, operating processes and measurement techniques of liquidity risk

Banks are normally exposed to the liquidity risk inherent in the maturity transformation process that is typical of banking operations.

Liquidity risk is distinguished according to its timing profile:

- The current or potential risk of the bank not being able to manage its own liquidity needs in the short term ("liquidity risk");
- The risk of the bank not having stable funding sources in the medium or long term, resulting in its inability to meet its financial obligations without incurring an excessive increase in the cost of financing ("funding risk").

An adequate liquidity and funding risk management system is fundamental to ensure the stability of the Group and the financial system in general, given that a single bank's difficulties would affect the system as a whole. The liquidity and funding risk management system is developed as part of the Risk Appetite Framework and the risk tolerance levels contained in it. In particular, one of the management objectives contained in the Risk Appetite Framework is to maintain a liquidity position in the short and long term which is adequate to cope with a period of prolonged stress (combining Bank-specific and systemic stress factors).

The Policy also sets out the roles and responsibilities of the company units and governing bodies, the risk measurement metrics used, the guidelines for carrying out the stress testing process, the funds transfer pricing system and the Contingency Funding Plan.

To ensure that liquidity risk is managed according to an integrated and consistent approach within the Group as a whole, strategic decisions are taken by the Parent Company's Board of Directors, to which the Policy assigns several important duties, including: definition and approval of the guidelines and strategic direction, responsibility for ensuring that the risk governance system is fully reliable, and monitoring of trends in the Group's liquidity and funding risk and Risk Appetite Framework.

Moreover, the Group ALM Committee discusses the most significant liquidity risk issues, defining the asset and liability structure and the related acceptance of the risk of mismatches between assets and liabilities and managing them in line with the commercial and financial objectives set out in the Group's budget and Risk Appetite Framework.

Implementing Article 86 of Directive 2013/36/EU, the Mediobanca Group identifies, measures, manages and monitors liquidity risk as part of its internal liquidity adequacy assessment process (ILAAP). In this process, which constitutes an integral part of the supervisory authority's activities (Supervisory Review and Evaluation Process, or SREP), the Mediobanca Group performs a self-assessment of its liquidity risk management and measurement from both a qualitative and quantitative perspective. The findings of the risk profile adequacy assessment and overall self-assessment are presented to the governing bodies annually.

The liquidity governance process for the Mediobanca Group as a whole is centralized at the Parent Company level by setting the strategy and guidelines which the Group companies must comply with, thereby ensuring that the liquidity position is managed and controlled at the consolidated level.

The units of the Parent Company that are responsible for ensuring that the Policy is applied accurately are:

– Group Treasury, responsible at Group level for the management of liquidity, funding, collateral, internal transfer pricing system and for the preparation of the Group Funding Plan in line with budget objectives;
– Risk Management which, in accordance with the principles of separation and independence, is responsible for the Group's integrated, second-level control system for current and future risks, in accordance with the Group's regulations and governance strategies.

The Group Audit Unit is responsible for evaluating the functioning and reliability of the control system for liquidity risk management and for reviewing adequacy and compliance with the requirements laid down in the regulations. The findings of such reviews are submitted to the governing bodies at least once a year.

The Group's objective is to maintain a level of liquidity that will enable it to meet its ordinary and extraordinary payment obligations at the established expiry dates, while at the same time keeping costs to a minimum and hence without incurring losses. The Mediobanca Group short-term liquidity policy is intended to ensure that the mismatch between cash inflows and outflows, whether expected or unexpected, remains sustainable in the short term, including over an intra-day time horizon.

The Group, through its Group Treasury Unit, manages its own liquidity position actively, with the objective of being able to meet its own clearing obligations within the time frame required.

Intra-day liquidity risk is the risk of a mismatch in terms of timing within a single day between payments made by Mediobanca and those received from other market counterparties. Management of this risk requires careful and ongoing monitoring of cash flows exchanged, and, more importantly, adequate liquidity reserves. To mitigate this risk, the Group has implemented a system of indicators and monitoring to check the availability of reserves at the start of the day and their capacity to meet possible situations of stress that could involve other market counterparties or the value of the assets used in the risk mitigation.

The monitoring metric adopted over time horizons longer than intra-day is the net liquidity position, obtained from the sum of the counterbalancing capacity (defined as the cash, bonds traded on the market, receivables eligible for refinancing with the ECB available post-haircut) and cumulative net cash flows.

The system of limits is structured on the basis of the normal course of business up to a time horizon of three months and in a combined stress scenario of 45 days, thus effectively functioning as an early warning system if the limit is approached in normal conditions.

The short-term and intra-day liquidity monitoring is supplemented by stress testing which assumes three scenarios:

- Systemic Scenario: a scenario that refers to stress events external to the Group that cause uncertainties on the financial markets (economic recession, "fire sales" etc.) and/or political uncertainties resulting in a difficulty in raising funds on the market and interbank funds. Moreover, a reduction in cash inflows due to drawdowns for credit lines granted to customers is assumed: the counterbalancing capacity suffers a significant reduction in value;
- The counterbalancing capacity suffers a significant reduction in value; the counterbalancing capacity suffers a reduction in value, and there are also effects on securities issued by Mediobanca (ABS and covered bonds);
- Idiosyncratic Scenario: a scenario that refers to events within the Group typically linked to reputation damage resulting in a lower rating. The effects considered are the inability to raise funds on the securitized, retail and interbank markets. Higher outflows from on-demand deposits and delays in collections, or failure to cash within the intra-day time frame, are also assumed;
- The counterbalancing capacity suffers a reduction in value, and there are also effects on securities issued by Mediobanca (ABS and covered bonds);
- Combined: a combined scenario between Systemic and Idiosyncratic Scenario.

In addition to the above, the Group prepares a report on its liquidity position on a weekly basis, as required by the Bank of Italy; the Maturity Ladder report, compiled according to the instructions of the Supervisory Authority, in addition to highlighting the main transactions maturing within the three months following the reference date, is supplemented by a summary of the Group's assets that can be allocated to the Central Bank.

Monitoring structural liquidity, on the other hand, is intended to ensure that the structure has an adequate financial balance for maturities of more than twelve months. Maintaining an appropriate ratio between assets and liabilities in the medium/long term also serves the purpose of avoiding future pressures in the short term. The operating methods adopted involve analysing the maturity profiles for both assets and liabilities over the medium and long term checking that on average the cumulative inflows cover the cumulative outflows for maturities of more than one and up to three years.

During the half-year period, both (short and long-term) operating liquidity indicators remained steadily above the level of liquidity deemed adequate.

The minimum requirements for the Net Stable Funding Ratio (NSFR) [15] and for the Liquidity Coverage Ratio (LCR)[16] are part of the Group Risk Appetite Framework and have always been higher than internal and regulatory limits.

In detail, the LCR figure at 31 December stood at 172.4% including the prudential estimate of "additional outflows for other products and services" in compliance with Article 23 of Delegated Regulation (EU) 2015/61. The indicator showed limited variability in the first months of the half year with peaks towards the end, which brought the average value for the period to 161% (152% in the previous financial year). The positioning above the target value set by management reflects the decision adopted by Group Treasury to bring forward funding in view of the repayment plan of loan transactions (TLTRO) by approximately 6 months with respect to the contractual maturity. In a still uncertain context, threatened by geopolitical risk and by rising interest rates, Group Treasury managed highly liquid assets by trying to combine commercial strategies with the need to always have an adequate instrument, in terms of quantity and quality.

The NSFR indicator, calculated according to Regulation (EU) 2019/876, stood at 117%, a slight increase compared to 30 June last (116%). The ratio benefited from new issues of €4bn, thus offsetting the progressive loss of stability of the T-LTRO funding, whose repayment plan started at the end of December.

The sustainability of Group Risk Appetite Framework indicators should be ensured when preparing the Group Funding Plan with a forward-looking analysis over a time frame of at least three years, with half-yearly monitoring and updates. A multi-risk stress test is also run as part of the same framework

[15] Directive (EU) 2019/878 (referred to as CRD V) and Regulation (EU) 2019/876 (referred to as CRR2)

[16] Commission Delegated Regulation (EU) 2015/61, as supplemented and amended.

based on the scenario analysis. A stress scenario is defined which may involve the Group, and its simultaneous impacts are assessed, taking into account the inter-relations between risks and the capability to adapt the business strategies defined in the budget to the changed scenario.

In addition to the two main indicators, an event governance model called Contingency Funding Plan (described in the "Regulation") has been included and should be activated in the event of a crisis following a procedure approved by the Board of Directors.

The objective pursued by the Contingency Funding Plan is to ensure prompt implementation of effective action to tackle a liquidity crisis through precise identification of stakeholders, powers, responsibilities, communication procedures and related reporting criteria in order to increase the likelihood of coming through the state of emergency successfully. This objective is achieved primarily by activating an extraordinary operational and liquidity governance model, supported by consistent internal and external disclosures and a number of specific indicators.

In order to identify a "contingency" state in a timely manner, a system of early warning indicators (EWIs) has been prepared to monitor situations that could lead to deterioration in the Group's liquidity position deriving from external factors and/or situations which are specific to the Group itself.

Stress analyses are a key tool to manage liquidity risk, which tends to materialize infrequently but may have a significant impact. Instruments are therefore needed to diagnose the Group's vulnerabilities over different time horizons. The findings of the stress tests are therefore used principally in order to:

– Define the funding strategies for the Funding Plan and planning activities more generally (liquidity profile of assets and liabilities);
– Assess the adequacy of the system of limits, and establish significant events for the purpose of the regular process of revising the limits themselves;
– Provide support in assigning the actions to be taken in managing states of operating crisis or stress.

The liquidity risk mitigation factors adopted by the Mediobanca Group are as follows:

– An adequate level of high-quality, highly liquid assets to address any liquidity imbalances, even prolonged over time;
– Accurate short-term and long-term liquidity planning, alongside careful forecasting and monitoring activities;
– A robust and constantly updated stress testing framework;
– An efficient Contingency Funding Plan to identify crisis states and the actions to be taken in such circumstances, through a reliable early warning indicator system.

During the half-year period, securities funding increased from €18.5bn to €20.6bn after €4bn in new issues, including the second senior preferred ESG bond in Sustainable format (€500m over 6 years, which can be called at the issuer's discretion after 5 years), an increase of €250m in the Covered Bond transaction with underlying CheBanca! home mortgages issued last June (for €500m) and €3.25bn in issues dedicated to the retail and wealth management market distributed through third-party and Group banking networks. The share of deposits with the Central Bank (T-LTRO) dropped from €8.5bn to €8bn due to the above early repayment. Wealth Management deposits remained steady at €28.7bn (approximately 46% of total funding). In a macroeconomic context of rising interest rates, the balance of CheBanca! slightly decreased (from €17.4bn to €17bn). However, it was offset by the growth of Private banking (from €11.3bn to €11.7bn). Overall, the Group's funding stood at €62bn (€61.2bn last June).

Counterbalancing capacity at 31 December amounted to €16.5bn, an increase compared to last June (€14.7bn). Pre-funding activities led to an increase in the liquidity reserve, to be used for T-LTRO repayments expected in the half-year period. The amount of available securities eligible for spot refinancing with the ECB to obtain immediate liquidity stood at €7bn. The balance of the collateral allocated to the Central Bank amounted to €13bn, approximately €5.1bn of which immediately available in cash but they were unused and, therefore, fell within the counterbalancing capacity (respectively equal to €13.7bn and €5.3bn in June 2022).

1.5 OPERATIONAL RISK

Definition

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

Capital Requirement

Against operational risk, Mediobanca has adopted the Basic Indicator Approach ("BIA") to calculate its capital requirement for operational risk by applying the regulatory coefficient of 15% of the three-year average of the relevant indicator. Based on this calculation method, the capital requirement at 31 December 2022 was €341.5m (unchanged over 30 June 2022).

Risk Mitigation

The Group's Non-Financial Risks Committee, with the task of guiding, monitoring and mitigating non-financial risks (including IT risk, fraud risk, outsourcing risk, legal risk, reputation risk) and the Conduct Committee, with the task of guiding, supervising and making decisions on the Group's conduct risks, operate within the scope of risk management.

Operational risks are supervised, at the level of Parent Company and main subsidiary companies, by a specific Operational Risk Management team within the Risk Management unit.

Based on the Group's operational risk management policy and in line with the principle of proportionality, the processes for identifying and assessing operational risks and for collecting and analysing operational risk loss and mitigation data are defined and implemented within the Parent Company and in the main subsidiaries.

Based on the evidence obtained, action to mitigate the most relevant operational risks has been proposed, implemented and monitored on a constant basis.

Operating losses recorded during the year were contained and had a low impact on total revenues (approximately 0.8%).

As for the different classes of operational risk, the percentage composition of the various Basel II event types for the Group is shown below.

Event Type	% on Total Loss
Clients, products and business practices	39%
Execution, delivery and process management	42%
External fraud	6%
Employment practices and workplace safety	6%
Other	7%

Most of the operating losses in the half-year derived from “Clients, products and business practices”, which includes provisions and costs for the management of claims or disputes with Consumer and Retail customers concerning financial conditions or interest rates applied to loan products (those deriving from the ‘Lexitor’ ruling are significant). The second category of losses in terms of amount, “Execution, delivery and process management”, includes litigation provisions and expenses with other banks and losses due to process failures. Subsequently, losses were recorded in relation to external fraud schemes, for which the appropriate mitigation actions were undertaken and provisions set aside for the management of disputes with personnel.

While not generating significant losses, both at Industry and Group level, there was an increase in some cases (classes) of operational risk, such as IT & Cyber Risk and Outsourcing Risk.

This increase in risk and the corresponding evolution of the monitoring and mitigation framework within the Group are briefly described in the following paragraph.

In terms of business lines, operating losses were highest in Consumer Banking, and much lower in Wealth Management, albeit potentially growing due to the increase in regulations and guidelines from authorities, which expose operators to conduct risk, plus the growth in the number of commercial channels and networks.

In terms of potential effects, the risk of “low frequency and high severity” events remains material, given the nature of the Bank’s businesses, which feature large non-standard transactions, notably in CIB and in part Wealth Management.

* * *

Other Risks

As part of the process of assessing the current and future capital required to perform its internal capital adequacy assessment process (ICAAP), the Group has identified the following main types of risk as relevant, in addition to the risks described above (credit and counterparty, market, interest rate, liquidity and operational risk):

- Concentration risk, understood as the risk deriving from the concentration of exposures with single counterparties or groups of connected counterparties (referred to as “single names”) and with counterparties belonging to the same business sector or who carry out the same activity or belonging to the same geographical area (geo-sectoral concentration risk);
- Strategic risk, i.e. exposure to current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);
- Risk from equity investments held as part of the “Hold to collect and sell” banking book (“HTC&S”), deriving from the potential reduction in value of the equity investments, listed and unlisted, which are held as part of the HTC&S portfolio, due to unfavourable movements in financial markets or to the downgrade of counterparties (where these are not already included in other risk categories);
- Sovereign risk, in regard to the potential downgrade of countries or national central banks to which the Group is exposed;
- Compliance risk, attributable to the possibility of incurring legal or administrative penalties, significant financial losses or damages to the Bank’s reputation as a result of breaches of internal laws and regulations or self-imposed regulations;

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

Risks are monitored and managed via the respective internal units (risk management, planning and control, compliance and Group audit units) and by specific management committees.

ESG and Climate Change

As part of the updated Risk Map regarding the Group, environmental risk factors were integrated into the risk identification process, including the related components within the main risk categories in place.

At the same time, an ESG Programme was launched at the beginning of 2021. This is a Group-wide process aiming to adapt to the recent amendments in the ESG regulatory framework. Phase 1 and Phase 2 ended in June 2021 and 2022 respectively, achieving the following objectives:

- Implementation of the actions included in the plan filed with the ECB in May 2021;
- Completion of the adaptation process to the obligations under the SFDR and MIFID;
- Publication of the first disclosure in the Taxonomy area.

The ESG Programme continued in line with what had been agreed with the ECB in view of the next March deadline, in particular on Taxonomy. At the same time, the new Pillar 3 templates are being analysed by implementing controls under Law No. 262.

With reference to asset management, the implementation of PAI monitoring and adaptation to the RTS for financial products classified as ESG under Articles 8/9 continued, while, in relation to consultancy activities, the ESG integration in the MIFID adequacy/Product Governance template.

Last September, the Group published the first climate report based on the recommendations of the Task Force on Climate-Related Financial Disclosure (available on the website www.mediobanca.com), in which it transparently presented information relating to its environmental impact, including an initial quantification of indirect emissions (Scope 3) of the portfolio, as well as the first intermediate industry-related targets relating to indirect emissions, as required by the Net-Zero Banking Alliance (NZBA), which it joined in November 2021.

Furthermore, in line with the objectives relating to the fight against climate change included in the Strategic Plan, the Group neutralized its direct Scope 1 and 2 emissions relating to the 2021/22 financial year for the third consecutive year.

Lastly, with a view to creating long-term value to foster sustainable growth without sacrificing profit, the Group recognizes the importance of a balanced distribution of the value generated by its business activities to its stakeholders, a value that they directly or indirectly contributed to producing. For this reason, the Mediobanca Group publishes a calculation of the economic value it generated and distributed according to the instructions of Associazione Bancaria Italiana (Italian Banking Association) by restating the items posted in the Consolidated income statement.[17]

As part of the updated Risk Map regarding the Group, environmental risk factors were integrated into the risk identification process, including the related components within the main risk categories in place.

It should be noted that the Group has no significant exposures to high carbon-intensive counterparties and monitors the climate risk profile of its banking book. For more information, please refer to the section of the Pillar III Public Disclosure on ESG Risk. The document is published at the same time as this Annual Report and can be viewed at www.mediobanca.com.

[17] For further information, please refer to paragraph 7.1. Economic value generated and distributed of the Group's Non-Financial Report.

IT Risk and Cyber Risk

The so-called "emerging" risks, i.e. risks characterized by less-known or rapidly evolving components that may become significant in the medium term with respect to the Group's financial position and business model, include IT risk and cyber risk.

IT or technological risk is understood as the risk of incurring financial loss, reputation damage and market share loss in relation to the use of the company's information system and in connection with hardware, software and network malfunctions.

Cyber-risk is a type of IT risk that concerns cyber security aspects and risks deriving from cyber-attacks.

While not inherently new risks, it is reasonable to expect significant potential exposure due to the enterprises' growing dependence on IT systems and consequent increase in the number of users of virtual channels and interconnected devices, to the growth in the amount and quality of managed data that must be protected and to a greater use of IT services offered by third parties.

Over the last few years, the Group has constantly strengthened its security strategy in order to ensure the confidentiality, integrity and availability of information. It has adopted a system of principles and rules for the purpose of identifying and measuring the IT and cyber risks to which company assets are exposed, assessing the safeguards in place and identifying the appropriate methods to handle such risks, consistent with its operational risk management process.

Continuous security checks and IT risk analysis activities are carried out for the purpose of ensuring adequate control, organizational and technological safeguards, across the entire Group.

Part F - Information on consolidated capital

SECTION 2

Own funds and supervisory capital requirements for banks

The Mediobanca Group has always stood apart for its strong capital soundness with ratios constantly above the regulatory thresholds, as evidenced by the Group's excellent results in stress tests conducted by the Supervisor in recent years, by the large margin found in the Internal Capital Adequacy Assessment Process (ICAAP) and by the SREP assessment process performed by the Supervisor.

Effective 1 January 2023, the Mediobanca Group has been required to hold a CET1 ratio of 7.95% on a consolidated basis, including 2.50% capital preservation buffer and 0.95% additional Pillar 2 requirement ("P2R"), i.e. 56.25% of the 1.68% required at the level of Overall Capital Requirement (OCR), which is equal to 12.18% (Tier1 at 9.76%).[1] The "SREP 2022 Decision" provides for an increase of 10 bps attributable exclusively to the adoption of the Calendar provisioning mechanism with reference to the stock of non-performing exposures in place at 31 December 2021 and that originated before 26 April 2019, on which the Group has undertaken a deleveraging process.

2.1 Scope of application for regulations

During the half-year period, the AIRB PD and LGD models on Mediobanca's Large Corporate segment were reviewed following the conclusion of the IMI on the Large Corporate portfolio, which introduced a Limitation on the LGD model through a 45% floor for the performing portfolio. This action resulted in an increase in the order of €1.5bn in RWA (approximately -45 bps of CET1 ratio), an impact expected to subside with the launch of Basel 4 and the new Foundation parameter at 40% (expected from 1 January 2025).

[1] Requirements do not include the counter-cyclical capital buffer, at 31 December 2022 equal to 0.05%.

At the same time, according to the provisions of Regulation (EU) 2022/954 of 12 May 2022, a weighting factor of 100% was applied to purchased NPL exposures instead of the previous 150%, since the provisioning level is higher than 20% (under Article 127 of the CRR), with a benefit of approximately 5 bps on the CET1 ratio (€170m in RWA).

Finally, the activation of a fourth ECAI (Modefinance, in addition to the ratings provided by Standard & Poor's, Moody's and Fitch) for the standard Corporate portfolio risk should be noted. This led to a benefit of approximately +5 bps on the CET1 ratio (RWA €130m less than a standard weighting of 100%, mainly on the Factoring and Leasing portfolios). The Group did not enforce the right to extend the transitional regime of higher IFRS 9-related adjustments, neutralize valuation reserves on government bonds and exclude certain exposures to central banks for the purpose of calculating the leverage ratio.[2]

2.2 Bank equity

QUALITATIVE INFORMATION

The Common Equity Tier1 (CET1) reflects the portion pertaining to the Group and to minority interests of paid-in capital, reserves, including the profit for the period (€555.1m), after dividends set aside for the first half (€388.6m, corresponding to a payout of 70%) and includes the negative portion of reserves relating to securities of €-824m measured at fair value through other comprehensive income, €-915.4m of which resulting from the equity consolidation of Assicurazioni Generali (fully absorbed by lower deductions).

The deductions regarded:

– treasury shares of €80.4m relating to uses to satisfy the performance share plans after cancellation of a part of the buybacks made under the latest buyback plan;
– intangible assets of €179.6m and goodwill of €622.7m;
– prudential changes of €80.3m relating to valuations of financial instruments (AVA and DVA), which increased compared to last year (€68.6m) due to

[2] Regulation (EU) 2020/873 amending Regulations (EU) 575/2013 and (EU) 2019/876 regarding some adjustments in response to the COVID-19 pandemic ("CRR Quick Fix").

valuations of financial instruments and the trend in gains and losses on liabilities due to the evolution of the institution's credit standing;

– interests of €202.8m in total in Assicurazioni Generali (the portion not included under Article 471). The sharp decline reflects the performance of the revaluation reserve which reduced the book value of the investment by over €1bn.

No Additional Tier 1 (AT1) instruments were issued.

Tier 2 capital includes subordinated liabilities, down from €911.8m to €782.6m due exclusively to the amortization for the half-year period (€129.2m). No subordinated Tier 2 issue benefits from grand-fathering, as permitted under Articles 483 and ff of the CRR.

Issue	31/12/22		
	ISIN	Nominal value	Calculated amount *
MB SUBORDINATO 5,75% 2023	IT0004917842	499,893	28,758
MB SUBORDINATO TV con min 3% 2025	IT0005127508	499,442	263,294
MB SUBORDINATO 3.75% 2026	IT0005188351	300,337	201,327
MB SUBORDINATO 1,957% 2029	XS1579416741	50,000	48,504
MB SUBORDINATO 2,3% 2030	XS2262077675	249,154	240,751
Total subordinated debt securities		1,598,826	782,634

* The computed value differs from the book value because of fair value components and buyback commitments.

Tier 2 also includes the buffer which results from book value write-downs being higher than the prudential expected losses calculated using the advanced models ("buffer"): the positive amount stood at €103.8m; the value calculated, i.e. €80.0m, increased in the half year (+€11.7m) due to the greater exposures, as the maximum amount that is allowed is the amount corresponding to the regulatory threshold of 0.6% of the weighted exposure amounts for risk calculated with advanced models (under Article 159 CRR).

QUANTITATIVE INFORMATION

		31/12/22	30/6/22
A.	Common equity tier 1 (CET1) prior to application of prudential filters	9,255,720	10,061,450
	of which: CET1 instruments subject to phase-in regime	—	—
B.	CET1 prudential filters (+/-)	(315,076)	(200,929)
C.	CET1 gross of items to be deducted and effects of phase-in regime (A +/- B)	8,940,644	9,860,521
D.	Items to be deducted from CET1	(2,380,005)	(3,379,799)
E.	Phase-in regime - impact on CET1 (+/-), including minority interests subject to phase-in regime *	1,391,952	1,413,612
F.	Total common equity tieer 1 (CET1) (C-D+/-E)	7,952,591	7,894,334
G.	Additional tier 1 (AT1) gross of items to be deducted and effects of phase-in regime	—	—
	of which: AT1 instruments subject to temporary provisions	—	—
H.	Items to be deducted from AT1	—	—
I.	Phase-in regime - impact on AT1 (+/-), including instruments issued by branches and included in AT1 as a result of phase-in provisions	—	—
L.	Total additional tier 1 (AT1) (G-H+/-I)	—	—
M.	Tier 2 (T2) gross of items to be deducted and effects of phase-in regime	862,666	980,165
	of which: T2 instruments subject to phase-in regime	—	—
N.	Items to be deducted from T2	—	(69)
O.	Phase-in regime - Impact on T2 (+/-), including instruments issued by branches and included in T2 as a result of phase-in provisions	—	—
P.	Total T2 (M-N+/-O)	862,666	980,096
Q.	Total own funds (F+L+P)	8,815,257	8,874,429

* Adjustments include the adoption of the phase-in provisions for the introduction of IFRS 9 and greater deductions for the adoption of Calendar Provisioning

2.3 Capital adequacy

QUALITATIVE INFORMATION

The Common Equity Ratio – i.e. the ratio of Common Equity Tier1 capital to total weighted assets – stood at 15.13%, down by around 55 bps compared to last June (15.67%) attributable to the effects of the Internal Model Investigation (IMI) on Mediobanca's Large Corporate model (-45 bps) absorbed by some optimizations, including the new ECAI and 100% weighting of NPL exposures (overall +20 bps); retained earnings for the half year (+34 bps) covered by organic growth (-30 bps, corresponding to around €1bn in RWA, distributed between Wholesale, Consumer Banking and Retail mortgages) and higher deductions from the investment in Assicurazioni Generali (-34 bps) linked to profits not yet distributed.

CHANGES IN RWAS

	Value
RWA as at 30 June 21	**50,377,953**
New regulation impact	**1,500,000**
Optimization (CVA and market risk)	**(547,700)**
Volume effect	**1,243,310**
Corporate Investment Banking - CIB	465,165
Wholesale Banking- WS	*293,267*
Specialty Finance - SF	*171,898*
Consumer	172,934
Wealth Manangement - WM	126,883
Holding Functions - HF - (Leasing)	(82,171)
Others PI	560,499
RWA as at 30 June 2022	**52,573,563**

The Total Capital Ratio dropped from 17.62% to 16.77%, not only for the reasons stated above with reference to the change in the CET1 ratio, but also for the prudential amortization of Tier2 instruments.

Fully-loaded ratios without adopting the Danish Compromise, i.e. fully deducting the Assicurazioni Generali stake (down 106 bps, i.e. €1,365.1m) and fully applying the IFRS 9 effect (down 4 bps, i.e. €26.8m), stood respectively at 14.03% (CET1 ratio) and 15.87% (total capital ratio), a decrease compared to 30 June last year (14.50% and 16.69% respectively).

The other indicators performed as follows:

– the Leverage ratio stood at 8.2%, slightly down from 8.4% at 30 June due to the increase in deposits with central banks, for which the exemption does not apply;
– the MREL ratio, calculated according to the hybrid approach, stood at 34.4% of RWAs[3] and 18.7% of LREs, both considerably higher than the minimum levels set by the Single Resolution Board for the year 2022, which were 21.85% and 5.91%, respectively, including the Combined Buffer Requirement of 2.51%.

[3] Ratio calculated using the hybrid approach introduced by the Regulator, which takes into consideration consolidated own funds and eligible liabilities (other than own funds) issued by the resolution entity to entities outside the resolution group.

QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts [1]		Weighted amounts/requirements	
	30/6/22	30/6/21	30/6/22	30/6/21
A. RISK ASSETS				
A.1 Credit and counterpart risk	86,766,881	83,002,780	45,702,198	43,304,396
1. Standard methodology	54,945,292	52,395,447	32,271,397	31,810,452
2. Internal rating methodology	31,509,015	30,278,802	13,338,607	11,390,437
2.1 Basic	—	—	—	—
2.2 Advanced	31,509,015	30,278,802	13,338,607	11,390,437
3. Securitization	312,574	328,531	92,194	103,507
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			3,656,176	3,464,352
B.2 Credit valuation risk			30,133	29,872
B.3 Settlement risk			—	—
B.4 Market risk			178,041	194,477
1. Standard methodology			178,041	194,477
2. Internal models			—	—
3. Concentration risk			—	—
B.5 Other prudential requirements			341,535	341,535
1. Basic Indicator Approach (BIA)			341,535	341,535
2. Standard methodology			—	—
3. Advanced methodology			—	—
B.6 Other calculation elements			—	—
B.7 Total prudential requirements			4,205,885	4,030,236
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			52,573,563	50,377,953
C.2 CET1 capital/risk-weighted assets (CET1 capital ratio)			15.13%	15.67%
C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)			15.13%	15.67%
C.4 Regulatory capital/risk-weighted assets (total capital ratio)			16.77%	17.62%

[1] For the standardized methodology, the "unweighted amounts", as provided by the regulations in force, correspond to the value of the exposure taking into account the prudential filters, risk mitigation techniques and credit conversion factors. For the internal rating-based approach, the "unweighted amounts" correspond to the "exposure at default" (EAD). For guarantees issued and commitments to disburse funds, credit conversion factors are also included in the EAD calculation.

For more details on the disclosure concerning own funds and capital adequacy, please refer to the Basel 3 Third Pillar file at 31 December 2022, published on the Bank's website in the section "Capital adequacy".

Part G - Combinations involving Group companies or business units

SECTION 1

Transactions completed during the period

In the half-year period, Compass Banca completed two corporate transactions: the purchase of a 19.5% stake in Heidi Pay and a 100% stake in Soisy.

The Parent Company established the special purpose vehicle MB INVAG S.r.l., to which the assets and liabilities of INV AG S.r.l. (liquidated on 28 December) attributable to the shareholder Mediobanca were contributed.

For more details, please refer to “Section 3 – Area and methods of consolidation” in Part A - Accounting Policies and “Section 10 - Intangible assets” in part B - Assets of the Notes to the consolidated balance sheet.

SECTION 2

Transactions completed since the reporting date

No transactions have taken place since the reporting date.

SECTION 3

Retrospective adjustments

No adjustments have been made to the accounts in connection with previous business combinations for the period under review.

Part H - Related-Party Transactions

1. Information on remuneration for key management personnel

With regard to the disclosure on compensation paid to key management personnel, reference should be made to the "Report on remuneration and compensation paid" published on the Mediobanca website www.mediobanca.com, where the following are disclosed (with reference to the Mediobanca Group):

– the analytical detail of compensation paid to members of governing and supervisory bodies and other key management personnel;

– the detail and the evolution of performance shares schemes awarded to members of the Board of Directors, other key management personnel and long-term incentive schemes.

Group compensation includes amounts paid to managers of Group Legal Entities not listed in the Table published in the Report (for a total of €1.3m).

2. Related-party disclosure

The Regulation on Related-Party Transactions, implementing CONSOB Regulation No. 17221 of 12 March 2010, as most recently amended by Resolution No. 21264 of 10 December 2020, was introduced in 2011 for the purpose of ensuring the transparency and substantial correctness of transactions with related parties carried out directly or through subsidiaries. The Board of Directors of Mediobanca, having received favourable opinions from the Bank's Related Parties and Statutory Audit Committees, has incorporated the Bank of Italy's most recent instructions on this subject into this procedure, which introduce prudential limits for risk activities versus related parties; this Regulation came into force during December 2012, and was updated most recently in June 2021. The full document is published on the Bank's website at www.mediobanca.com.

For the definition of related parties, please refer to Part A of the Notes to the Accounts (Accounting Policies).

Transactions with related parties fell within the Group companies' ordinary course of business, were maintained on an arm's length basis, and were entered into in the interests of the individual companies concerned. Details of the Directors' and the key management personnel's compensation are provided in a footnote to the table.

2.1 Regular financial disclosure: Most significant transactions

There are no transactions to report for the period under review.

2.2 Quantitative information

The overall exposure to related parties (assets and guarantees) remained particularly contained and well within the overall limits approved, with a slight decrease to €471m (€492m in June).

Situation at December 31st, 2022

(€ m)

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
Assets	3.3	—	134.0	137.3
of which: other assets	—	—	*100.3*	*100.3*
loans and advances	*3.3*	—	*33.7*	*37.0*
Liabilities	24.3	—	36.0	60.3
Guarantees and commitments	—	—	390.0	390.0
Interest income	—	—	0.5	0.5
Interest expense	—	—	(0.4)	(0.4)
Net fee income	—	0.4	27.7	28.1
Other income (costs)	(24.9) [1]	—	(19.6) [2]	(44.5)

[1] Of which: short-term benefits amounting to (€22.3m) and performance shares worth (€2.5m). This figure includes resources considered key management personnel during the period under review.

[2] This item also includes the valuation of derivative contracts.

Situation at June 30th, 2022

(€ m)

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
Assets	3.1	0.1	168.1	171.3
of which: other assets	—	*0.1*	*133.7*	*133.8*
loans and advances	*3.1*	—	*34.4*	*37.5*
Liabilities	24.6	—	51.3	75.9
Guarantees and commitments	—	—	390.0	390.0
Interest income	—	0.1	0.8	0.9
Interest expense	(0.1)	—	(1.4)	(1.5)
Net fee income	—	2.8	50.4	53.2
Other income (costs)	(42.5) [1]	(0.1)	91.4 [2]	48.8

[1] Of which: short-term benefits amounting to (€37.2m) and performance shares worth (€4.9m). This figure includes resources considered key management personnel during the period under review.

[2] This item also includes the valuation of derivative contracts, including bond forwards with underlying Government securities.

Part I - Share-based payment schemes

A. QUALITATIVE INFORMATION

1. Summary of share-based payment schemes approved by the Shareholders' Meeting.

The table below shows the resolutions taken by the Parent Company's Extraordinary Meeting with regard to performance share schemes in place:

Extraordinary general meeting	Maximum no. of shares approved	Final deadline for awards	No. of options and performance shares awarded
28/10/2015	20,000,000	X	1,387,807 *
28/10/2020	20,000,000	X	940,279 *
28/10/2021	4,000,000	X	2,053,383 *
28/10/2022	3,000,000	X	**

* Relating to assignments made in the five-year period 2018 - 2022.

** Relating to assignments to be made for the variable remuneration for financial year 2022/2023.

2. Description of performance share schemes and parent company LTI

In the area of equity instruments used for staff remuneration, Mediobanca has decided to adopt a performance shares scheme, the most recent version of which was approved by shareholders at the Annual General Meeting held on 28 October 2022.

Under the terms of the scheme, in certain conditions Mediobanca shares may be awarded to staff free of charge at the end of a vesting period. The rationale for the scheme is to:

– bring the Bank's remuneration structure into line with the regulations requiring that a share of the variable remuneration component to be paid in the form of equity instruments, over a time horizon of several years, subject to performance conditions and hence consistent with results sustainable over time;

– align the interests of Mediobanca's management with those of the shareholders to create value over the medium/long term.

The maximum number of shares that can be assigned to the Group's personnel by the plan approved by the Shareholders' Meeting held on 28 October 2022 is 3,000,000 for their variable remuneration to be paid out for the financial year ending at 30 June 2023. Treasury shares will be used in connection with the scheme.

On 27 September 2022, as part of the variable remuneration for financial year 2022, 2,001,456 performance shares were assigned based on the plan approved in the October 2021 shareholders' meeting to be assigned through treasury shares. The shares, the award of which is conditional upon performance objectives being met over a five-year period or less, will be made available in tranches in November 2023 (up to 894,267), November 2024 (up to 267,234), November 2025 (up to 455,742), November 2026 (up to 193,552) and November 2027 (up to 190,661).

On 7 October 2022, 18,895 shares were repossessed. On 25 November 2022, 1,727,182 shares were assigned, 699,765 of which through treasury shares and 1,027,417 through a capital increase.

In addition, other Group companies have equipped themselves with incentive plans based on equity instruments:

– Messier et Associés has approved a free-shares scheme of up to 10% of the company capital reserved to employees, which are often distributed in moments of career improvements and/or for retention purposes. After the vesting period (not longer than 2 years), a further holding period of one year has been set, after which holders may sell such shares to the parent company, whose price must be settled in Mediobanca shares. At 31 December, six plans were in place relating to assignments made in the two-year period 2021 - 2022 for a total of 21,325 shares (after repossession of 6,550 shares); 6,000 shares (relating to the first 2021 plan) have already been delivered and may be exchanged with the Parent Company for Mediobanca shares as of next March.

QUANTITATIVE INFORMATION

1. Changes in performance share schemes during the year

	31/12/2022		30/06/2022	
	Balance at end of period	**Avg. Price**	**No. of performance shares**	**Avg. Price**
A. Balance at start of period	4,131,090	7.03	4,916,003	6.48
B. Additions	2,001,456	0.0	1,665,114	0.0
B.1 New issues	2,001,456	5.76	1,665,114	7.96
B.2 Other additions	—	—	—	—
C. Reductions	1,746,077	0.0	2,450,027	0.00
C.1 Performance shares canceled	—	—	—	—
C.2 Performance shares made available	1,727,182	7.63	2,386,798	7.09
C.3 Performance shares expired	—	—	—	—
C.4 Other reductions	18,895	7.87	63,229	7.28
D. Balance at end of period	4,386,469	6.21	4,131,090	7.03

Part L - Segment Reporting

INTRODUCTION

Under IFRS 8, an entity must disclose information to enable users of its financial statements to evaluate the nature and financial effects of the different business activities in which it engages and the different economic environments in which it operates.

Disclosure is therefore required regarding the contribution of the different "operating segments" to the formation of the Mediobanca Group's earnings.

The aggregation of the "operating segments" illustrated in this section is consistent with the means adopted by the Group's management to take business decisions, and is based on the internal reporting used in order to allocate resources to the various segments, and to analyse their respective performances as described in the Review of Operations, to which reference is made for detailed and exhaustive analysis of the individual business lines' earnings and financial performances.

A. PRIMARY SEGMENT REPORTING - DISTRIBUTION BY BUSINESS SECTOR

At Group level the following business lines have been identified:

– Wealth Management (WM): This division brings together all portfolio management services offered to the various client segments, plus asset management. This division includes CheBanca!, which targets the Premier client bracket; the MBPB and CMB Monaco private banking networks and the Asset Management companies (Polus Capital Management, Mediobanca SGR, Mediobanca Management Company, and RAM Active Investment), in addition to the fiduciary activities of Spafid;

– Consumer Banking (CB): This division provides retail customers with a full range of consumer credit products: personal loans, special-purpose loans, salary-backed loans, credit cards, in addition to the Buy-Now-Pay-Later solution called "Pagolight". The following companies are also included: Compass RE, which reinsures the risks associated with insurance policies placed with customers; Compass Rent, which operates in the used car and vehicle rental sectors; and Compass Link, which deals with the distribution of Compass products and services. Within the BNPL segment, the purchase of 19.5% of the Swiss fintech company Heidi Pay and a 100% controlling stake of the Italian fintech company Soisy should be noted.

- Corporate and Investment Banking (CIB): This includes services for corporate customers in the Wholesale Banking areas (loans, Capital Market activities, Advisory, Client and proprietary trading carried out by Mediobanca, Mediobanca International, Mediobanca Securities and Messier et Associés) and Specialty Finance or Factoring carried out by MBFACTA, and Credit Management referring only to the management on behalf of third parties carried out by MBCredit Solutions and MBContact Solutions.
- Insurance - Principal Investing (PI): This division includes the Group's portfolio of equity investments and shares, in particular the 13.08% stake in Assicurazioni Generali. The latter company has been the main component of the division for years and stands out for the solidity and consistency of its results, high profitability and contribution in terms of diversification and stabilization to the Mediobanca Group's revenues;
- In addition to SelmaBPM Leasing, Holding Functions include MIS, other minor companies and the management of purchased NPL portfolios that merged into Revalea S.p.A., the Group's Treasury and ALM,[1] the costs of the Group's central functions including operations, support units (Chief Financial Officer, corporate administration office, Investor Relations, etc.), top management and control functions (Risk Management, Internal Audit and Compliance) for the portion not attributable to business lines.

A.1 Profit-and-loss figures by business segment

A list of the main points requiring attention with regard to the allocation of earnings results is provided below:

- Net interest income[2] is obtained by applying the internal funds transfer pricing (FTP) rates consistent with the financial characteristics of the products concerned. Notional interest is allocated using a centralized FTP model which assigns volumes, costs and revenues of liquidity based on durations, without distinction between lending and funding (referred to as "bid-ask" difference) with the same maturity;

[1] The Group's Treasury finances the individual business areas by applying funds transfer pricing (FTP curve) with spreads varying according to the maturities agreed, with the aim of minimizing the cost of funding and optimizing liquidity management on a consolidated basis, including the securities portfolio of the banking book.

[2] The Mediobanca Group only reports net interest income based on the requirements of IFRS 8, which specifies that an institution must record interest income and interest expense separately for each reporting segment, unless the majority of the revenue generated by that segment derives from interest and unless management base their evaluations primarily on net interest income in order to assess the segment's results and take decisions regarding the resources to be allocated to the segment. In this case, an institution may refer to the segment's interest revenue net of interest expense, provided it specifies this [IFRS 8.23].

– The costs incurred by the service units[3], plus a part of the central function costs, are charged back by the relevant corporate centre (the Holding Functions division) to the operating segments that use the services. The 840 staff resources are divided up as follows: 95 in Selma BPM; 22 in Revalea, 36 Group Treasury and ALM; 147 in MIS; 215 in Operations; 168 in support units; 151 in control units; plus 6 in senior management (senior management and assistants), out of which the cost of the approx. 252 FTEs was reallocated to the business lines;

– Intercompany items are netted out only if they involve companies belonging to the same segment; items involving different segments are cross-checked and recorded as adjustments, along with the consolidation entries regarding companies belonging to different segments.

A. 1 Profit-and-loss figures by business segment (net contributions)

(€m)

Profit-and-loss figures	Wealth Management	Consumer Banking	Corporate & Investment Banking	Principal Investing	Holding Functions	Writeoffs [1]	Group
Net interest income	172.2	492.4	135.2	(3.5)	31.8	14.8	842.9
Net trading income	5.1	—	109.5	5.7	26.4	1.4	148.1
Net fee and commission income	230.0	67.8	185.3	—	23.3	(34.3)	472.1
Share in profits earned by equity-accounted companies	—	(0.4)	—	195.8	—	—	195.4
Total income	**407.3**	**559.8**	**430.0**	**198.0**	**81.5**	**(18.1)**	**1,658.5**
Personnel costs	(143.7)	(54.0)	(95.2)	(2.0)	(64.7)	(0.2)	(359.8)
Administrative expenses	(130.4)	(109.8)	(67.1)	(0.5)	(33.6)	10.3	(331.1)
Operating costs	**(274.1)**	**(163.8)**	**(162.3)**	**(2.5)**	**(98.3)**	**10.1**	**(690.9)**
Gains (losses) from equity investments sale	—	—	—	—	—	—	—
Loan loss provisions	(5.8)	(100.3)	(36.2)	—	(14.1)	—	(156.4)
Provisions for other financial assets	(2.5)	(0.1)	(10.2)	(11.5)	1.5	0.1	(22.7)
Other income (losses)	(7.4)	(4.7)	—	—	(26.3)	0.3	(38.1)
Profit before tax	**117.5**	**290.9**	**221.3**	**184.0**	**(55.7)**	**(7.6)**	**750.4**
Income tax for the period	(34.7)	(95.0)	(72.2)	(1.2)	12.3	(0.4)	(191.2)
Minority interest	(0.6)	—	(2.0)	—	(1.5)	—	(4.1)
Net profit	**82.2**	**195.9**	**147.1**	**182.8**	**(44.9)**	**(8.0)**	**555.1**
Cost/income ratio (%)	67.3	29.3	37.7	n.m.	n.m.	n.m.	41.7

[1] The sum of data by business area differs from the Group total amount due to the net consolidation adjustments/differences between business areas, mainly attributable to intercompany transactions between companies not belonging to the same business line; in particular, different methods to account for placement commissions for entities belonging to different segments had an impact in this half-year period.

[3] At 31 December 2021, the 796 staff were divided as follows: 103 in Selma BPM; 24 in Revalea, 31 in Group Treasury and ALM; 141 in MIS; 204 in Operations; 162 in support units; 148 in control units; plus 7 in senior management (senior management and assistants), out of which the cost of the approx. 233 FTEs was reallocated to the business lines.

A.2 Balance-sheet data by business segment

The balance-sheet items shown below represent each business area's contribution to the consolidated balance sheet, hence no adjustments have been made between the sum of the components and the Group total.

(€ m)

Balance-sheet data	**Wealth Management**	**Consumer Banking**	**Corporate & Investment Banking**	**Principal Investing**	**Holding Functions**	**Group**
Financial assets held for trading	—	—	8,689.7	—	—	8,689.7
Treasury funds	—	—	1,425.0	—	13,822.7	15,247.7
Banking book debt securities	517.6	285.4	860.9	—	6,963.3	8,627.2
Loans and advances to customers	16,430.8	14,142.7	21,290.2	—	1,737.1	53,600.8
Equity investments	48.9	0.8	69.1	3,004.5	24.6	3,147.9
Tangible and intangible assets	492.9	439.1	181.3	—	257.1	1,370.4
Other assets	413.0	482.4	251.2	—	1,907.5	3,054.1
Total assets	**17,903.3**	**15,350.3**	**32,767.4**	**3,004.5**	**24,712.3**	**93,737.8**
Funding	28,730.5	715.0	—	—	32,507.3	61,952.8
Treasury funding	—	—	1,434.6	—	6,765.1	8,199.7
Financial liabilities held for trading	—	—	9,534.2	—	—	9,534.2

The following in particular should be noted:

– Debt securities, loans and treasury deposits are allocated almost entirely to treasury operations (Holding Functions);

– Tangible and intangible assets are allocated to the respective business lines.

ANNEXES

Consolidated Financial Statements

Comparison between the restated Balance Sheet and the template contained in Bank of Italy Circular No. 262/05, seventh update

Regarding Assets, the balance sheet shown in the Review of Operations reflects the following restatements:

- The closing amount of "Treasury financial assets" includes "Cash and cash equivalents" (heading 10); receivables in respect of current accounts and untied deposits, reverse repos and other deposits in connection with securities lending operations and derivatives recognized as "Financial assets measured at amortized cost: loans to banks and loans to customers" (headings 40a and 40b, respectively), plus certain items booked as "Other assets" (heading 130);
- the balance of "Banking book debt securities" includes the debt securities of the following items: "Financial assets measured at fair value through other comprehensive income" (heading 30), "Financial assets measured at amortized cost" (heading 40c) and "Financial assets measured at fair value through profit or loss", either designated at fair value or mandatorily classified at fair value (headings 20b and 20c);
- The closing amount of "Equity investments" includes equities recognized as "Financial assets measured at fair value through other comprehensive income" (heading 30), "Equity investments" (heading 70) themselves, and funds mandatorily recognized at fair value in heading 20c "Financial assets measured at fair value through profit or loss";
- The closing amount of "Loans to customers" includes loans and receivables recognized as "Financial assets measured at amortized cost: loans to banks and loans to customers" (headings 40a and 40b, respectively), including those recognized mandatorily at fair value through profit or loss booked under heading 20c) after any "Adjustments of hedging financial assets" (heading 60) relating to loans and receivables;
- The closing amount of "Other assets" includes the headings 130 "Other assets", 110 "Tax assets" and 50 "Hedging derivatives", and sundry debtor items recognized as "Financial assets measured at amortized cost: loans to banks and loans to customers" (headings 40a and 40b) and Non-current assets and groups of assets held for sale, if any;

Regarding Liabilities:

– The closing amount of “Funding” includes amounts due to banks, amounts due to customers and securities in issue recognized under “Financial liabilities measured at amortized cost” (under headings 10a), 10b) and 10c), respectively), other than amounts recognized under “Treasury funding” and under “Other liabilities”, in addition to “Financial liabilities measured at fair value” (heading 30);

– The closing amount of “Treasury funding” includes amounts payable in respect of current accounts and untied deposits, repos and other deposits in connection with securities lending operations and derivatives recognized as “Financial liabilities measured at amortized cost – a) Due to banks” and “b) Due to customers” (headings 10a) and 10b), respectively);

– The closing amount of “Other liabilities” includes the headings 40 “Hedging derivatives”, 60 “Tax liabilities” and 110 “Insurance reserves”, plus sundry creditor items recognized as “Financial liabilities measured at amortized cost”.

Balance sheet as at 31 December 2022 - Assets

(€ m)

Restated balance sheet

Format recommended by bank of italy circular no. 262/05 7th update

Assets	Financial assets held for trading	Treasury financial assets	Banking book securities	Customer loans	Equity Investments	Tangible and intangible assets	Other assets	Total assets
10. Cash and cash equivalents	—	10,408.9	—	—	—	—	—	**10,408.9**
20. Financial assets at fair value with impact taken to profit and loss	8,689.7	—	0.5	518.1	635.0	—	—	**9,843.3**
a) Financial assets held for trading	*8,689.7*	—	—	—	—	—	—	***8,689.7***
b) Financial assets designated at fair value	—	—	—	*512.3*	—	—	—	***512.3***
c) Other financial assets mandatorily at fair value	—	—	*0.5*	*5.8*	*635.0*	—	—	***641.3***
30. Financial assets at fair value with impact taken to comprehensive income	—	—	3,881.4	—	246.9	—	—	**4,128.3**
40. Financial assets at amortized cost	—	4,838.8	4,745.3	53,082.7	—	—	—	**62,666.8**
50. Hedging derivatives	—	—	—	—	—	—	1,428.5	**1,428.5**
60. Adjustment of hedging financial assets (+/-)	—	—	—	—	—	—	—	**—**
70. Equity investments	—	—	—	—	2,266.0	—	—	**2,266.0**
80. Reinsured portion of technical reserve	—	—	—	—	—	—	—	**—**
90. Property, plant and equipments	—	—	—	—	—	529.5	—	**529.5**
100. Intangible assets	—	—	—	—	—	840.9	—	**840.9**
110. Tax assets	—	—	—	—	—	—	660.3	**660.3**
120. Assets classified as held for sale	—	—	—	—	—	—	—	**—**
130. Other assets	—	—	—	—	—	—	965.3	**965.3**
Total assets	**8,689.7**	**15,247.7**	**8,627.2**	**53,600.8**	**3,147.9**	**1,370.4**	**3,054.1**	**93,737.8**

Balance sheet as at 31 December 2022 - Liabilities

(€ m)

Restated balance sheet

Format recommended by bank of italy circular no. 262/05 7th update

Liabilities and net equity	Funding	Treasury financial liabilities	Financial liabilities held for trading	Other liabilities	Provisions	Net equity and minority interests	Total liabilities and net equity
10. Financial liabilities at amortized cost	60,880.7	8,290.0	—	284.5	—	—	**69,455.2**
a) Due to banks	*11,579.1*	*4,465.3*	—	*16.3*	—	—	***16,060.7***
b) Due to customers	*29,984.5*	*3,824.7*	—	*268.0*	—	—	***34,077.2***
c) Debt securities in issue	*19,317.1*	—	—	*0.2*	—	—	***19,317.3***
20. Trading financial liabilities	—	—	9,534.2	—	—	—	**9,534.2**
30. Financial liabilities designated at fair value	1,072.1	—	—	—	—	—	**1,072.1**
40. Hedging derivatives	—	—	—	2,134.0	—	—	**2,134.0**
50. Adjustment of hedging financial liabilities (+/-)	—	—	—	—	—	—	**—**
60. Tax liabilities	—	—	—	660.3	—	—	**660.3**
70. Liabilities included in disposal groups classified as held for sale	—	—	—	—	—	—	**—**
80. Oher liabilities	—	—	—	896.6	—	—	**896.6**
90. Staff severance indemnity provision	—	—	—	—	21.2	—	**21.2**
100. Provisions	—	—	—	—	143.4	—	**143.4**
110. Insurance reserves	—	—	—	115.3	—	—	**115.3**
120. Revaluation reserves	—	—	—	—	—	(586.7)	**(586.7)**
130. Redeemable shares repayable on demand	—	—	—	—	—	—	**—**
140. Equity instruments repayable on demand	—	—	—	—	—	—	**—**
150. Reserves	—	—	—	—	—	7,075.1	**7,075.1**
160. Share premium reserve	—	—	—	—	—	2,195.6	**2,195.6**
170. Share capital	—	—	—	—	—	444.2	**444.2**
180. Treasury share (-)	—	—	—	—	—	(80.4)	**(80.4)**
190. Minority interests (+/-)	—	—	—	—	—	102.6	**102.6**
200. Profit/(loss) for the period (+/-)	—	—	—	—	—	555.1	**555.1**
Total liabilities and net equity	**61,952.8**	**8,290.0**	**9,534.2**	**4,090.7**	**164.6**	**9,705.5**	**93,737.8**

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/05, seventh update

The profit and loss account shown in the Review of Operations reflects the following restatements:

– "Net interest income" includes the items stated under headings 10 "Interest and similar income", 20 "Interest and similar expense", Financial Guarantee Fees, gains/losses on derivatives trading stated under heading 80 "Net trading income", and the net gains or losses on hedges of customer loans and funding stated under heading 90 "Net hedging income". The portion of interest relating to the collateral on the securities loan (€-5.4m) was reclassified under "Net treasury income";

– "Net treasury income" contains the amounts stated under heading 70 "Dividends and similar income", heading 80 "Net trading income" (except for amounts recognized as Net interest income, Banking Book changes under heading 100 "Net gains (losses) on disposals/repurchases", the share of securities lending transactions stated under headings 40 "Fee and commission income", 50 "Fee and commission expense" and respective collaterals (loss of €3.8m), and lastly, the portion stated under heading 110 "Net result from other financial assets and liabilities measured at fair value through profit or loss" related to securities under the fair value option;

– The heading "Net fee and commission income and other net income (expense)" contains the amounts stated under heading 60 "Net fee and commission income", the operating income stated under heading 230 "Other operating income (expense)", the writebacks due to collections on NPLs acquired stated under heading 130 "Net write-offs (write-backs) for credit risk" and the "Net profit from insurance activities" of headings 160 and 170;

– The item "Net value adjustments/write-backs on loans to customers" includes the portion relating to loans of the following items: 130 "Net value adjustments for credit risk" (after writebacks of €20.3m on NPLs), 100 "Net gains (losses) on disposals/repurchases" (€1.9m), 110 "Net result from other financial assets and liabilities measured at fair value through profit or loss" (€-0.1m) and 140 "Gain (losses) from contractual amendments without derecognition" (€-0.1m), and 200 "Net provisions for risks and charges" relating to commitments and sureties (€1.5m); at 31 December 2022, the item also included €2.8 million relating to costs for advances paid to lawyers for a significant NPL sale transaction;

- The heading “Net (Value adjustments)/writebacks on other financial assets” includes the valuations of securities and provisions recognized under item 110 “Net result from financial assets and liabilities mandatorily measured at fair value through profit or loss” and adjustments and writebacks for credit risk relating to assets measured at fair value through OCI and other financial assets stated under item 130 (€2.7m);
- The heading “Overhead costs” includes amounts stated under heading 190 “Administrative expenses” (after the item restated under Net value adjustments/writebacks on loans to customers), Net transfers to provisions stated under heading 200, after the amounts stated under the heading Loan loss provisions (€1.5m) and Other gains and losses, Net adjustments to tangible and intangible assets stated under headings 210 and 220 and Other operating income or charges stated under heading 230 “Other operating income / charges”, after recoveries stated under Net fee and commission income;
- The item “Other gains/losses” includes the non-recurring costs of item 190 “Administrative expenses”, in particular the contributions to the resolution and deposit protection funds (€25m) and non-recurring charges, if any, as well as provisions for risks (€8m relating to potential Lexitor repayments, disputes for the acquisition of bankers and WM financial advisers, management of former Leasing properties withdrawn) and charges on recent and past acquisitions (€5m).

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/05, seventh update

Profit and Loss Account as at 31 December 2022

(€ m)

Format recommended by bank of italy circular no. 262/05 7th update

Profit-and-loss account	Restated profit & loss: Net interest income	Net treasury income	Net fee and commission income	*Equity-accounted companies*	Operating costs	Loan loss provisions	Provisions for other financial assets	Other income (losses)	Income tax for the period	Minority interest	Net profit
10. Interest and similar income	1,188.1	1.4	—	—	—	—	—	—	—	—	1,189.5
20. Interest expense and similar charges	(340.2)	(6.8)	—	—	—	—	—	—	—	—	(347.0)
30. Net interest income	**847.9**	**(5.4)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**842.5**
40. Fee and commission income	1.1	2.3	458.0	—	—	(1.1)	—	—	—	—	460.3
50. Fee and commission expense	(5.2)	(0.7)	(71.1)	—	—	—	—	—	—	—	(77.0)
60. Net fee and commission income	**(4.1)**	**1.6**	**386.9**	**—**	**—**	**(1.1)**	**—**	**—**	**—**	**—**	**383.3**
70. Dividends and similar income	—	23.4	—	—	—	—	—	—	—	—	23.4
80. Net trading income	(6.1)	113.3	—	—	—	—	—	—	—	—	107.2
90. Net hedging income (expense)	5.2	—	—	—	—	—	—	—	—	—	5.2
100. Gain (loss) on disposal/repurchase	—	4.3	—	—	—	1.9	—	—	—	—	6.2
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss	—	10.9	—	—	—	(0.1)	(20.0)	—	—	—	(9.2)
120. Total income	**842.9**	**148.1**	**386.9**	**—**	**—**	**0.7**	**(20.0)**	**—**	**—**	**—**	**1,358.6**
130. Net write-offs (write-backs) for credit risk	—	—	20.3	—	—	(154.0)	(2.7)	—	—	—	(136.4)
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—	(0.1)		—	—	—	(0.1)
150. Net income from financial operations	**842.9**	**148.1**	**407.2**	**—**	**—**	**(153.4)**	**(22.7)**	**—**	**—**	**—**	**1,222.1**
160. Premiums earned (net)	—	—	20.9	—	—	—	—	—	—	—	20.9
170. Other income (net) from insurance activities	—	—	(5.1)	—	—	—	—	—	—	—	(5.1)
180. Net profit from financial and insurance activities	**842.9**	**148.1**	**423.0**	**—**	**—**	**(153.4)**	**(22.7)**	**—**	**—**	**—**	**1,237.9**
190. Administrative expenses	—	—	—	—	(685.9)	(2.8)	—	(28.0)	—	—	(716.7)
200. Net transfers to provisions	—	—	—	—	(5.1)	1.5	—	(8.0)	—	—	(11.6)
210. Net adjustments to tangible assets	—	—	—	—	(30.5)	—	—	—	—	—	(30.5)
220. Net adjustments to intangible assets	—	—	—	—	(15.1)	—	—	—	—	—	(15.1)
230. Other operating income (expense)	—	—	49.1	—	45.7	(1.7)	—	(2.5)	—	(2.0)	88.6
240. Operating costs	**—**	**—**	**49.1**	**—**	**(690.9)**	**(3.0)**	**—**	**(38.5)**	**—**	**(2.0)**	**(685.3)**
250. Gain (loss) on equity investments	—	—	—	195.4	—	—	—	—	—	—	195.4
260. Net result from fair value valuation of tangible and intangible assets	—	—	—	—	—	—	—	—	—	—	—
270. Goodwill write-offs	—	—	—	—	—	—	—	—	—	—	—
280. Gain (loss) on disposal of investments	—	—	—	—	—	—	—	0.4	—	—	0.4
290. Profit (loss) on ordinary activity before tax	**842.9**	**148.1**	**472.1**	**195.4**	**(690.9)**	**(156.4)**	**(22.7)**	**(38.1)**	**—**	**(2.0)**	**748.4**
300. Income tax for the year on ordinary activities	—	—	—	—	—	—	—	—	(191.2)	—	(191.2)
310. Profit (loss) on ordinary activities after tax	**842.9**	**148.1**	**472.1**	**195.4**	**(690.9)**	**(156.4)**	**(22.7)**	**(38.1)**	**(191.2)**	**(2.0)**	**557.2**
320. Gain (loss) of ceded operating assets, net of tax	—	—	—	—	—	—	—	—	—	—	—
330. Net profit (loss) for the period	**842.9**	**148.1**	**472.1**	**195.4**	**(690.9)**	**(156.4)**	**(22.7)**	**(38.1)**	**(191.2)**	**(2.0)**	**557.2**
340. Net profit (loss) for the period attributabe to minorities	—	—	—	—	—	—	—	—	—	(2.1)	(2.1)
350. Net profit (loss) for the period attributable to Mediobanca	**842.9**	**148.1**	**472.1**	**195.4**	**(690.9)**	**(156.4)**	**(22.7)**	**(38.1)**	**(191.2)**	**(4.1)**	**555.1**

Individual Financial Statements

Comparison between the restated Balance Sheet and the template contained in Bank of Italy Circular No. 262/05, seventh update

Balance sheet as at 31 December 2022 - Assets

(€ m)

Restated balance sheet

Format recommended by bank of italy circular no. 262/05 7th update

Assets	Financial assets held for trading	Treasury financial assets	Banking book securities	Customer loans	Equity Investments	Tangible and intangible assets	Other assets	Total assets
10. Cash and cash equivalents	—	9,671.1	—	814.9	—	—	—	**10,486.0**
20. Financial assets at fair value with impact taken to profit and loss	9,801.1	—	0.5	516.4	586.1	—	—	**10,904.1**
a) Financial assets held for trading	*9,801.1*	—	—	—	—	—	—	***9,801.1***
b) Financial assets designated at fair value	—	—	—	*512.3*	—	—	—	***512.3***
c) Other financial assets mandatorily at fair value	—	—	*0.5*	*4.1*	*586.1*	—	—	***590.7***
30. Financial assets at fair value with impact taken to comprehensive income	—	—	3,881.4	—	489.5	—	—	**4,370.9**
40. Financial assets at amortized cost	—	8,492.5	5,845.3	41,297.5	—	—	—	**55,635.3**
50. Hedging derivatives	—	—	—	—	—	—	225.6	**225.6**
60. Adjustment of hedging financial assets (+/-)	—	—	—	—	—	—	—	**—**
70. Equity investments	—	—	—	—	3,581.2	—	—	**3,581.2**
80. Property, plant and equipments	—	—	—	—	—	140.8	—	**140.8**
90. Intangible assets	—	—	—	—	—	29.6	—	**29.6**
100. Tax assets	—	—	—	—	—	—	193.3	**193.3**
110. Assets classified as held for sale	—	—	—	—	—	—	—	—
120. Other assets	—	—	—	—	—	—	213.1	**213.1**
Total assets	**9,801.1**	**18,163.6**	**9,727.2**	**42,628.8**	**4,656.8**	**170.4**	**632.0**	**85,779.9**

Balance sheet as at 31 December 2022 - Liabilities

(€ m)

Restated balance sheet

Format recommended by bank of italy circular no. 262/05 7th update

Liabilities and net equity	Funding	Treasury financial liabilities	Financial liabilities held for trading	Other liabilities	Provisions	Net equity and minority interests	Total liabilities and net equity
10. Financial liabilities at amortized cost	57,069.1	9,218.4	—	27.7	—	—	**66,315.2**
a) Due to banks	*31,924.9*	*5,394.4*	—	—	—	—	***37,319.3***
b) Due to customers	*8,521.4*	*3,824.0*	—	*27.3*	—	—	***12,372.7***
c) Debt securities in issue	*16,622.8*	—	—	*0.2*	—	—	***16,623.0***
20. Trading financial liabilities	—	—	10,858.2	—	—	—	**10,858.2**
30. Financial liabilities designated at fair value	1,050.7	—	—	—	—	—	**1,050.7**
40. Hedging derivatives	—	—	—	2,169.2	—	—	**2,169.2**
50. Adjustment of hedging financial liabilities (+/-)	—	—	—	—	—	—	**—**
60. Tax liabilities	—	—	—	348.6	—	—	**348.6**
70. Liabilities included in disposal groups classified as held for sale	—	—	—	—	—	—	**—**
80. Oher liabilities	—	—	—	252.9	—	—	**252.9**
90. Staff severance indemnity provision	—	—	—	—	5.3	—	**5.3**
100. Provisions	—	—	—	—	112.5	—	**112.5**
110. Revaluation reserves	—	—	—	—	—	79.7	**79.7**
120. Redeemable shares repayable on demand	—	—	—	—	—	—	**—**
130. Equity instruments repayable on demand	—	—	—	—	—	—	**—**
140. Reserves	—	—	—	—	—	1,798.1	**1,798.1**
150. Share premium reserve	—	—	—	—	—	2,195.6	**2,195.6**
160. Share capital	—	—	—	—	—	444.2	**444.2**
170. Treasury share (-)	—	—	—	—	—	(80.4)	**(80.4)**
180. Profit/(loss) for the period (+/-)	—	—	—	—	—	230.1	**230.1**
Total liabilities and net equity	**58,119.8**	**9,218.4**	**10,858.2**	**2,798.4**	**117.8**	**4,667.3**	**85,779.9**

Comparison between the restated Profit and Loss Account and the template contained in Bank of Italy Circular No. 262/05, seventh update

Profit and Loss Account as at 31 December 2022

(€ m)

Format recommended by bank of italy circular no. 262/05 7th update

Profit-and-loss account	Restated profit & loss Net interest income	Net treasury income	Net fee and commission income	Dividends on investments	Operating costs	Loan loss provisions	Provisions for other financial assets	*Impairment on investments*	Other income (losses)	Income tax for the period	Net profit
10. Interest and similar income	598.3	1.4	—	—	—	—	—	—	—	—	599.7
20. Interest expense and similar charges	(476.2)	(6.8)	—	—	—	—	—	—	—	—	(483.0)
30. Net interest income	**122.1**	**(5.4)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**116.7**
40. Fee and commission income	3.5	2.4	211.7	—	—	—	—	—	—	—	217.6
50. Fee and commission expense	(5.6)	(2.0)	(20.6)	—	—	—	—	—	—	—	(28.2)
60. Net fee and commission income	**(2.1)**	**0.4**	**191.1**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**189.4**
70. Dividends and similar income	—	36.3	—	117.4	—	—	—	—	—	—	153.7
80. Net trading income	(3.5)	110.2	—	—	—	—	—	—	—	—	106.7
90. Net hedging income (expense)	4.5	—	—	—	—	—	—	—	—	—	4.5
100. Gain (loss) on disposal/repurchase	—	4.0	—	—	—	—	—	—	—	—	4.0
110. Net result from other financial assets and liabilities measured at fair value with impact taken to profit and loss:	—	10.1	—	—	—	(0.1)	(17.6)	—	—	—	(7.6)
120. Total income	**121.0**	**155.6**	**191.1**	**117.4**	**—**	**(0.1)**	**(17.6)**	**—**	**—**	**—**	**567.4**
130. Net write-offs (write-backs) for credit risk	—	—	—	—	—	(35.5)	(2.9)	—	—	—	(38.4)
140. Gains (losses) from contractual modifications without derecognition	—	—	—	—	—	—	—		—	—	—
150. Net income from financial operations	**121.0**	**155.6**	**191.1**	**117.4**	**—**	**(35.6)**	**(20.5)**	**—**	**—**	**—**	**529.0**
160. Administrative expenses	—	—	—	—	(244.5)	—	—	—	(0.8)	—	(245.3)
170. Net transfers to provisions	—	—	—	—	(0.5)	0.1	—	—		—	(0.4)
180. Net adjustments to tangible assets	—	—	—	—	(4.5)	—	—	—	—	—	(4.5)
190. Net adjustments to intangible assets	—	—	—	—	(0.3)	—	—	—	—	—	(0.3)
200. Other operating income (expense)	—	—	9.4	—	8.2	—	—	—	—	—	17.6
210. Operating costs	**—**	**—**	**9.4**	**—**	**(241.6)**	**0.1**	**—**	**—**	**(0.8)**	**—**	**(232.9)**
220. Gain (loss) on equity investments	—	—	—	—	—	—	—	—	—		—
230. Net result from fair value valuation of tangible and intangible assets	—	—	—	—	—	—	—	—	—	—	—
240. Goodwill write-offs	—	—	—	—	—	—	—	—	—	—	—
250. Gain (loss) on disposal of investments	—	—	—	—	—	—	—	—	—	—	—
260. Profit (loss) on ordinary activity before tax	**121.0**	**155.6**	**200.5**	**117.4**	**(241.6)**	**(35.5)**	**(20.5)**	**—**	**(0.8)**	**—**	**296.1**
270. Income tax for the year on ordinary activities	—	—	—	—	—	—	—	—		(66.0)	(66.0)
280. Profit (loss) on ordinary activities after tax	**121.0**	**155.6**	**200.5**	**117.4**	**(241.6)**	**(35.5)**	**(20.5)**	**—**	**(0.8)**	**(66.0)**	**230.1**
290. Gain (loss) of ceded operating assets, net of tax	—	—	—	—	—	—	—	—	—	—	—
300. Net profit (loss) for the period	**121.0**	**155.6**	**200.5**	**117.4**	**(241.6)**	**(35.5)**	**(20.5)**	**—**	**(0.8)**	**(66.0)**	**230.1**

Mercurio GP - Milan