



MEDIOBANCA

Basel III Pillar III Disclosure to the public

Situation as at 30 June 2023



MEDIOBANCA

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

Contents

Introduction.....	4
References to regulatory disclosure requirements.....	7
References to information required by CRR II	7
Section 1 – General disclosure requirement	13
Section 2 – Scope of application	28
Section 3 – Composition of regulatory capital	37
Section 4 – Capital adequacy	52
Section 5 – Financial leverage.....	63
Section 6 – Liquidity risk.....	70
Section 7 – Credit risk	91
Section 8 – ESG risks.....	142
Section 9 – Encumbered assets	203
Section 10 – Counterparty risk	207
Section 11 – Risk mitigation techniques.....	219
Section 12 – Securitizations.....	221
Section 13 – Operational risk.....	231
Section 14 – Exposures to equities: information on banking book position.....	235
Section 15 – Interest rate risk on banking book positions	240
Section 16 – Market risk.....	243
Section 17 – Concentration risk and large exposures.....	265
Section 18 – Remuneration and incentivization systems and practices	266
Declaration by Head of Company Financial Reporting	280
Annexes.....	281
Audit firm report on Basel III Pillar III disclosure	283



Introduction

As part of the Basel III Accords, since 2014 the European Union has adopted and introduced reforms intended to guarantee banks are able to withstand shocks deriving from unexpected and hard to predict situations which involve economic and financial difficulties, and in order to improve risk assessment and management, governance, and transparency of disclosure by the banks themselves.

In so doing, the Committee has maintained the approach based on three “Pillars” that underpinned the previous capital accord known as “Basel II”, adding to it and reinforcing it in order to increase the quantity and quality of intermediaries’ capital, and introducing anti-cyclical supervisory instruments, and regulations on liquidity risk management and on containing financial leverage. In particular, in order to encourage market discipline, Pillar III identifies a set of public disclosure requirements on capital adequacy, the composition of regulatory capital, the methods by which banks calculate their capital ratios, exposure to risks, and the general characteristics of the management and control systems.

The prudential regulation in any case continues to be structured around three “pillars”, confirming the provisions of the Basel II Accord, enhancing the quantity and quality of capital, and introducing regulations on risk management, as described in more detail below:

- “Pillar I” introduces a capital requirement to cover the risks which are typical of banking and financial activity, and provides for the use of alternative methodologies to calculate the capital required;
- “Pillar II” requires banks to put in place system and process for controlling capital adequacy (ICAAP) liquidity adequacy (ILAAP), both present and future;
- “Pillar III” introduces obligations in terms of disclosure to the public to allow market operators to make a more accurate assessment of banks’ solidity and exposure to risks.

The main regulations and guidelines published by the Regulator in order to facilitate the preparation of the disclosure and improve comparability at system level are listed below. It should also be noted that banks publish the required information at least annually, and may do so more frequently at their own discretion, in view of the salient features of their business and any aspects of it that can change rapidly.

The issue of Capital Requirements Directive IV and Capital Requirements Regulation (the “CRD IV/CRR Package”) launched the revision of the regulations on prudential supervision, precisely in order to regulate the exercise of banking activity and the related disclosure obligation; later, with the publication of Regulation (EU) No 876/2019 (CRR II, forming part of the package of reforms that also includes CRD V, BRRD II, and SRMR II), the EBA introduced a series of significant changes to the regulatory framework, applicable as from 28 June 2021, with reference in particular to Part VIII of the CRR, the objective of which is to harmonize the regular disclosure to be provided to the market.

In line with these updates, and in order to simplify the disclosure obligation, Commission Implementing Regulation (EU) No. 637/2021 was issued, laying down implementing technical standards with regard to public disclosures by institutions, and the EBA provided market operators with updates mapping between the technical standards on Pillar III disclosures and technical standards on supervisory reporting¹ starting from the reference date of 30 June 2021.

The public disclosure required of institutions (Pillar III) has also been further defined by the EBA Guidelines, with the aim of defining a minimum set of contents consistent with the reporting entity's size, with reference in particular to the capital requirements, the composition and adequacy of capital, the leverage ratio, exposure to risks and the general features of the systems used to identify, measure and manage such risks:

- (EBA/GL/2014/14) Guidelines on materiality, proprietary and confidentiality and on disclosures frequency under Articles 432(1), 432(2) and 433 of Regulation No. (EU) 575/2013;
- (EBA GL/2016/11) Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013), to improve and enhance the consistency and comparability of institutions' disclosures to be provided as part of Pillar III starting from 31 December 2017. These guidelines apply to institutions classifiable as G-SII (Globally Systemically Important Institutions) or O-SII (Other Systemically Important Institutions); the regulatory authority has not required them to be applied in full for other significant institutions (SI); however, this structure voluntarily conforms to part 8 of the CRR;
- EBA/GL/2017/01 Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013;
- EBA/GL/2018/01 – Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds.

¹ The latest update of the mapping tool provided by the Regulator was transposed to compile the tables.

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

With reference to the increasing importance of environmental, social and governance risks, Commission Implementing Regulation (EU) 2022/2453 introduces, specific technical standards for large entities whose shares have been admitted to trading on a regulated market in any EU Member State on ESG risk disclosures to be included in their Pillar 3 reporting ESG Risk, in accordance with the provisions of Article 449-bis of the CRR II. The contents of the disclosure, to be provided on a half-yearly basis and subject to a phase-in period lasting until 2024, involve qualitative information on environmental, social and governance risks, quantitative information on climate change transition risk, quantitative information on climate change physical risk, and quantitative information and KPIs regarding the climate change mitigation measures implemented, including the Green Asset Ratio.

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

Much of the information in the document has been excerpted from the Group's consolidated financial statements for the twelve months ended 30 June 2023 as well as the consolidated supervisory reporting. Also used in the preparation of this document were items in common with the capital adequacy process (i.e. the ICAAP and ILAAP reports). The contents are also consistent with the "Annual Statement on Corporate Governance and Ownership Structure", and with the reporting used by the senior management and Board of Directors in their risk assessment and management.

Figures are in €'000, unless otherwise specified.

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

In view of the increasing relevance of the disclosure, Mediobanca has decided voluntarily to submit its annual Pillar III Basel III disclosure for the year ended 30 June 2023 to limited assurance by its external auditors. The audit firm's report is attached to this document. The Pillar III disclosure to the public is approved by the Board of Directors and the document is published on the Bank's website at www.mediobanca.com.

References to regulatory disclosure requirements

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

References to information required by CRR II

CRR II Article	Reference to Pillar III section	Reference to other statutory information at 30/6/23
435 – Risk management policies and objectives	Section 1 – General disclosure requirement	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section E: information on risks and related hedging policies
436 – Scope of application	Section 2 – Scope of application	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section A: Accounting policies
437 – Own funds	Section 3 – Composition of regulatory capital	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section F: Information on consolidated capital
438 – Capital requirements	Section 4 – Capital adequacy	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section F: Information on consolidated capital
439 – Exposure to Counterparty risk	Section 10 – Counterparty risk	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
440 – Countercyclical capital buffers	Section 4 – Capital adequacy	N/A
441 – Indicators of global systemic importance	N/A	N/A
442 – Credit risk adjustments	Section 7.1 – Credit risk: general information	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.1: Credit risk)

CRR II Article	Reference to Pillar III section	Reference to other statutory information at 30/6/23
443 – Unencumbered assets	Section 9 – Encumbered assets	N/A
444 – Use of ECAs	Section 7.2 – Credit risk: Use of ECAs	N/A
445 – Exposure to market risk	Section 16 – Market risk	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
446 – Operational risk	Section 13 – Operational risk	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.4: Operational risks)
447 – Exposures in equities not included in the trading book	Section 14 – Exposures to equities: information on banking book position	N/A
448 – Exposure to interest rate risk on positions not included in the trading book	Section 15 – Interest rate risk on banking book positions	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risk)
449 – Exposure to securitization positions	Section 12 – Securitizations	Consolidated financial statements as at 30 June 2023: Notes to the Accounts – section E: Information on risks and related hedging policies (Section 1.1, Credit risk)
449bis - Disclosure on environmental, social and governance risks	Section 8 – ESG risks	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section E: Information on risks and related hedging policies (Section 1.2: Market risks Consolidated Non-Financial Statement (DCNF) as at 30/6/23 Task Force on Climate Disclosure (TCFD) as at 30/6/23 Principle for Responsible Banking (PRB) as at 30/6/23

CRR II Article	Reference to Pillar III section	Reference to other statutory information at 30/6/23
450 – Remuneration policy	Section 18 – Remuneration and incentivization systems and practices	Remuneration and incentivization systems and practices (disclosure published on www.mediobanca.com under Governance/Remuneration)
451- Financial leverage	Section 5 – Financial leverage	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section F: Information on consolidated capital
452 – Use of the IRB method for credit risk	Section 7.3 – Credit risk: disclosure on portfolios subject to AIRB methods	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section E: information on risks and related hedging policies (Section 1.1: Credit risk)
453 – Use of credit risk mitigation techniques	Section 11 – Risk mitigation techniques	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section E: information on risks and related hedging policies (Section 1.1: Credit risk)
454 – Use of the Advanced Measurement Approaches to operational risk	N/A	N/A
455 – Use of Internal Market Risk models	N/A	N/A
471 Exemption from deduction of equity holdings in insurance companies from Common Equity Tier 1 items	Section 3 – Composition of regulatory capital	Consolidated financial statements as at 30 June 2023: Notes to the accounts - section F: Information on consolidated capital (Section 2: I Own funds and supervisory capital requirements for banks)

References to EBA requisites

(Regulation (EU) 637/2021, EBA/GL/2020/12, EBA/ITS/2021/07 and EBA/ITS/2022/01)

Regulation (EU) 637/2021, EBA/GL/2020/12, EBA/ITS/2021/07 and EBA/ITS/2022/01		Pillar III as at 30/6/23	
Templates	Type of disclosure	Section (qualitative/quantitative information)	Tables (additional quantitative disclosure)
EU OVA * EU OVB* EU OVC*	Qualitative	Section 1 - General disclosure requirement	
EU LI1* EU LI2* EU LI3* EU LIA* EU LIB*	Qualitative/ quantitative	Section 2 - Scope of application	
EU CC1 EU CC2 EU CCA	Qualitative/ quantitative	Section 3 - Composition of regulatory capital	Template 3.1 Template 3.2 Template 3.3
EU KM1	Quantitative	Section 4 - Capital adequacy	
IFRS 9-FL	Qualitative/ quantitative		
EU OV1	Quantitative		
EU INS1* EU INS2* (N/A)	Quantitative		
EU CCyB1 EU CCyB2	Quantitative		
EU LR1 EU LR2 EU LR3 EU LRA*	Qualitative/ quantitative	Section 5 - Financial leverage	
EU LIQ1 EU LIQ2 EU LIQA* EU LIQB*	Qualitative/ quantitative	Section 6 – Liquidity risk	

Regulation (EU) 637/2021, EBA/GL/2020/12, EBA/ITS/2021/07 and EBA/ITS/2022/01		Pillar III as at 30/6/23	
Templates	Type of disclosure	Section (qualitative information/quantitative)	Tables (additional quantitative disclosure)
EU CRA* EU CRB* EU CR1 EU CR1-A EU CR2 EU CR2a (N/A)** EU CQ1 EU CQ2 (N/A)** EU CQ3* EU CQ4 EU CQ5 EU CQ6 (N/A)** EU CQ7 EU CQ8 (N/A)** Table 1*** Table 2 Table 3 EU CR10 (N/A)	Qualitative/ quantitative	Section 7.1 - Credit risk: general information and credit quality tables	
EU CR4 EU CR5	Quantitative	Section 7.2 - Credit risk: ECAI	
EU CRC* EU CR6 EU CR6-A* EU CR7 EU CR7-A EU CR8 EU CR9-EU CR9.1* EU CRE*	Qualitative/ quantitative	Section 7.3 – Credit risk: disclosure on portfolios subject to IRB method	Template 7.3.1
Table 1 Table 2 Table 3 Template 1 Template 2 Template 4 Template 5 Template 10	Qualitative/ quantitative	Section 8 – ESG risks	
EU AE1* EU AE2* EU AE3* EU AE4*	Qualitative/ quantitative	Section 9 – Encumbered assets	
EU CCR1 EU CCR2 EU CCR3 EU CCR4 EU CCR5 EU CCR6 EU CCR7 (N/A) EU CCR8 EU CCRA*	Qualitative/ quantitative	Section 10 - Counterparty risk	

Regulation (EU) 637/2021, EBA/GL/2020/12, EBA/ITS/2021/07 and EBA/ITS/2022/01		Pillar III as at 30/6/23	
Templates	Type of disclosure	Section (qualitative information/quantitative)	Tables (additional quantitative disclosure)
EU CR3 EU CRC*	Qualitative/ quantitative	Section 11 - Risk mitigation techniques	
EU-SEC1 EU-SEC2 EU-SEC3 EU-SEC4 EU-SEC5 (N/A) EU-SECA*	Qualitative/ quantitative	Section 12 – Securitizations	
EU-OR1	Quantitative	Section 13 - Operational risk	
		Section 14 - Exposures to equities: information on banking book position	Template 14.1 Template 14.2
EU IRRBBA EU IRRBB1	Qualitative/ quantitative	Section 15 - Interest rate risk on banking book positions	Template 15.1
EU MR1 EU MRA* EU MRB (N/A) EU MR2-A (N/A) EU MR2-B (N/A) EU MR3 (N/A) EU MR4 (N/A) EU PV1*	Qualitative/ quantitative	Section 16 - Market risk	Template 16.1 Template 16.2 Template 16.3
EU REMA* EU REM1* EU REM2* EU REM3* EU REM4* EU REM5*	Qualitative/ quantitative	Section 18 - Remuneration and incentivization systems and practices	

* Annual tables.

** Not applicable to the Mediobanca Group as at 30 June 2023 due to NPL ratio < 5%.

*** Not applicable to the Mediobanca Group as at 30 June 2023 due to the absence of EBA compliant moratoria outstanding.

Section 1 – General disclosure requirement

Qualitative information

1.1 Description of risk governance organization

The Mediobanca Group has put in place a risk governance and control system which is structured across a variety of organizational units involved in the process, with a view to ensuring that all relevant risks to which the Group is or might be exposed are managed effectively, and at the same time guarantee that all forms of operations are consistent with their own risk appetite.

The Board of Directors, in view in particular of its role of strategic supervision, is responsible for approving strategic guidelines and directions of the risk appetite framework (RAF), the Internal Rating Systems (IRB) at the parent company level and the Roll-Out Scheme for gradually extending the IRB approach across the whole Group, business and financial plans, budgets, risk management and internal control policies, and the Recovery Plan drawn up in accordance with the provisions of the Bank Recovery and Resolution Directive (Directive 2014/59/EU).

The Executive Committee is responsible for the ordinary management of the Bank and for co-ordination and management of the Group companies, without prejudice to the matters for which the Board of Directors has sole jurisdiction. The Risks Committee assists the Board of Directors in performing duties of monitoring and instruction in respect of the internal controls, risk management, and accounting and IT systems. The Statutory Audit Committee supervises the risk management and control system as defined by the RAF and the internal controls system generally, assessing the effectiveness of the structures and units involved in the process and co-ordinating them.

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

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

Although risk management is the responsibility of each individual business unit, the Risk Management unit presides over the functioning of the Bank's risk system, defining the appropriate global methodologies for measuring risks, current and future, in conformity with the regulatory requirements in force as well as the Bank's own operating choices identified in the RAF, monitoring risks, and ascertaining that the various limits established for the various business lines are complied with.

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

Establishment of risk appetite and process for managing relevant risks

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

As required by the prudential regulations, the formalization of risk objectives, through definition of the RAF, which are consistent with the maximum risk that can be taken, the business model and strategic guidance is a key factor in establishing a risk governance policy and internal controls system with the objective of enhancing the Bank's capability in terms of governing its own company risks, and also ensuring sustainable growth over the medium and long term. In this connection, the Group has developed a Risk Appetite Framework governance model which identifies the roles and responsibilities of the corporate bodies and units involved, with co-ordination mechanisms instituted to ensure the risk appetite is suitably bedded into the management processes.

In the process of defining its risk appetite, the parent company:

- Identifies the risks which it is willing to assume;
- Defines, for each risk, the objectives and limits in normal and stressed conditions;
- Identifies the action necessary in operating terms to bring the risk back within the set objective.

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

In addition to identifying and setting risk appetite parameters, Mediobanca also governs the mechanisms regulating the governance and processes for establishing and implementing the RAF, in terms of updating/revising it, monitoring, and escalating reporting to the Committees and corporate bodies. Based on its operations and the markets in which it operates, the Mediobanca Group has identified the relevant risks to be submitted to specific assessment in the course of the

reporting for the ICAAP (Internal Capital Adequacy Assessment Process), in accordance with the Bank of Italy instructions contained in circular no. 285 issued on 17 December 2013, "Supervisory instructions for banks" as amended, appraising its own capital adequacy from both a present and future perspective which takes into account the strategies and development of the reference scenario. As required by the provisions of the Capital Requirements Directive IV ("CRD IV"), the Group prepares an Internal Liquidity Adequacy Assessment Process document (ILAAP), describing the set of policies, processes and instruments put in place to govern liquidity and funding risks. The Group's objective is to maintain a level of liquidity that enables it to meet the payment obligations, ordinary and extraordinary, which it has taken on while minimizing costs at the same time. The Group's liquidity management strategy is based on the desire to maintain an appropriate balance between potential inflows and potential outflows, in the short and the medium/long term, by monitoring both regulatory and management metrics, in accordance with the risk profile defined as part of the RAF.

Financial leverage risk

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

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

Further information on financial leverage risk is provided in section 5.

Liquidity risk

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

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

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

Further information on liquidity risk is shown in Section 6.

Credit risk

With reference to the authorization process to use AIRB models in order to calculate the regulatory capital requirements for credit risk, the Group has been authorized by the supervisory authorities to calculate its capital requirements using its own internal rating system (based on the Probability of Default and Loss Given Default indicators) for the Mediobanca and Mediobanca International corporate loan books and for the CheBanca! Italian mortgage loan book. As an integral part of this process, in accordance with the regulatory provisions in force on prudential requirements for credit institutions (Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 – the “CRR”), the Group has compiled a roll-out plan for the gradual adoption of the internal models for the various credit exposures (the “Roll-Out Plan”). The next step in extending the portfolios to be covered by IRB models will involve Compass, which has received ECB authorization to use its own rating system for Consumer Finance exposures starting from the quarterly reporting as at 30 September 2023. The model for corporate exposures in the factoring business carried out by MBFACTA is in the process of being developed, for which the application package is expected to be submitted by year-end 2023.

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

Finally, a fourth ECAI – Modefinance – has been activated, in addition to the ratings provided by Standard & Poor's, Moody's and Fitch.

Further information on credit risk is shown in Section 7.

ESG risk

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

Further information on ESG risk, including the phase-in details provided by the reference regulations, is provided in Section 8². It should be noted that the quantitative information included in this section is provided on a best efforts basis and represents the best estimates possible at this time. However, these will be subject to amendment in the future, based on changes in the regulations and/or classification of environmentally sustainable activities by the Mediobanca Group, and on fine-tuning of the calculation methodologies applied so far.

Encumbered assets

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

Further information on asset encumbrance is shown in Section 9.

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

Counterparty risk

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

In order to determine the capital requirement for counterparty risk and the CVA, i.e. adjustment to the intermediate market value of the portfolio of operations with a given counterparty, in order to calculate the Exposure at Default for the individual counterparty, the Group has applied the new methodology introduced by CRR II – the “Standardized Approach for Counterparty Credit Risk” (SA - CCR) – provided for by Articles 271ff, also applying the exemption from the obligation to calculate the CVA for exposures to corporate counterparties permitted by Article 382 of the CRR in order to mitigate the burden attributable to the introduction of the new methodology.

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

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

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

Further information on Counterparty risk is shown in Section 10.

Operational risk

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

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

Operational risks are managed, in Mediobanca and the main Group companies, by a specific

Operational risk management team within the Non-Financial Risk Management unit.

In view of the fact that within the universe of operational risks, individual risk classes such as IT & Cyber risk, Outsourcing/Third party risk and Fraud Risk have their own form and identity, a project has been launched to enhance the framework for managing Non-Financial Risks (NFR) with a view to improving governance and mitigating the individual risk classes.

Further information on operational risk is shown in Section 13.

Interest rate risk on the banking book

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

The Mediobanca Group monitors and manages interest rate risk through sensitivity testing of net interest income and economic value carried out on a monthly basis. The former quantifies the impact on earnings in the worst case scenario of those provided by the Basel Committee (BCBS) Guidelines. In this testing, the asset stocks are maintained constant, renewing the items falling due with the same financial characteristics and assuming a time horizon of twelve months.

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

All the scenarios present a floor set by the EBA Guidelines (EBA/GL/2022/14) introduced by the by the Basel Committee (BCBS) with a limit set at 1.5% on the on-demand expiry with linear progression up to 0% at the fifty-year maturity.

For both sensitivities, the balance-sheet items have been treated based on their contractual profile, apart from current account deposits for retail clients (which have been treated on the basis of proprietary behavioural models) and consumer credit items and mortgages (which reflect the possibility of early repayment). The average behavioural life of the deposits held on retail customers' current accounts is estimated at around 2.1 years, with a repayment schedule that amortizes completely over a time horizon of ten years.

To determine the value of the discounted cash flows, various benchmark curves have been used in order to discount and then determine the future interest rates, based on the value date on which the balance-sheet item itself is traded (multi-curve). The credit component has been stripped out of the cash flows for the economic value sensitivity only.

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

is to manage the Group's interest rate risk centrally, with a view to optimizing the balance sheet's risk/return profile through on-balance sheet (business policy) and off-balance-sheet (derivatives) transactions through the following actions:

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

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

Market risks

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

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

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

As stated previously, in calculating the interest rate risk on the trading book, the Group applies the "duration based approach", (CRR, Article 340), in order to ensure that the capital estimation methodology is aligned to both the operating metrics and the imminent regulatory changes due to be introduced in the new future (CRR III and Fundamental Review of Trading Book). This approach enables the risk generated by changes in interest rates to the trading book to be picked up effectively, as it is based on the use of metrics such as financial duration and DV01 (dollar value of a basis point) which in turn constitute the principal management risk indicators for this type of risk.

As for vega risks (the implicit volatility of options) and gamma risks (second order effects on the price of the underlying instruments of options), the Group applies the Delta-plus approach in accordance with CRR Article 341 and RTS EBA 12/03/2014.

In addition to the daily calculation of the management earnings results, the operating exposure to market risks generated by the positions held as part of the trading portfolio is also monitored on a daily basis, principally through use of the following indicators:

- Sensitivity – mainly Delta and Vega – to small changes in the principal risk factors (such as interest rates, share prices, exchange rates, credit spreads, inflation and volatility, dividends, correlations, etc.); these measure the increase or decrease in the value of financial assets and derivatives to local changes in these risk factors, providing a static representation of the market risk of the trading portfolios;
- Value-at-risk calculated using a weighted historical simulation method with scenarios updated daily, assuming a liquidation horizon of one business day and a confidence level of 99%.

Trading exposures are checked on a daily basis relative to the VaR limits and for sensitivity, in order to ensure that the operating limits approved to protect the risk appetite established by the Bank for its trading book, are complied with. The solidity of the VaR model is guaranteed by back-testing it against the theoretical P&L calculation. The expected shortfall on the set of positions subject to VaR calculation is also calculated, by means of historical simulation; this represents the average potential losses over and beyond the level of confidence for the VaR. Stress tests are also carried out daily (on specific positions) and monthly (on the rest of the trading book) on the main risk factors, to show the impact which more substantial movements in the main market variables might have, such as share prices and interest or exchange rates, calibrated on the basis of extreme changes in market variables.

Other complementary and more specific risk metrics are also calculated, in addition to VaR and sensitivity, in order to capture risks not fully measured by these indicators more effectively. The weight of products which require such metrics to be used is in any case extremely limited compared to the overall size of Mediobanca's trading book.

Further information on market risk is shown in Section 16.

Concentration risk

Concentration risk is defined as the risk deriving from a concentration of exposures to individual counterparties or groups of counterparties ("concentration risk – single name") or to counterparties operating in the same economic sector or which operate in the same business or belong to the same geographical area (geographical/sector concentration risk). In particular, with reference to concentration risk versus individual counterparties or groups of related counterparties, the 25% limit on TIER1 capital set by CRR II has been comfortably met, even taking into account future expectations and net of the Assicurazioni Generali investment, the share of which exceeding this limit is deducted. As with capital adequacy, compliance with the concentration limit is also monitored at all times, both at Group level and individually for the separate Group legal entities. In particular, when new transactions are approved, the attention of the approving body is always brought to the impact of the proposed deal on the aggregate regulatory exposure to the group to which the client belongs, ensuring that the concentration limit is met at all times.

Other risks

As part of the process of assessing the current and future capital requirements (ICAAP), the Group has identified the following types of risk to which it is exposed, in addition to those described above (credit and counterparty risk, market risk, interest rate risk, liquidity risk and operational risk), as significant:

- Strategic risk, i.e. exposure to current and future changes in profits/margins compared to estimated data, due to volatility in volumes or changes in customer behaviour (business risk), and of current and future risk of reductions in profits or capital deriving from disruption to business as a result of adopting new strategic choices, wrong management decisions or inadequate execution of decisions taken (pure strategic risk);
- Risk from equity investments held as part of the "Hold to collect and sell" banking book ("HTC&S"), deriving from the potential reduction in value of the equity investments, listed and unlisted, which are held as part of the HTCS portfolio, due to unfavourable movements in financial markets or to the downgrade of counterparties (where these are not already included in other risk categories);
- Sovereign risk, in regard to the potential downgrade of countries or national central banks to which the Group is exposed;
- Compliance risk, attributable to the possibility of incurring legal or administrative penalties, significant financial losses or damages to the Bank's reputation as a result of breaches of external laws and regulations or internal, self-imposed regulations;

- IT and cyber risk, defined as the risk of incurring losses in terms of earnings, reputation and market share in connection with use of the company's IT system (hardware, software and networks) or otherwise deriving from cyber-attacks;
- Reputational risk, due to reductions in profits or capital deriving from a negative perception of the Bank's image by customers, counterparties, shareholders, investors or regulatory authorities.

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

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

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

Risk management policies and objectives

In accordance with the provisions of Article 435, Section 1, letter e) and Article 435, Section 1, letter f), of Regulation (EU) no. 575/2013, on 20 September 2023, the Board of Directors of Mediobanca, having reviewed the Risks Committees' report and taken due account of the reports prepared by the control units, found that the structure of the internal controls and risk management system was adequate and in line with the Group's profile and strategy.

On 27 June 2023, the Board of Director approved the revised version of the Group Policy on RAF (Risk Appetite Framework) definition, which defines its general principles, organizational model and structuring process. In the Framework, in view of the Strategic Plan and the maximum risk capacity, the Group indicates the level and types of risk which the Bank intends to assume, defining objectives, tolerance thresholds and operating limits in normal operating and stressed conditions. The Group has identified the following general principles as key elements in defining the RAF:

- Maintaining a high standing on markets, guaranteeing capitalization, solvency and liquidity conditions;
- Sustainable risk, profitability and business development objectives;
- Promoting responsible corporate business based on ESG criteria;
- Full knowledge of risks assumed and to be assumed;

- Understanding of risk measures adopted, so as to promote application and efficient management of them, by embedding a “culture of risk” at all company levels;
- Compliance with external regulations.

The following guidelines in particular have been defined:

- Maintain a solid capital base with a strong CET1 component;
- Maintain a strong liquidity profile, ensuring that potential cash inflows and outflows are appropriately balanced in both the short- and medium-/long term, even in stressed conditions;
- Preserve long-term profitability consistent with the Group's business profile, by limiting portfolio concentration, maintaining high asset quality, gradually reducing the equity component, and limiting changes to capital due to changes in interest rates in stressed situations;
- Maintain a low risk profile in terms of exposure to factors relating to climate risk;
- Safeguard the Group's reputational capital by minimizing risks of inadequate business conduct.

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

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

For Fiscal Year 2023-24, the definition of these limits was approved by the Board of Directors at a meeting held on 27 June 2023 and integrated to include metrics to extend the monitoring to include climate risk factors.

The specific set of parameters monitored includes the following:

- With reference to capital adequacy, the CET1 Ratio (minimum limit of 11% compared with a ratio at end-June 2023 of 15.9%) and the regulatory Leverage Ratio (minimum limit of 4% compared with a ratio at end-June 2023 of 8.4%);

- In terms of liquidity, a short-term Liquidity Coverage Ratio (LCR) with a minimum limit of 120%, compared with a ratio at end-June 2023 of 180%) and a Net Stable Funding Ratio (NSFR with a minimum regulatory limit of 105%, compared with a ratio at end-June 2023 of 119%);
- With reference to Bank-specific factors, the VaR on positions held in the trading book, non-performing assets held by the Group, the cost of risk for the main client segments, concentration versus the leading client groups, the amount of the expected loss on leveraged lending, exposure of the loan book to sectors classified as being at high environmental risk (transition and physical), exposure to equities of corporate clients and to government securities held in the banking book, plus to assets classified as illiquid;
- In the areas of conduct and operational risks, the overall number of serious issues noted by the Compliance unit for each business line, and the ratio between operating losses and total income. Apart from the operating losses indicator, early warning triggers are also established in terms of incidents relating to IT and cyber risk, and the number of complaints relative to the number of clients specific to the Consumer Banking and Wealth Management divisions.

1.3 Main changes in risk measurement adopted by the Bank during the period under review

During the twelve months under review, the PD and LGD AIRB models for the Large Corporate segment were revised following the completion of the Internal Model Investigation (IMI), which introduced a limitation on the LGD model through a floor set at 45% of the performing. This led to an additional burden in terms of RWAs of around €1.5bn (representing approx. 45 bps of the CET1 ratio), the impact of which is expected to reduce following the implementation of Basel IV, which will entail the new Foundation parameter being set at 40% starting from 1 January 2025.

At the same time, in accordance with the provisions of Commission Delegated Regulation (EU) 2022/954 of 12 May 2022, starting from 30 September 2022 a weighting factor of 100% has been applied to the NPLs acquired, instead of the previous 150%, as the provisioning level is above 20% (in accordance with Article 127 of the CRR), adding approx. 5 bps to the CET1 ratio (RWAs of €170m).

Finally, it should also be noted that a fourth ECAI has been activated (Modelfinance, in addition to the ratings provided by Standard & Poor's, Moody's and Fitch) for the standard corporate portfolio risk, which has entailed an approx. 5 bps benefit for the CET ratio (€130m less of RWAs than a standard 100% weighting, for the factoring and leasing portfolios in particular).



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

³ Regulation (EU) 2020/873 amending Regulations (EU) No. 575/2013 and (EU) No. 2019/876 as regards certain adjustments in response to the COVID-19 pandemic (the "CRR Quick Fix").

Section 2 – Scope of application

Qualitative information

The disclosure obligations in connection with this document are the responsibility of Mediobanca – Banca di Credito Finanziario S.p.A., parent company of the Mediobanca Banking Group, registered in the Italian Register of Companies. Based on the combined provisions of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", and IFRS 12 "Disclosure of interests in other entities", the Group has consolidated its subsidiaries using the line-by-line method, while its associates and other companies subject to joint arrangements are consolidated using the equity method.

The line-by-line method by which subsidiaries are consolidated means that the carrying amount of the parent's investment and its share of the subsidiary's equity after minorities are eliminated against the addition of that company's assets and liabilities, income and expenses to the parent company's totals. Any surplus arising following allocation of asset and liability items to the subsidiary is recorded as goodwill. Intra-group balances, transactions, income and expenses are eliminated upon consolidation.

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

For purposes of supervisory reporting, equity investments consolidated line-by-line which are not included in the prudential scope of reporting are deducted from regulatory capital; as for the Group's investment in Assicurazioni Generali, which is equity-accounted, following authorization by the ECB, the temporary regime introduced by Article 471 of Regulation (EU) No. 575/2013 as amended, which allows own funds instruments issued by insurance companies to be weighted at 370%, rather than deducted from CET1 equity, while complying with the concentration limit set (otherwise known as the "Danish Compromise"). Starting from 2025, when CRR III comes into force (the text of which has recently been approved), the Danish Compromise will become a permanent rule, so the 370% weighting can be applied definitively as opposed to the deduction from own funds.

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

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Assets							
10. Cash and cash equivalents	4,236,982	4,235,489	4,235,489	—	—	—	—
20. Financial assets at fair value through profit or loss	10,654,399	10,654,399	1,108,187	2,876,440	264,736	6,405,036	—
30. Financial assets at fair value through other comprehensive income	6,042,119	6,042,119	5,855,548	—	186,571	—	—
40. Financial assets at amortised cost	62,555,709	62,258,988	56,118,224	5,539,019	601,745	—	—
50. Hedging derivatives	1,321,883	1,321,883	—	1,321,883	—	—	—
60. Change in value of macro-hedged financial assets	—	—	—	—	—	—	—
70. Equity investments	3,563,831	3,732,464	2,293,006	—	—	—	1,439,458
80. Reinsurers' share of technical reserves	—	—	—	—	—	—	—
90. Property, plant and equipment	530,742	529,870	529,870	—	—	—	—
100. Intangible assets	796,700	796,685	40,185	—	—	—	756,500
of which:	—	—	—	—	—	—	—
goodwill	574,550	574,550		—	—	—	574,550
110. Tax assets	769,127	768,812	768,812	—	—	—	—
120. Non-current assets and disposal groups classified as held for sale	251,987	251,987	251,987	—	—	—	—
130. Other assets	915,534	893,490	893,490	—	—	—	—
Total assets	91,639,013	91,486,186	72,094,798	9,737,342	1,053,052	6,405,036	2,195,958

Template EU L11: differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (2/2)

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Liabilities							
10. Financial liabilities at amortised cost	64,903,066	64,903,797	—	—	—	—	64,903,797
20. Financial liabilities held for trading	9,436,672	9,436,672	—	5,306,578	—	4,130,094	—
30. Financial liabilities designated at fair value	1,580,956	1,580,956	—	—	—	—	1,580,956
40. Hedging derivatives	2,069,542	2,069,542	—	2,069,542	—	—	—
50. Change in value of macro-hedged financial liabilities	—	—	—	—	—	—	—
60. Tax liabilities	867,266	829,362	—	—	—	—	829,362
70. Liabilities included in disposal groups classified as held for sale	8,134	8,134	—	—	—	—	8,134
80. Other liabilities	1,051,080	1,046,790	—	—	—	—	1,046,790
90. Provision for employee severance pay	20,584	20,551	—	—	—	—	20,551
100. Provisions for risks and charges	161,127	161,127	—	—	—	—	161,127
110. Technical reserves	111,338	—	—	—	—	—	—
120. Valuation reserves	62,127	62,127	—	—	—	—	62,127
130. Redeemable shares	—	—	—	—	—	—	—
140. Equity	—	—	—	—	—	—	—
150. Reserves	7,675,283	7,666,506	—	—	—	—	7,666,506
160.Share premium accounts	2,195,606	2,218,360	—	—	—	—	2,218,360
170. Share capital	444,169	430,199	—	—	—	—	430,199
180. Treasury shares (-)	(78,876)	(78,876)	—	—	—	—	(78,876)
190. Minority shareholders' equity (+/-)	104,143	104,143	—	—	—	—	104,143
200. Profit (Loss) for the period	1,026,796	1,026,796	—	—	—	—	1,026,796
Total liabilities and shareholders' equity	91,639,013	91,486,186	—	7,376,120	—	4,130,094	79,979,972

Template EU L11 shows, with reference to the situation as at 30 June 2023, the consolidated balance-sheet data as per the published financial statements⁴ compared with the balance-sheet data based on the supervisory scope of reporting, and the breakdown of the various items between the different regulatory risk categories.

The differences between the statutory and regulatory balance-sheet items are attributable to the deconsolidation of the legal entities not forming part of the Banking Group and their consolidation using the equity method in the supervisory scope of reporting. Compass RE, Compass Rent, MB Contact Solutions and RAM UK are all excluded from the prudential scope of reporting.

⁴ Financial statements (balance sheet) drawn up in accordance with Bank of Italy circular no. 262/2005 as amended.

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

	a	b	c	d	e
	Total	Items subject to			
		Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1 Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	89,290,228	72,094,798	1,053,052	9,737,342	6,405,036
2 Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	14,435,238	—	—	10,705,612	3,729,626
3 Total net amount under the regulatory scope of consolidation	79,834,895	72,094,798	1,053,052	3,940,158	2,746,887
4 Off-balance-sheet amounts	13,368,755	10,746,870	—	2,621,885	
5 Differences in valuations	288,178	2,669,772	(121,060)	(2,260,535)	
6 Differences due to different netting rules, other than those already included in row 2	5,602,570	—	—	5,602,570	
7 Differences due to consideration of provisions	2,051	2,051	—	—	
8 Differences due to the use of credit risk mitigation techniques (CRMs)	(12,146,880)	(6,427,220)	(480,187)	(5,239,473)	
9 Differences due to credit conversion factors	(2,822,025)	(2,822,025)	—	—	
10 Differences due to Securitisation with risk transfer	—	—	—	—	
11 Other differences	333,561	(39,041)	432	372,170	
12 Exposure amounts considered for regulatory purposes	81,714,219	76,225,206	452,237	5,036,775	

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

The main differences between the accounting differences determined on the basis of the regulatory scope of consolidation and the amounts of the exposures determined for supervisory purposes with regard to credit risk are attributable to the following cases:

- Differences due to different methodologies used to calculate the provisions (scaling factor);
- Differences due to use of risk mitigation techniques for eligible risks as permitted by the CRR;
- Differences due to the application of credit conversion factors (CCF) to off-balance-sheet positions.

The differences attributable to counterparty risk which account for the differences between the carrying values and the regulatory exposure amounts (EAD) are due to the application of the PFE (Potential Future Exposure) for derivative financial instruments, the different scope and application of the regulatory haircuts to the market value of securities lent or borrowed as part of securities financing transactions, and to the use of risk mitigation techniques for eligible risks as permitted by the CRR, including the offset of asset versus liability positions as part of effective and validated netting agreements with an individual counterparty.

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

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

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

	a	b	c	d	e	f	g	h
ID	Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Description of the entity
			Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
18	COMPASS RE (LUXEMBOURG) S.A.	Full consolidation			x			Financial corporations other than credit institutions
19	MEDIOBANCA INTERNATIONAL IMMOBILIARE S. A R.L.	Full consolidation	x					Financial corporations other than credit institutions
20	POLUS CAPITAL MANAGEMENT GROUP LIMITED	Full consolidation	x					Financial corporations other than credit institutions
21	POLUS CAPITAL MANAGEMENT LIMITED	Full consolidation	x					Financial corporations other than credit institutions
22	POLUS CAPITAL MANAGEMENT (US) I.N.C.	Full consolidation	x					Financial corporations other than credit institutions
23	POLUS CAPITAL MANAGEMENT INVESTMENTS LIMITED (not operational)	Full consolidation	x					Financial corporations other than credit institutions
24	POLUS INVESTMENT MANAGERS LIMITED (not operational)	Full consolidation	x					Financial corporations other than credit institutions
25	Bybrook Capital Management Limited	Full consolidation	x					Financial corporations other than credit institutions
26	Bybrook Capital LLP	Full consolidation	x					Financial corporations other than credit institutions
27	Bybrook Capital Services (UK) Limited	Full consolidation	x					Financial corporations other than credit institutions
28	Bybrook Capital Burton Partnership (GP) Limited	Full consolidation	x					Financial corporations other than credit institutions
29	Bybrook Capital (GP) LLC	Full consolidation	x					Financial corporations other than credit institutions
30	Bybrook Capital (US) LP	Full consolidation	x					Financial corporations other than credit institutions
31	SPAFID FAMILY OFFICE SIM	Full consolidation	x					Financial corporations other than credit institutions

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

	a	b	c	d	e	f	g	h
ID	Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Description of the entity
			Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
32	SPAFID TRUST S.R.L.	Full consolidation	x					Financial corporations other than credit institutions
33	MEDIOBANCA MANAGEMENT COMPANY S.A.	Full consolidation	x					Financial corporations other than credit institutions
34	MEDIOBANCA SGR S.P.A.	Full consolidation	x					Financial corporations other than credit institutions
35	RAM ACTIVE INVESTMENTS S.A.	Full consolidation	x					Financial corporations other than credit institutions
36	RAM ACTIVE INVESTMENTS (LUXEMBOURG) S.A.	Full consolidation	x					Financial corporations other than credit institutions
37	MESSIER ET ASSOCIES S.A.S.	Full consolidation	x					Financial corporations other than credit institutions
38	MESSIER ET ASSOCIES L.L.C.	Full consolidation	x					Financial corporations other than credit institutions
39	MBCONTACT SOLUTIONS S.R.L.	Full consolidation			x			Non-financial corporations
40	COMPASS RENT S.R.L.	Full consolidation			x			Non-financial corporations
41	COMPASS LINK S.R.L.	Full consolidation	x					Financial corporations other than credit institutions
42	RAM ACTIVE INVESTMENTS LIMITED (UK) (winding up)	Full consolidation			x			Financial corporations other than credit institutions
43	CMB REAL ESTATE DEVELOPMENT S.A.M.	Full consolidation	x					Financial corporations other than credit institutions
44	REVALEA S.P.A. *	Full consolidation	x					Financial corporations other than credit institutions
45	SOISY S.P.A.	Full consolidation	x					Financial corporations other than credit institutions
46	MB INV AG S.R.L.	Full consolidation	x					Financial corporations other than credit institutions

* Company set up on 19 April 2022, 100%-owned by Compass Banca. The company was sold to Ifis S.p.A. in May 2023; hence it is accounted for under Non-Current Assets Held for Sale pursuant to IFRS 5.

Section 3 – Composition of regulatory capital

Qualitative information

The Mediobanca Group confirms its strong capital strength, with ratios still above the regulatory thresholds, as emerges from the results achieved in the stress testing exercises carried out by the regulator in recent years, by the comfortable margin identified by the Internal Capital Adequacy Assessment Process (ICAAP), and by the assessment performed by the supervisory authority as part of the SREP process.

On 1 March 2023 the “SREP 2022 Decision” came into force, establishing an additional Pillar 2 Requirement of 1.68%; the Mediobanca Group must therefore maintain a CET1 ratio of 7.95% on a consolidated basis, including 2.50% by way of capital conservation buffer and 0.95% as the additional Pillar 2 requirement (“P2R”), i.e. 56.25% of the 1.68% required at the Overall Capital Requirement (OCR) level, which is 12.18% (CET ratio 9.76%).⁵ The SREP 2022 Decision also includes an increase of 10 bps due exclusively to application of calendar provisioning for the stock of non-performing loans outstanding at 31 December 2022 and originated prior to 26 April 2019, a component which is set to reduce as a result of the sale of Revalea’s portfolio of acquired NPLs.

Common Equity Tier1 (CET1) capital consists of the share attributable to the Group and to minority shareholders of capital paid up and reserves, including the profit for the year (€1,026.8m) net of the dividend (€714.7m, corresponding to a payout ratio of 70%) and reflecting a negative contribution from the FVOCI financial assets reserve, which amounted to minus €34.2m, with minus €105.3m attributable to the equity-consolidated Assicurazioni General investment (the liability here has reduced sharply following the transition to the new IFRS 9 and IFRS 17 adopted by Mediobanca starting from 4Q).

The deductions regard:

- Treasury shares as to €78.9m, the residual amount remaining after part of the shares repurchased under the terms of the last buyback scheme were cancelled;
- Intangible assets of €182m and goodwill of €574.6m, the latter item reducing as a result of the RAM AI being written off in full;
- Prudential adjustments to the valuation of financial instruments (AVA and DVA) amounting to €75.1m, slightly higher than last year (€68.6m) due to the changes in valuations of financial

⁵ The requirements don’t include the countercyclical capital buffer as at 30 June 2023 of 0.09%.

instruments, plus the trend in gains and losses on liabilities due to the evolution of the entity's credit quality;

- Holdings in Assicurazioni Generali worth a total of €1,439.5m (reflecting the transition to the new IFRS 17/IFRS 9 which has increased the book value of the investment);

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

Tier 2 capital includes subordinated liabilities, which rose slightly, from €911.8m to €966.6m, following the nominal €300m issue which more than offset the repayments for the year (€234m). No subordinated Tier 2 issue benefits from the grand-fathering permitted under Articles 483ff of the CRR.

Tier 2 also includes the buffer which results from the writedowns to book value being higher than the prudential expected losses calculated using the advanced models. The surplus here was €75.3m; the value included in the calculation, €72.7m, rose slightly during the twelve months, by €4.4m, due to the higher exposures, being able to fully include the amount corresponding to the regulatory limit which is 0.6% of the amounts of the risk-weighted exposures calculated using advanced models (cf. Article 159 of the CRR).

Quantitative information

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

		06/30/2023		06/30/2022	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	2,639,775	160. Share premium accounts 170. Share capital	2,639,246	160. Share premium accounts 170. Share capital
	of which: ordinary shares	2,639,775		2,639,246	
2	Retained earnings	7,675,283	150. Reserves	6,908,259	150. Reserves
3	Accumulated other comprehensive income (and other reserves)	62,127	120. Valuation reserves	433,591	120. Valuation reserves
EU-3a	Funds for general banking risk	—		—	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	—		—	
5	Minority interests (amount allowed in consolidated CET1)	40,002	190. Minority shareholders' equity (+/-)	40,671	190. Minority shareholders' equity (+/-)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	315,148	200. Profit (Loss) for the period	280,490	200. Profit (Loss) for the period
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,732,335		10,302,257	

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

		06/30/2023		06/30/2022	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	(61,898)		(60,533)	
8	Intangible assets (net of related tax liability) (negative amount)	(756,515)	100. Intangible assets – 70. Liabilities included in disposal groups classified as held for sale (*)	(797,737)	100. Intangible assets – 70. Liabilities included in disposal groups classified as held for sale (*)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(300)	110. Tax assets	(1,243)	110. Tax assets
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(164,228)		(132,368)	
12	Negative amounts resulting from the calculation of expected loss amounts	—		—	
13	Any increase in equity that results from securitised assets (negative amount)	—		—	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	—		—	
15	Defined-benefit pension fund assets (negative amount)	—		—	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(78,876)	180. Treasury shares (-)	(240,807)	180. Treasury shares (-)
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—		—	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—		—	

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

		06/30/2023		06/30/2022	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(2,687,717)	70. Equity investments	(2,483,873)	70. Equity investments
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(51,515)		—	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	—		—	
EU-20c	of which: securitisation positions (negative amount)	(51,515)		—	
EU-20d	of which: free deliveries (negative amount)	—		—	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	—	110. Tax assets	—	110. Tax assets
22	Amount exceeding the 17,65% threshold (negative amount)	(97,990)		(96,222)	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	(83,978)	70. Equity investments	(81,598)	70. Equity investments
25	of which: deferred tax assets arising from temporary differences	(14,012)	110. Tax assets	(14,624)	110. Tax assets
EU-25a	Losses for the current financial year (negative amount)	—	200. Profit (Loss) for the period	—	200. Profit (Loss) for the period
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	—		—	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	—		—	
27a	Other regulatory adjustments	1,344,343		1,404,859	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(2,554,696)		(2,407,924)	
29	Common Equity Tier 1 (CET1) capital	8,177,639		7,894,334	

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

		06/30/2023		06/30/2022	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	—	—	—	—
31	of which: classified as equity under applicable accounting standards	—	—	—	—
32	of which: classified as liabilities under applicable accounting standards	—	—	—	—
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	—	—	—	—
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	—	—	—	—
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	—	—	—	—
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	—	190. Minority shareholders' equity (+/-)	—	190. Minority shareholders' equity (+/-)
35	of which: instruments issued by subsidiaries subject to phase out	—	—	—	—
36	Additional Tier 1 (AT1) capital before regulatory adjustments	—	—	—	—
Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	—	—	—	—
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—	—	—	—
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	—	—	—
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—	—	—	—
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	—	—	—	—
42a	Other regulatory adjustments to AT1 capital	—	—	—	—
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	—	—	—	—
44	Additional Tier 1 (AT1) capital	—	—	—	—
45	Tier 1 capital (T1 = CET1 + AT1)	8,177,639	7,894,334	7,894,334	7,894,334

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

		06/30/2023		06/30/2022	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 (T2) capital: instruments					
46	Capital instruments and the related share premium accounts	966,648	10. Financial liabilities at amortised cost	911,822	10. Financial liabilities at amortised cost
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	—		—	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	—		—	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	—		—	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	—	190. Minority shareholders' equity (+/-)	—	190. Minority shareholders' equity (+/-)
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	—		—	
50	Credit risk adjustments	72,742		68,343	
51	Tier 2 (T2) capital before regulatory adjustments	1,039,389		980,164	
Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	—		—	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	—		—	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—		—	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	—		(69)	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	—		—	
EU-56b	Other regulatory adjustments to T2 capital	—		—	
57	Total regulatory adjustments to Tier 2 (T2) capital	—		(69)	
58	Tier 2 (T2) capital	1,039,389		980,096	
59	Total capital (TC = T1 + T2)	9,217,028		8,874,429	
60	Total risk exposure amount	51,431,549		50,377,953	

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

		06/30/2023		06/30/2022	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and requirements including buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.9000 %		15.6702 %	
62	Tier 1 (as a percentage of total risk exposure amount)	15.9000 %		15.6702 %	
63	Total capital (as a percentage of total risk exposure amount)	17.9210 %		17.6157 %	
64	Institution CET1 overall capital requirements	8.0394 %		7.8982%	
65	of which: capital conservation buffer requirement	2.5000 %		2.5000 %	
66	of which: countercyclical buffer requirement	0.0944 %		0.0105 %	
67	of which: systemic risk buffer requirement	—		—	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	—		—	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.9450 %		0.8888%	
68	Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)	8.2410 %		8.0357%	
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	553,081		604,741	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	(2,596,470)		(2,244,907)	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	160,128		162,386	

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

		06/30/2023		06/30/2022	
		a)	b)	a)	b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	—		—	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	403,357		397,593	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	75,308		97,420	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	72,742		68,343	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	—		—	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	—		—	
82	Current cap on AT1 instruments subject to phase out arrangements	—		—	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—		—	
84	Current cap on T2 instruments subject to phase out arrangements	—		—	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—		—	

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

	06/30/2023		
	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements			
10. Cash and cash equivalents	4,237	4,235	
20. Financial assets at fair value through profit or loss	10,654	10,654	
30. Financial assets at fair value through other comprehensive income	6,042	6,042	
40. Financial assets at amortised cost	62,556	62,259	
50. Hedging derivatives	1,322	1,322	
60. Change in value of macro-hedged financial assets	—	—	
70. Equity investments	3,564	3,732	19, 23
80. Reinsurers' share of technical reserves	—	—	
90. Property, plant and equipment	531	530	
100. Intangible assets	797	797	8
of which: goodwill	575	575	
110. Tax assets	769	769	10, 21, 25
120. Non-current assets and disposal groups classified as held for sale	252	252	
130. Other assets	915	894	
Total assets	91,639	91,486	

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

	06/30/2023		
	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
10. Financial liabilities at amortised cost	64,903	64,904	46
20. Financial liabilities held for trading	9,437	9,437	
30. Financial liabilities designated at fair value	1,581	1,581	
40. Hedging derivatives	2,070	2,070	
50. Change in value of macro-hedged financial liabilities	—	—	
60. Tax liabilities	867	829	8
70. Liabilities included in disposal groups classified as held for sale	8	8	
80. Other liabilities	1,051	1,046	
90. Provision for employee severance pay	21	21	
100. Provisions for risks and charges	161	161	
110. Technical reserves	111	—	
120. Valuation reserves	62	62	3
130. Redeemable shares	—	—	
140. Equity	—	—	
150. Reserves	7,675	7,667	2
160. Share premium accounts	2,196	2,218	1
170. Share capital	444	430	1
180. Treasury shares (-)	(79)	(79)	16
190. Minority shareholders' equity (+/-)	104	104	5,34,48
200. Profit (Loss) for the period	1,027	1,027	5a,25a
Total liabilities and shareholders' equity	91,639	91,486	

Table 3.1 Prudential treatment of investments in insurance companies

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

The authorization received from the ECB to apply the transitory regime provided by Article 471 is still subject to compliance with the concentration limit,⁶ weighted at 370% is applied only to the share of the book value of the stake, which is not already deducted because below the concentration limit; the other part of the book value, above the limit, is deducted from CET1.⁷

With reference to the data as at 30 June 2023, it should be noted that the higher book value of the investment compared to last year is due to the application of the new IFRS 17 and IFRS 9, which also entailed a larger share being deducted in order to comply with the concentration limit referred to above.

	06/30/2023		06/30/2022	
	Exposure	RWA	Exposure	RWA
Common Equity Tier 1 instruments of financial sector entities in which the institution has a significant investment	3,472,192		3,069,391	
of which deducted from own funds	1,439,458		1,206,689	
of which not deducted from own funds	2,032,734	7,521,115	1,862,703	6,892,000
of which 370%	2,032,734	7,521,115	1,862,703	6,892,000
of which 250%	—	—	—	—

⁶ Concentration limit equal to 25% of CET1 capital.

⁷ Treatment to become permanent starting from 2025 when the new CRR III comes into force, as mentioned in Section 2.

Table 3.2 – List of subordinated issues included in calculation of regulatory capital

Security issued	ISIN	Currency	06/30/2023		06/30/2022	
			Nominal value	Calculated value	Nominal value	Calculated value
MB Subordinato 1.957% 2029	XS1579416741	EUR	50,000	48,495	50,000	48,501
MB SUBORDINATO 2.3% 2030	XS2262077675	EUR	248,854	240,387	248,900	241,368
MB SUBORDINATO 3.75% 2026	IT0005188351	EUR	299,750	172,256	300,407	231,023
MB SUBORDINATO TV con min 3% 2025	IT0005127508	EUR	496,805	214,646	499,153	312,889
MB SUBORDINATO 5.75% 2023	IT0004917842	EUR			499,686	78,041
MB FIX TO FLOAT 0233	XS2577528016	EUR	299,950	290,865		
Total subordinated debt securities			1,395,359	966,649	1,598,146	911,822

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

		Common Equity Tier 1 instruments	Tier 2 capital instruments	
			XS2577528016	IT0005127508
1	Issuer	Mediobanca S.p.a.	Mediobanca S.p.a.	Mediobanca S.p.a.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	IT0000062957	XS2577528016	IT0005127508
3	Governing law(s) of the instrument	Whole instrument - Italian law	Whole instrument - Italian law	Whole instrument - Italian law
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	CET1	Tier2	Tier2
5	Post-transitional CRR rules	CET1	Tier2	Tier2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares - Art.28 CRR	Bond - Art.62 CRR	Bond - Art.62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	-444,169	290,865 Purchases and depreciation	214,646 Purchases and depreciation
9	Nominal amount of instrument	N/A	300,000	500,000
9a	Issue price	N/A	100	100,000
9b	Redemption price	N/A	100,000	100,000
10	Accounting classification	Equity	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	N/A	02/08/2023	09/10/2015
12	Perpetual or dated	N/A	Dated	Dated
13	Original maturity date	N/A	08/02/2033	09/10/2025
14	Issuer call subject to prior supervisory approval	N/A	YES	NO
15	Optional call date, contingent call dates and redemption amount	N/A	2/8/28 a 100	—
16	Subsequent call dates, if applicable	N/A	—	—
	Coupons / dividends	N/A	—	—
17	Fixed or floating dividend/coupon	N/A	Fixed till reset, then Floating	Floating
18	Coupon rate and any related index	N/A	y1, y2, y3, y4, y5 fix rate 6.5% then Mid Swap 5y + 373bps	3mEuribor+2.25% with a floor of 3.00%
19	Existence of a dividend stopper	NO	NO	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	NO	NO
22	Noncumulative or cumulative	N/A	Non cumulative	Non cumulative
23	Convertible or non-convertible	N/A	Non convertible	Non convertible
30	Write-down features	N/A	NO	NO
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Senior	Senior
36	Non-compliant transitioned features	N/A	NO	NO

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

		Tier 2 capital instruments		
		XS1579416741	IT0005188351	XS2262077675
1	Issuer	Mediobanca S.p.a.	Mediobanca S.p.a.	Mediobanca S.p.a.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS1579416741	IT0005188351	XS2262077675
3	Governing law(s) of the instrument	Whole instrument - English law	Whole instrument - Italian law	Whole instrument - Italian law
<i>Regulatory treatment</i>				
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier2	Tier2	Tier2
5	Post-transitional CRR rules	Tier2	Tier2	Tier2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Bond - Art.62 CRR	Bond - Art.62 CRR	Bond - Art.62 CRR
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	48,495 1	172,256 Purchases and depreciation	240,387 Purchases and depreciation
9	Nominal amount of instrument	50,000	300,000	250,000
9a	Issue price	100,000	99,000	99,478
9b	Redemption price	100,000	100,000	100,000
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	03/22/2017	06/16/2016	11/23/2020
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	03/22/2029	06/16/2026	11/23/2030
14	Issuer call subject to prior supervisory approval	NO	NO	YES
15	Optional call date, contingent call dates and redemption amount	—	—	11/23/2025 a 100
16	Subsequent call dates, if applicable	—	—	—
	Coupons / dividends	—	—	—
17	Fixed or floating dividend/coupon	Fixed and then Floating	Fixed	Fixed till reset, then Floating
18	Coupon rate and any related index	y1, y2, y3: fix rate 3.5%; then: Euribor 6 mesi + 235 bps floored @ zero	3.75% yearly	y1, y2, y3, y4, y5 fix rate 2.3% then Mid Swap 5y + 280bps
19	Existence of a dividend stopper	NO	NO	NO
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	NO	NO	NO
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible	Non convertible	Non convertible
30	Write-down features	NO	NO	NO
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior	Senior	Senior
36	Non-compliant transitioned features	NO	NO	NO

Section 4 – Capital adequacy

Qualitative information

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

As part of the ICAAP process, the Group assesses its own capital adequacy by considering its capital requirements deriving from exposure to the significant pillar 1 and 2 risks to which the Group is or could be exposed in the conduct of its own current and future business. Sensitivity analyses or stress tests are also carried out to assess the impact of particularly adverse economic conditions on the Group's capital requirements deriving from its exposure to the principal risks (stress testing), in order to appraise its capital resources even in extreme conditions.⁸

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

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

⁸The most recent regulatory stress testing exercise confirmed the Group's solidity: the Common Equity Tier 1 ratio fully-loaded for the final year of the three-year exercise (2025), in view of the fact that application of the Danish Compromise is set to become permanent, is 15.42% in the baseline scenario and 10.22% in the adverse scenario; even in the adverse scenario, then, the Common Equity Tier 1 fully loaded ratio is comfortably above the regulatory limits.

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

	a	b
	06/30/2023	03/31/2023
Available own funds (amounts)		
1 Common Equity Tier 1 (CET1) capital	8,177,639	7,792,732
2 Tier 1 capital	8,177,639	7,792,732
3 Total capital	9,217,028	8,881,224
Risk-weighted exposure (amounts)		
4 Total risk-weighted exposure amount	51,431,549	51,006,378
Capital ratios (as a percentage of risk-weighted exposure amount)		
5 Common Equity Tier 1 ratio (%)	15.9000 %	15.2780 %
6 Tier 1 ratio (%)	15.9000 %	15.2780 %
7 Total capital ratio (%)	17.9210 %	17.4120 %
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.6800 %	1.6800 %
EU 7b of which: to be made up of CET1 capital (percentage points)	0.9450 %	0.9450 %
EU 7c of which: to be made up of Tier 1 capital (percentage points)	1.2600 %	1.2600 %
EU 7d Total SREP own funds requirements (%)	9.6800 %	9.6800 %
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8 Capital conservation buffer (%)	2.5000 %	2.5000 %
EU 8a Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	—	—
9 Institution specific countercyclical capital buffer (%)	0.0944 %	0.0655 %
EU 9a Systemic risk buffer (%)	—	—
10 Global Systemically Important Institution buffer (%)	—	—
EU 10a Other Systemically Important Institution buffer	—	—
11 Combined buffer requirement (%)	2.5944 %	2.5655 %
EU 11a Overall capital requirements (%)	12.2744 %	12.2455 %
12 CET1 available after meeting the total SREP own funds requirements (%)	8.2410 %	7.7320 %
Leverage ratio		
13 Leverage ratio total exposure measure	97,270,380	97,374,969
14 Leverage ratio	8.4071 %	8.0028 %
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
EU 14a Additional own funds requirements to address the risk of excessive leverage (%)	—	—
EU 14b of which: to be made up of CET1 capital (percentage points)	—	—
EU 14c Total SREP leverage ratio requirements (%)	3.0000 %	3.0000 %
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d Leverage ratio buffer requirement (%)	—	—
EU 14e Overall leverage ratio requirement (%)	3.0000 %	3.0000 %
Liquidity Coverage Ratio		
15 Total high-quality liquid assets (HQLA) (Weighted value - average)	9,478,729	9,058,043
EU 16a Cash outflows - Total weighted value	8,766,906	8,929,307
EU 16b Cash inflows - Total weighted value	2,882,133	3,144,587
16 Total net cash outflows (adjusted value)	5,884,773	5,784,720
17 Liquidity coverage ratio (%)	161.0830%	156.4409%
Net Stable Funding Ratio		
18 Total available stable funding	63,677,289	61,478,643
19 Total required stable funding	53,364,548	53,187,229
20 NSFR ratio (%)	119.3251%	115.5891%

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

	c	d	e
	12/31/2022	09/30/2022	06/30/2022
Available own funds (amounts)			
1 Common Equity Tier 1 (CET1) capital	7,952,591	7,772,263	7,894,334
2 Tier 1 capital	7,952,591	7,772,263	7,894,334
3 Total capital	8,815,257	8,700,388	8,874,429
Risk-weighted exposure (amounts)			
4 Total risk-weighted exposure amount	52,573,562	51,941,615	50,377,953
Capital ratios (as a percentage of risk-weighted exposure amount)			
5 Common Equity Tier 1 ratio (%)	15.1266 %	14.9635 %	15.6702 %
6 Tier 1 ratio (%)	15.1266 %	14.9635 %	15.6702 %
7 Total capital ratio (%)	16.7675 %	16.7503 %	17.6157 %
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.5800 %	1.5800 %	1.5800 %
EU 7b of which: to be made up of CET1 capital (percentage points)	0.8888 %	0.8888 %	0.8888 %
EU 7c of which: to be made up of Tier 1 capital (percentage points)	1.1850 %	1.1850 %	1.1850 %
EU 7d Total SREP own funds requirements (%)	9.5800 %	9.5800 %	9.5800 %
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8 Capital conservation buffer (%)	2.5000 %	2.5000 %	2.5000 %
EU 8a Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	—	—	—
9 Institution specific countercyclical capital buffer (%)	0.0546 %	0.0143 %	0.0105 %
EU 9a Systemic risk buffer (%)	—	—	—
10 Global Systemically Important Institution buffer (%)	—	—	—
EU 10a Other Systemically Important Institution buffer	—	—	—
11 Combined buffer requirement (%)	2.5546 %	2.5143 %	2.5105 %
EU 11a Overall capital requirements (%)	12.1346 %	12.0943 %	12.0895 %
12 CET1 available after meeting the total SREP own funds requirements (%)			
Leverage ratio			
13 Leverage ratio total exposure measure	97,091,818	94,732,558	94,489,799
14 Leverage ratio	8.1908 %	8.2044 %	8.3547 %
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)			
EU 14a Additional own funds requirements to address the risk of excessive leverage (%)	—	—	—
EU 14b of which: to be made up of CET1 capital (percentage points)	—	—	—
EU 14c Total SREP leverage ratio requirements (%)	3.0000 %	3.0000 %	3.0000 %
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d Leverage ratio buffer requirement (%)	—	—	—
EU 14e Overall leverage ratio requirement (%)	3.0000 %	3.0000 %	3.0000 %
Liquidity Coverage Ratio			
15 Total high-quality liquid assets (HQLA) (Weighted value - average)	8,538,573	7,675,732	7,321,186
EU 16a Cash outflows - Total weighted value	8,908,444	8,763,037	8,540,162
EU 16b Cash inflows - Total weighted value	3,467,424	3,708,220	3,709,129
16 Total net cash outflows (adjusted value)	5,441,019	5,054,816	4,831,033
17 Liquidity coverage ratio (%)	156.5643%	152.0742%	151.8353%
Net Stable Funding Ratio			
18 Total available stable funding	63,687,682	62,533,883	64,024,588
19 Total required stable funding	54,622,821	54,841,752	55,422,760
20 NSFR ratio (%)	116.5954%	114.0260%	115.5204%

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

	06/30/2023	03/31/2023	12/31/2022	09/30/2022	06/30/2022
Available capital (amounts)					
1 Common Equity Tier 1 (CET1) capital	8,177,639	7,792,732	7,952,591	7,772,263	7,894,334
2 Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,150,835	7,765,927	7,925,787	7,745,460	7,840,726
2a CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	8,177,639	7,792,732	7,952,591	7,772,263	7,894,334
3 Tier 1 capital	8,177,639	7,792,732	7,952,591	7,772,263	7,894,334
4 Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,150,835	7,765,927	7,925,787	7,745,460	7,840,726
4a Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8,177,639	7,792,732	7,952,591	7,772,263	7,894,334
5 Total capital	9,217,028	8,881,224	8,815,257	8,700,388	8,874,429
6 Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,190,224	8,854,419	8,788,453	8,673,585	8,820,822
6a Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	9,217,028	8,881,224	8,815,257	8,700,388	8,874,429
Risk-weighted assets (amounts)					
7 Total risk-weighted assets	51,431,549	51,006,378	52,573,562	51,941,615	50,377,953
8 Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	51,406,755	50,981,582	52,548,769	51,916,825	50,328,366
Capital ratios					
9 Common Equity Tier 1 (as a percentage of risk exposure amount)	15.9000%	15.2780%	15.1266%	14.9635%	15.6702%
10 Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.8556%	15.2328%	15.0827%	14.9190%	15.5791%

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

		06/30/2023	03/31/2023	12/31/2022	09/30/2022	06/30/2022
Capital ratios						
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15.9000%	15.2780%	15.1266%	14.9635%	15.6702%
11	Tier 1 (as a percentage of risk exposure amount)	15.9000%	15.2780%	15.1266%	14.9635%	15.6702%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.8556%	15.2328%	15.0827%	14.9190%	15.5791%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15.9000%	15.2780%	15.1266%	14.9635%	15.6702%
13	Total capital (as a percentage of risk exposure amount)	17.9210%	17.4120%	16.7675%	16.7503%	17.6157%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.8775%	17.3679%	16.7244%	16.7067%	17.5265%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17.9210%	17.4120%	16.7675%	16.7503%	17.6157%
Leverage ratio						
15	Leverage ratio total exposure measure	97,270,380	97,374,969	97,091,818	94,732,558	94,489,799
16	Leverage ratio	8.4071%	8.0028%	8.1908%	8.2044%	8.3547%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.3796%	7.9753%	8.1632%	8.1761%	8.2980%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8.4071%	8.0028%	8.1908%	8.2044%	8.3547%

The phase-in Common Equity Ratio – calculated as CET1 capital as a percentage of total risk-weighted assets with the Danish Compromise applied⁹ – amounted to 15.9%, approx. 30 bps higher than at 30 June 2022 (15.7%): retained earnings for the year plus the lower RWAs (which added 65 bps) offset the effects of the Internal Model Investigation (IMI) on the Mediobanca Large Corporate model (which accounted for approx. -45 bps); the higher deductions for the Assicurazioni Generali investment (which accounted for -25 bps) are offset by the ongoing efficiency actions (which together have added a total of 25 bps including the introduction of the new ECAI, the exposures to NPLs being weighted at 100%, and the other optimization actions for counterparty and market risk).

The phase-in Total Capital Ratio with application of the Danish Compromise increased from 17.6% to 17.9%, due to the new nominal €300m subordinated issue, in part offset by prudential amortization of the Tier 2 instruments.

The ratios fully loaded, without application of the Danish Compromise, i.e. with the Assicurazioni Generali stake fully deducted (which accounted for approx. 93 bps, equal to €1,340m), and with full application of the IFRS 9 effect (accounting for 4 bps, or €26.8m), were 14.93% (CET1 ratio) and 17.21% (Total Capital Ratio), higher than at end-June 2022 (14.50% and 16.69% respectively).

⁹ Permanent starting from 2025, as described in Section 2 of this document.

Template EU OV1: Overview on risk-weighted exposures

		RWA		Capital requirements
		a	b	c
		06/30/2023	03/31/2023	06/30/2023
1	Credit risk (excluding CCR)	42,617,107	42,796,695	3,409,369
2	of which the standardised approach	30,692,355	30,029,343	2,455,388
3	of which the foundation IRB (FIRB) approach	—	—	—
4	of which: slotting approach	—	—	—
EU 4a	of which: equities under the simple riskweighted approach	—	—	—
5	of which the advanced IRB (AIRB) approach	11,924,752	12,767,353	953,980
6	Counterparty credit risk - CCR	1,935,774	1,788,587	154,862
7	of which the standardised approach	544,453	457,869	43,556
8	of which internal model method (IMM)	—	—	—
EU 8a	of which exposures to a CCP	11,340	10,258	907
EU 8b	of which credit valuation adjustment - CVA	400,347	430,250	32,028
9	of which other CCR	979,634	890,210	78,371
15	Settlement risk	—	—	—
16	Securitisation exposures in the non-trading book (after the cap)	101,702	92,131	8,136
17	of which SEC-IRBA approach	—	—	—
18	of which SEC-ERBA (including IAA)	43,764	39,810	3,501
19	of which SEC-SA approach	57,938	52,321	4,635
EU 19a	of which 1250%	—	—	—
20	Position, foreign exchange and commodities risks (Market risk)	2,092,828	2,059,778	167,426
21	of which the standardised approach	2,092,828	2,059,778	167,426
22	of which IMA	—	—	—
EU 22a	Large exposures	—	—	—
23	Operational risk	4,684,138	4,269,186	374,731
EU 23a	of which basic indicator approach	4,684,138	4,269,186	374,731
EU 23b	of which standardised approach	—	—	—
EU 23c	of which advanced measurement approach	—	—	—
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	838,382	811,550	67,071
29	Total	51,431,549	51,006,378	4,114,524

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

Template EU INS1: Insurance participations

06/30/2023		
	a	b
	Exposure value	Risk-weighted exposure amount
1 Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	2,032,734	7,521,115

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

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

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

	A	b	c	d	e	f
	Exposures in the banking book		Exposures in the trading book		Exposures in securitisation	Total exposure value
	Exposure value under SA approach	Exposure value under AIRB approach	Sum of long and short positions	Exposure value under internal models		
Italy	24,265,752	21,120,159	146,730	-	1,558,897	47,091,538
United Arab Emirates	14,009	4,689	-	-	-	18,698
Australia	8,154	752	-	-	-	8,906
Austria	8,203	43,695	-	-	-	51,898
Belgium	15,638	50,514	-	-	-	66,152
Bulgaria	730	-	-	-	-	730
Canada	6,904	71,061	-	-	-	77,965
China	3,870	-	-	-	-	3,870
Denmark	325	12,698	59	-	-	13,082
Finland	242	-	87	-	-	329
France	613,639	2,165,029	39,380	-	-	2,818,049
Germany	468,727	716,889	6,804	-	-	1,192,421
Japan	376	-	-	-	-	376
Greece	41,829	-	-	-	-	41,829
Hong kong	67	55,747	-	-	-	55,814
Ireland	213,837	90,071	40,033	-	-	343,941
Iceland	-	-	-	-	-	-
Cayman Islands	1,016	-	16	-	-	1,032
Virgin islands, british	26	69,126	-	-	-	69,152
Luxembourg	219,833	1,021,166	103,156	-	-	1,344,155
Mexico	95,571	-	-	-	-	95,571
Monaco	974,011	68,762	1,885	-	-	1,044,658
Norway	1,484	-	30	-	-	1,514
Netherlands	55,137	720,789	35,135	-	-	811,061
Portugal	18,378	271,567	-	-	-	289,945
United kingdom	1,573,772	736,126	39,831	-	-	2,349,729
Romania	29,760	-	-	-	-	29,760
Russian federation	44,862	-	-	-	-	44,862
Singapore	5,228	0	-	-	-	5,228
Spain	363,245	1,519,069	454	-	-	1,882,767
Sweden	10,692	33,825	13	-	-	44,530
Switzerland	76,967	78,703	58,039	-	-	213,709
Turkey	11,283	17,665	-	-	-	28,948
United states	347,162	1,332,079	577,444	-	-	2,256,684
Other Countries	275,396	592,335	4,213	-	-	871,944
Total	29,766,124	30,792,515	1,053,309	-	1,558,897	63,170,846

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

	g	h	i	j	k	l	m
	Own funds requirement				Risk-weighted exposure amounts	Weighting factors of own fund requirement	Countercyclical coefficient
	of which: generic credit exposures	of which: credit exposures of the trading book	of which: securitisation positions in the banking book	Total			
Italy	2,592,763	9,951	8,136	2,610,850	32,635,623	76.2654%	0.0000%
United Arab Emirates	460	-	-	460	5,750	0.0134%	0.0000%
Australia	523	-	-	523	6,532	0.0153%	1.0000%
Austria	1,629	-	-	1,629	20,363	0.0476%	0.0000%
Belgium	3,727	-	-	3,727	46,582	0.1089%	0.0000%
Bulgaria	42	-	-	42	526	0.0012%	1.5000%
Canada	5,557	-	-	5,557	69,468	0.1623%	0.0000%
China	282	-	-	282	3,520	0.0082%	0.0000%
Denmark	503	5	-	508	6,345	0.0148%	2.5000%
Finland	17	7	-	24	304	0.0007%	0.0000%
France	131,031	332	-	131,363	1,642,040	3.8372%	0.5000%
Germany	55,514	544	-	56,058	700,727	1.6375%	0.7500%
Japan	29	-	-	29	367	0.0009%	0.0000%
Greece	2,798	-	-	2,798	34,980	0.0817%	0.0000%
Hong kong	747	-	-	747	9,335	0.0218%	1.0000%
Ireland	32,991	2,524	-	35,515	443,940	1.0374%	0.5000%
Iceland	0	-	-	0	1	0.0000%	2.0000%
Cayman Islands	81	1	-	82	1,027	0.0024%	0.0000%
Virgin islands, british	849	-	-	849	10,609	0.0248%	0.0000%
Luxembourg	87,447	8,253	-	95,699	1,196,240	2.7955%	0.5000%
Mexico	4,231	-	-	4,231	52,891	0.1236%	0.0000%
Monaco	49,155	-	-	49,155	614,443	1.4359%	0.0000%
Norway	185	2	-	188	2,345	0.0055%	2.5000%
Netherlands	34,889	8,971	-	43,860	548,250	1.2812%	1.0000%
Portugal	12,126	-	-	12,126	151,570	0.3542%	0.0000%
United kingdom	98,412	525	-	98,937	1,236,715	2.8901%	1.0000%
Romania	2,055	-	-	2,055	25,693	0.0600%	0.5000%
Russian federation	2,233	-	-	2,233	27,917	0.0652%	0.0000%
Singapore	147	-	-	147	1,834	0.0043%	0.0000%
Spain	83,693	36	-	83,729	1,046,611	2.4458%	0.0000%
Sweden	2,878	1	-	2,880	35,994	0.0841%	2.0000%
Switzerland	8,074	628	-	8,702	108,779	0.2542%	0.0000%
Turkey	2,045	-	-	2,045	25,566	0.0597%	0.0000%
United states	85,818	3,165	-	88,983	1,112,290	2.5993%	0.0000%
Other Countries	77,024	337	-	77,361	967,007	2.2598%	0.0000%
Total	3,379,956	35,283	8,136	3,423,375	42,792,184	100%	

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

		a
1	Total risk exposure amount (RWA)	51,431,549
2	Specific countercyclical coefficient of the institution	0.0944 %
3	Specific countercyclical capital buffer requirement of the institution	48,545

Section 5 – Financial leverage

Qualitative information

For the financial leverage ratio (the “Leverage Ratio”) introduced by the Basel Committee in 2015, with the introduction of CRR II the European Banking Authority (EBA) has set a binding minimum requirement of 3% starting from 30 June 2021.

The ratio is intended to keep down borrowings and reduce excessive recourse to financial leverage in the banking sector, strengthening the capital ratios through the use of another, non-risk-based indicator; it is calculated as the ratio between regulatory Tier 1 capital and the Group's overall aggregate exposure, which includes assets net of any deductions from Tier 1, off-balance-sheet exposures with credit conversion factors (CCF) applied to them, and specific treatment for operations in derivatives and SFT (this entails netting against the liability where this is provided by the CRM, a specific regulatory add-on for potential future exposures in derivatives and application of the regulatory haircut established for SFT operations).

The ratio is calculated on a quarterly basis, point-in-time, on both an individual and consolidated basis. Averages values for exposures in SFTs with no impact on the ratio (again calculated based on the point-in-time reading) are also required to be provided in the prudential reporting, for information purposes only.

It is also subject to monitoring, and is one of the reference metrics in the Risk Appetite Framework for managing risks and preserving the Group's capital adequacy.

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

- Exposures to transactions in derivative contracts must be valued using the Standardized approach for measuring counterparty credit risk exposures (SA-CCR), and so calculated as the sum between net market value, if positive, and potential future exposure, with the possibility if certain conditions are met of deducting the margin of change in cash;
- For credit derivatives sold, the ratio can be measured on the basis of the gross notional amount rather than at fair value, with the possibility of deducting the changes in fair value recorded through the profit and loss account from the notional amount (as negative components); protection sold can also be offset by protection acquired if given criteria are respected;
- In secured financing transactions real guarantees received cannot be used to reduce the value of the exposure, whereas cash receivables and payables deriving from such transactions can be

netted, provided they have the same counterparty and make reference to the same netting agreement;

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

Quantitative information

The tables below show the readings for the Mediobanca Group leverage ratio as at 30 June 2023, stated in accordance with the principles set forth in CRR/CRR II.

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

		06/30/2023	12/31/2022	06/30/2022
		a	b	c
		Applicable amount		
1	Total assets as per published financial statements	91,639,017	93,737,801	90,414,506
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	(152,827)	(169,479)	(180,983)
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	—	—	—
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	—	—	—
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	—	—	—
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	—	—	—
7	Adjustment for eligible cash pooling transactions	—	—	—
8	Adjustments for derivative financial instruments	(2,013,614)	(2,251,285)	(1,478,101)
9	Adjustment for securities financing transactions (SFTs)	526,191	(167,574)	540,689
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	9,184,648	6,105,925	7,035,436
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	—	—	—
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	(202,676)	(180,754)	(78,305)
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	—	—	—
12	Other adjustments	(1,710,359)	17,183	(1,736,443)
13	Total exposure measure	97,270,380	97,091,818	94,489,799

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

		CRR leverage ratio exposures		
		a	b	c
		06/30/2023	12/31/2022	06/30/2022
On-balance sheet exposures (excluding derivatives and SFTs)				
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	82,899,367	86,118,685	82,109,348
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	8,145	2,125	8,965
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	—	—	—
4	Adjustment for securities received under securities financing transactions that are recognised as an asset	—	—	—
5	(General credit risk adjustments to on-balance sheet items)	—	—	—
6	(Asset amounts deducted in determining Tier 1 capital)	—	—	—
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	82,907,512	86,120,810	82,118,313
Derivative exposures				
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	958,817	1,059,559	1,441,560
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	5,258	13,931	11,308
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1,217,437	1,182,414	1,256,941
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	2,973	4,507	4,800
EU-9b	Exposure determined under Original Exposure Method	222	256	325
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	—	—	—
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	—	—	—
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	—	—	—
11	Adjusted effective notional amount of written credit derivatives	2,834,997	2,647,129	2,199,753
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(2,834,997)	(2,647,129)	(2,199,753)
13	Total derivatives exposures	2,184,708	2,260,667	2,714,934

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

		CRR leverage ratio exposures		
		06/30/2023	12/31/2022	06/30/2022
		a	b	c
Securities financing transaction (SFT) exposures				
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	3,449,318	3,330,628	2,628,037
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(2,377,202)	(2,893,482)	(2,227,262)
16	Counterparty credit risk exposure for SFT assets	2,903,393	2,725,908	2,767,950
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	—	—	—
17	Agent transaction exposures	—	—	—
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	—	—	—
18	Total securities financing transaction exposures	3,975,509	3,163,054	3,168,726
Other off-balance sheet exposures				
19	Off-balance sheet exposures at gross notional amount	15,557,157	12,846,006	15,253,365
20	(Adjustments for conversion to credit equivalent amounts)	(6,908,855)	(6,827,650)	(8,510,366)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	—	—	—
22	Off-balance sheet exposures	8,648,302	6,018,357	6,742,999
Excluded exposures				
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	(202,676)	(180,754)	(78,305)
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	—	—	—
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	—	—	—
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	—	—	—
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	—	—	—
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	(242,974)	(290,316)	(176,867)
EU-22g	(Excluded excess collateral deposited at triparty agents)	—	—	—
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	—	—	—
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	—	—	—
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	—	—	—
EU-22k	(Total exempted exposures)	(445,650)	(471,071)	(255,173)

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

		CRR leverage ratio exposures		
		06/30/2023	12/31/2022	06/30/2022
		a	b	c
Capital and total exposure measure				
23	Tier 1 capital	8,177,639	7,952,591	7,894,334
24	Total exposure measure	97,270,380	97,091,818	94,489,799
Leverage ratio				
25	Leverage ratio	8.4071%	8.1908%	8.3547%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.4071%	8.1908%	8.3547%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.4071%	8.1908%	8.3547%
26	Regulatory minimum leverage ratio requirement (%)	3.0000%	3.0000%	3.0000%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	—	—	—
EU-26b	of which: to be made up of CET1 capital	—	—	—
27	Leverage ratio buffer requirement (%)	—	—	—
EU-27a	Overall leverage ratio requirement (%)	3.0000%	3.0000%	3.0000%
Choice on transitional arrangements and relevant exposures				
EU-27b	Choice on transitional arrangements for the definition of the capital measure	transitional	transitional	transitional
Disclosure of mean values				
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	1,231,464	653,276	1,205,827
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	1,072,116	437,146	400,775
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	97,429,729	97,307,947	95,294,851
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	97,429,729	97,307,947	95,294,851
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.3934%	8.1726%	8.2841%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.3934%	8.1726%	8.2841%

As at 30 June 2023, the leverage ratio calculated in accordance with the provisions of Commission Delegated Regulation 62/2015, and those for defining the measurement of capital (Tier 1 capital with Danish Compromise), was 8.4%, in line with the ratio last year, and again comfortably above the minimum regulatory limit of 3%.

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

		06/30/2023	12/31/2022	06/30/2022
		a	b	c
		CRR leverage ratio exposures		
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	82,548,160	85,733,170	81,902,733
EU-2	Trading book exposures	7,171,850	5,551,678	6,533,642
EU-3	Banking book exposures, of which:	75,376,310	80,181,492	75,369,091
EU-4	Covered bonds	54,246	55,160	75,230
EU-5	Exposures treated as sovereigns	12,414,393	16,338,515	13,967,962
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	125,450	307,776	353,148
EU-7	Institutions	3,678,269	3,520,643	3,249,572
EU-8	Secured by mortgages of immovable properties	13,400,590	13,144,912	12,435,934
EU-9	Retail exposures	15,408,120	15,222,914	14,834,395
EU-10	Corporates	23,203,587	24,187,056	23,025,184
EU-11	Exposures in default	622,347	622,919	751,921
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	6,469,308	6,781,597	6,675,746

Section 6 – Liquidity risk

Qualitative information

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

An adequate liquidity and funding risk management system is fundamental to ensure the stability of the Mediobanca Group and the financial system in general, given that a single bank's difficulties would affect the system as a whole. Fundamental in this connection is the application of liquidity risk management strategies and processes that include suitable diversification of sources and/or counterparties and adequate distribution of loans and applications of funds' maturities over time. The risk governance and management system is developed as part of the Risk Appetite Framework and the risk tolerance levels contained in it. In particular, one of the management objectives contained in the Risk Appetite Framework is to maintain a liquidity position in the short and long term which is adequate to cope with a period of prolonged stress (combining idiosyncratic and systemic stress factors). In accordance with this objective, the Group Liquidity Risk Management Policy (the "Policy") approved by the Board of Directors of Mediobanca S.p.A. stipulates that an adequate level of liquidity reserves, high-quality liquid assets, and highly liquid assets must be maintained in order to cover the cash flows anticipated in the short and medium/long term.

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

- The strategic guidelines, business and financial plans and budgets are defined and approved by the Board of Directors of Mediobanca S.p.A., and constitute, at Group level, the reference framework and restrictions for operations by the units responsible for liquidity and funding risks;
- The policies are revised on the basis of developments in the company's activity and risk profile, as well as the external scenario, and are clearly documented and shared within the Group as a whole;
- All roles and responsibilities for the units and areas involved in the liquidity management and governance process are defined and documented clearly;
- The organizational unit responsible for liquidity governance acts promptly within set, documented limits; the unit responsible for control operates autonomously and independently of the former;
- The liquidity risk management and control process is subdivided in accordance with the Group's organizational structure, and is reviewed regularly to ensure it remains effective over time;

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

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

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

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

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

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

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

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

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

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

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

- Managing directly the liquidity of Mediobanca S.p.A., with responsibility for co-ordinating the liquidity management of the Group companies within the limits of the powers delegated to it;
- Managing the liquidity reserves, guaranteeing consistency with the company's objectives and the regulatory requirements;
- Managing the compulsory reserve for the banks that form part of the Group;
- Co-ordinating the Group companies' funding operations, defining their financial planning;
- Governing the liquidity transfer process within the Group and the internal funds transfer pricing system;
- Managing and monitoring the exposure to liquidity risk at centralized level, and in a "business as usual" scenario, ensuring accurate reporting is provided to the senior management and governing bodies;
- Accessing the refinancing measures (ordinary and extraordinary) prepared by the European central banking system, and performing the role of borrower of last resort for the Group companies.

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

- Ensure the adequacy of the Group's liquidity reserves and solvency both in business as usual and stress conditions;
- Adopt a governance model for risk events (Contingency Funding Plan);
- Ensure diversification of funding sources in terms of instruments, markets, maturities and fund providers;
- Guarantee monitoring and assessment of the adequacy of the exposure to liquidity and funding risk from both a current and forward-looking perspective, including measurement of regulatory metrics in stress scenarios (regulatory perspective) and management metrics (economic perspective), across time horizons both short-term (including intraday) and medium-/long-term;
- Guarantee that the stress testing framework is robust and updated at all times.

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

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

From an earnings perspective, the metric adopted for monitoring over time horizons longer than intra-day is the net liquidity position, obtained from the sum of the Counterbalancing Capacity (defined as the cash, securities and receivables eligible for refinancing with the ECB) and cumulative net cash flows.

The system of limits is structured on the basis of the normal course of business up to a time horizon of three months, of systemic stress (one month), and of combined stress (45 days), which functions as an early warning system in cases where the limit is approached in normal conditions. The short-term liquidity monitoring is supplemented by stress testing which assumes three different scenarios (specific, systemic, and combined) defined in the Policy and described in Part E of the Notes to the Accounts.

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

The Policy also establishes that liquidity risk is monitored over a medium-/long-term time horizon by adopting gap analysis, which, from an earnings perspective, serves to ensure "that the structure has an adequate financial balance for maturities of more than twelve months. Maintaining an appropriate ratio between assets and liabilities in the medium/long term also serves the purpose of avoiding future pressures in the short term as well. The operating methods adopted involve analysing the maturity profiles for both assets and liabilities over the medium and long term checking that assets with durations which are longer than the relevant time bucket are adequately financed by liabilities which also have durations longer than the bucket itself is.

From a regulatory perspective, the monitoring metric adopted for the medium/long term is the Net Stable Funding Ratio (NSFR). This indicator measures the Group's ability to hold funding which is

sufficient in both qualitative and quantitative terms to cover its lending exposures over a time horizon of one year, assuming specific stress conditions established by the regulations in force, which stipulate a minimum compulsory requirement that must be complied with.

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

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

The objective of the Contingency Funding Plan is to ensure prompt implementation of effective action to tackle a liquidity crisis, through precise identification of stakeholders, powers, responsibilities, communication procedures and reporting criteria, intended to increase the likelihood of coming through the state of emergency successfully. This objective is achieved primarily by activating an extraordinary operational and liquidity governance model, supported by consistent internal and external reporting and a series of specific indicators.

In order to identify a “contingency” state in timely manner, a system of early warning indicators (EWIs) has been prepared, to monitor situations that could lead to deterioration in the Group's liquidity position deriving from external factors and/or from situations which are specific to the Banking Group itself. The EWI system allows the reference operating scenario to be identified (known as stress or crisis states). Monitoring and internal communication processes are adopted to manage and resolve each state. These processes are consistent with those provided for in the Recovery Plan. The Contingency Plan identifies the actions to be taken to ensure the continuity of the Bank and to restore the liquidity position to within internal limits.

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

Based on the information provided thus far, while the Policy outlines the liquidity risk internal control and management system from a strategic and methodological standpoint, and represents the intentions of the Board of Directors which approve it, the ILAAP process, introduced pursuant to Article 86 of Directive 2013/36/EU, imposes the obligation to carry out a self-assessment of the adequacy of this system and the liquidity profile that derives from it. The governing bodies of the

Mediobanca Group approved the Liquidity Adequacy Statement (LAS), as part of the ILAAP, i.e. the main evidence to emerge from the self-assessment of adequacy of the liquidity position, taking into account both quantitative factors, as expressed through the key indicators, and qualitative factors, stating the adequacy of its liquidity risk management and liquidity position. The statement also highlights the resilience of both the rules governing liquidity risk and the procedures that can be activated in the event of adverse stress scenarios actually materializing. Based on qualitative and quantitative analysis, performed also in stress scenarios, the competent authority has been informed that the current and future liquidity position is consistent with the strategies, risk tolerance and business model established by the governing bodies.

Quantitative information

As at 30 June 2023 eligible reserves held at the European Central Bank totalled €16.6bn, €12.5bn of which in securities exchangeable for cash by the ECB; the balance of the collateral established at the European Central Bank amounted to approx. €12bn, some €6.4bn of which available in cash but not used. Approx. 59% of the Group's available liquidity reserves consist of HQLA, in part due to temporary payments of excess liquidity in the form of free deposits at the ECB. The TLTRO repayments made during the year freed up credit assets which were added to the Counterbalancing Capacity.

Scope of consolidation (consolidated)	Unencumbered (net of haircuts)	
Currency and units (million Euro)	06/30/2022	06/30/2023
TOTAL GROUP LIQUIDITY RESERVES	14,698	16,606
Total high-quality liquid assets (HQLA)	9,027	9,728
Cash and deposits held with central banks (HQLA)	7,316	4,076
Highly liquid securities (HQLA)	1,711	5,652
of which:		
Level 1	1,711	5,625
Level 2	—	0,027
Other eligible reserves	5,670	6,878

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

Moving onto the regulatory perspective, the European Union introduced a minimum short-term coverage requirement, the Liquidity Coverage Ratio (the "LCR"), under Commission Delegated Regulation (EU) No. 2015/61, as supplemented/amended (minimum level 100% since 1 January 2018). The following table shows the quantitative information on the Group's Liquidity Coverage Ratio (LCR), measured in accordance with the EU regulations (CRR and CRD IV) and subject to monthly reporting to the competent supervisory authority (this indicator includes the prudential estimate of "additional liquidity outflows for other products and services" in accordance with Article 23 of Commission Delegated Regulation (EU) No. 2015/61. The data shown is calculated as the simple average of the month-end readings recorded in the twelve months prior to the end of each quarter.

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

Currency and units (XXX million)		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	06/30/2023	03/31/2023	12/31/2022	09/30/2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)				
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	20,947	20,914	20,918	20,697
3	Stable deposits	12,071	12,207	12,340	12,392
4	Less stable deposits	8,081	8,211	8,320	8,239
5	Unsecured wholesale funding	7,026	7,365	7,376	7,195
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—
7	Non-operational deposits (all counterparties)	6,666	6,871	6,883	6,709
8	Unsecured debt	360	494	492	486
9	Secured wholesale funding				
10	Additional requirements	10,162	10,016	9,685	9,337
11	Outflows related to derivative exposures and other collateral requirements	437	399	376	348
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	9,725	9,617	9,309	8,989
14	Other contractual funding	2,258	2,075	1,964	1,927
15	Other contingent funding obligations	3,965	4,323	4,595	4,563
16	TOTAL CASH OUTFLOWS				
CASH – INFLOWS					
17	Secured lending (e.g. reverse repos)	2,124	2,426	2,780	3,197
18	Inflows from fully performing exposures	2,019	1,987	2,002	1,949
19	Other cash inflows	2,198	2,207	2,158	2,050
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	TOTAL CASH INFLOWS	6,342	6,620	6,940	7,196
EU-20a	Fully exempt inflows	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—
EU-20c	Inflows subject to 75% cap	6,229	6,507	6,807	7,101
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER				
22	TOTAL NET CASH OUTFLOWS				
23	LIQUIDITY COVERAGE RATIO (%)				

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

Currency and units (XXX million)		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	06/30/2023	03/31/2023	12/31/2022	09/30/2022
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	9,479	9,058	8,539	7,676
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	1,699	1,684	1,680	1,679
3	Stable deposits	604	610	617	620
4	Less stable deposits	1,095	1,074	1,063	1,059
5	Unsecured wholesale funding	3,668	3,860	3,868	3,810
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	—	—	—	—
7	Non-operational deposits (all counterparties)	3,309	3,366	3,376	3,324
8	Unsecured debt	360	494	492	486
9	Secured wholesale funding	380	524	610	644
10	Additional requirements	1,860	1,853	1,814	1,836
11	Outflows related to derivative exposures and other collateral requirements	437	399	363	316
12	Outflows related to loss of funding on debt products	—	—	—	—
13	Credit and liquidity facilities	1,423	1,454	1,452	1,520
14	Other contractual funding	815	629	565	452
15	Other contingent funding obligations	345	380	371	343
16	TOTAL CASH OUTFLOWS	8,767	8,929	8,908	8,763
CASH - INFLOWS					
17	Secured lending (e.g. reverse repos)	347	587	869	1,174
18	Inflows from fully performing exposures	1,497	1,482	1,501	1,460
19	Other cash inflows	1,038	1,076	1,097	1,074
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	—	—	—	—
EU-19b	(Excess inflows from a related specialised credit institution)	—	—	—	—
20	TOTAL CASH INFLOWS	2,882	3,145	3,467	3,708
EU-20a	Fully exempt inflows	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—
EU-20c	Inflows subject to 75% cap	2,882	3,145	3,467	3,708
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER	9,479	9,058	8,539	7,676
22	TOTAL NET CASH OUTFLOWS	5,885	5,785	5,441	5,055
23	LIQUIDITY COVERAGE RATIO (%)	161.0830%	156.4409%	156.5643%	152.0742%

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

The LCR has remained stable at an average value of approx. 161% in the past twelve months, in line with the regulatory limits and risk appetite expressed by the governing bodies. The annual average result is in line with the target internal value and risk appetite expressed by the governing bodies. This stability has been achieved through careful management by Group Treasury. Group Treasury manages a portfolio consisting of HQLAs made up of reserves held with the ECB and high-quality debt securities and equities. The division, as mentioned previously, carries out active and centralized management of these portfolios, directed by internal estimate tools. From a forward-looking perspective, Group Risk Management makes an estimate of the capital required to cover the liquidity, and Group Treasury, using primarily securities financing transactions to use or gather high-quality assets, brings the estimated value back nearer the internal target.

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

The adequacy of the structure and cost of funding, which is defined from a forward-looking perspective through the Funding Plan, is assured through ongoing diversification. The Group's main sources of funding are: (i) deposits from the domestic retail market, (ii) funding from institutional clients, split between collateralized (secured financing transactions, covered bonds and ABS) and non-collateralized (debt securities, CD/CP, and deposits from institutional clients); and (iii) refinancing operations with the Eurosystem. As for the liquidity reserves, we have already shown the effectiveness deriving from maintaining them at an adequate level. The average level of high quality liquid assets (Level 1) immediately available to the Group amounted to €9.4bn, and for the twelve months, and

primarily consists of the available liquid reserves held with the European Central Bank, which together represent on average 99 % of the HQLAs.

This level of HQLAs includes:

- A share covering potential outflows that might result from exposures in derivatives and the collateral calls that might potentially derive from them. The Mediobanca Group executes derivative contracts (both with central counterparties and OTC) sensitive to different risk factors. Changes in market conditions, influencing potential future exposures to such derivative contracts, could introduce commitments in terms of liquidity which would require collateral to be paid in cash or other financial instruments in the event of adverse market movements occurring. The Historical Look Back Approach is adopted in order to quantify any increases in the collateral required;
- A share of the HQLAs is maintained in USD, to meet potential risks related to currency conversion. In order to manage and monitor possible misalignments between different currencies, the Group carries out regular checks to assess if the liabilities held in a given foreign currency are equal to or higher than 5% of the total liabilities. Breach of this limit set by Regulation (EU) No. 575/2013, for a given currency implies that the currency concerned is "significant" and obliges the entity to calculate the LCR in that currency. As at 30 June 2023, the Mediobanca Group had two such "significant" currencies at consolidated level, namely the Euro (EUR) and the US Dollar (USD). Monitoring of possible currency misalignments between liquid assets and net cash outflows shows that the Group is easily capable of managing any such imbalances, in part through holding HQLA in USD as mentioned above, and in part as a result of its ability to tap the FX market easily in order to transform excess liquidity in EURO into USD.

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

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

The ratio as at 30 June 2023 stood at 119.3%, higher than the regulatory limit of 100%, and higher than at end-June 2022 (115.5%).

Compared to the situation at end-June 2022, the LCR has preserved stability on the liability side as the TLTRO repayments and downward trend in Wealth Management deposits were offset by the increase in debt securities; on the asset side, the ratio benefited from the increase in free assets as a result of the reduction in secured funding with the European Central Bank.

In more detail, the short-term funding sources consist primarily of client deposits, mostly Retail and Wealth Management, while the main contributions to medium-/long-term funding come from own funds, the Group's own issues outstanding, and the interbank channel sources. The stable funding requirements consist primarily of loans disbursed to clients and the more illiquid balance-sheet components, such as non-HQLAs. Conversely, applications of short-term funding in repos, deposits with central banks and HQLAs entail less material funding requirements because they are more liquid.

The significant improvement in the ratios at a structural level is evidence of the Mediobanca Group's ability to select its funding sources carefully, from both a quantitative perspective (in order to ensure that its lending exposures are covered adequately) and a qualitative perspective (to ensure that the ratio is optimized), showing it is able to raise the funds necessary in order to meet its future exposures even in the event of changes to market conditions.

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

(in currency amount)		06/30/2023				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	10,613,457	—	—	1,395,358	12,008,815
2	Own funds	10,613,457	—	—	1,039,389	11,652,846
3	Other capital instruments		—	—	355,969	355,969
4	Retail deposits		20,761,206	228,171	1,168,048	20,649,623
5	Stable deposits		11,822,376	357	—	11,231,596
6	Less stable deposits		8,938,830	227,814	1,168,048	9,418,027
7	Wholesale funding:		15,088,786	4,970,749	22,900,311	29,347,692
8	Operational deposits		—	—	—	—
9	Other wholesale funding		15,088,786	4,970,749	22,900,311	29,347,692
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	2,306,140	4,749,311	664,546	1,338,886	1,671,159
12	NSFR derivative liabilities	2,306,140				
13	All other liabilities and capital instruments not included in the above categories		4,749,311	664,546	1,338,886	1,671,159
14	Total available stable funding (ASF)					63,677,289

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

(in currency amount)		06/30/2023				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					837,869
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	5,347,170	4,545,094
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		14,118,453	4,951,549	40,290,009	41,931,942
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		2,386,300	367,295	—	294,436
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		1,849,321	471,711	2,882,456	3,331,514
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		6,447,335	3,145,389	22,920,889	31,303,132
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	6,376,656
22	Performing residential mortgages, of which:		629,835	289,933	7,305,920	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		629,835	289,933	7,305,920	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		2,805,662	677,221	7,180,744	7,002,861
25	Interdependent assets		—	—	—	—
26	Other assets:	—	6,445,725	76,440	3,451,750	5,571,297
27	Physical traded commodities				57,878	49,197
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		603,719	—	119,673	614,884
29	NSFR derivative assets		—			—
30	NSFR derivative liabilities before deduction of variation margin posted		3,839,324			191,966
31	All other assets not included in the above categories		2,002,682	76,440	3,274,198	4,715,250
32	Off-balance sheet items		455,248	441,116	8,669,575	478,345
33	Total RSF					53,364,548
34	Net Stable Funding Ratio (%)					119.3251%

Template EU LIQ2: Net Stable Funding Ratio (1/2) – 3/31/23

(in currency amount)		03/31/2023				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	9,085,961	—	—	1,399,021	10,484,982
2	Own funds	9,085,961	—	—	1,084,133	10,170,094
3	Other capital instruments		—	—	314,888	314,888
4	Retail deposits		20,087,376	309,241	1,043,068	19,995,878
5	Stable deposits		11,910,995	6,093	866	11,322,100
6	Less stable deposits		8,176,381	303,148	1,042,201	8,673,778
7	Wholesale funding:		16,599,572	6,324,359	22,643,013	29,695,220
8	Operational deposits		—	—	—	—
9	Other wholesale funding		16,599,572	6,324,359	22,643,013	29,695,220
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	2,791,480	4,500,248	554,138	1,025,495	1,302,564
12	NSFR derivative liabilities	2,791,480				
13	All other liabilities and capital instruments not included in the above categories		4,500,248	554,138	1,025,495	1,302,564
14	Total available stable funding (ASF)					61,478,643

Template EU LIQ2: Net Stable Funding Ratio (2/2) - 3/31/23

(in currency amount)		03/31/2023				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
No maturity	< 6 months	6 months to < 1yr	≥ 1yr			
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					578,604
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	5,347,077	4,545,015
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		11,630,718	6,121,784	42,333,131	43,646,685
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		1,890,000	937,835	—	477,711
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		1,385,637	550,309	3,091,778	3,507,675
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		5,173,576	3,896,174	24,415,638	32,513,474
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	6,618,172
22	Performing residential mortgages, of which:		411,668	335,039	7,511,660	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		411,668	335,039	7,511,660	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		2,769,836	402,426	7,314,055	7,147,825
25	Interdependent assets		—	—	—	—
26	Other assets:	—	6,824,809	75,119	1,735,107	3,910,882
27	Physical traded commodities				—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		708,809	—	704,417	704,417
29	NSFR derivative assets		—			—
30	NSFR derivative liabilities before deduction of variation margin posted		3,949,185			197,459
31	All other assets not included in the above categories		2,166,815	75,119	1,615,190	3,009,006
32	Off-balance sheet items		1,787,729	337,806	7,994,237	506,043
33	Total RSF					53,187,229
34	Net Stable Funding Ratio (%)					115.5891%

Template EU LIQ2: Net Stable Funding Ratio (1/2) - 12/31/22

(in currency amount)		12/31/2022				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	9,216,446	—	—	1,098,932	10,315,378
2	Own funds	9,216,446	—	—	809,316	10,025,763
3	Other capital instruments		—	—	289,616	289,616
4	Retail deposits		20,928,514	288,050	959,830	20,666,995
5	Stable deposits		12,240,008	5,140	891	11,633,782
6	Less stable deposits		8,688,506	282,910	958,939	9,033,213
7	Wholesale funding:		17,081,666	6,449,393	23,961,268	31,524,504
8	Operational deposits		—	—	—	—
9	Other wholesale funding		17,081,666	6,449,393	23,961,268	31,524,504
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	2,753,375	3,963,025	171,107	1,095,251	1,180,804
12	NSFR derivative liabilities	2,753,375				
13	All other liabilities and capital instruments not included in the above categories		3,963,025	171,107	1,095,251	1,180,804
14	Total available stable funding (ASF)					63,687,682

Template EU LIQ2: Net Stable Funding Ratio (2/2) - 12/31/22

(in currency amount)		12/31/2022				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					565,647
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	5,348,365	4,546,111
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		11,414,384	5,986,222	43,293,845	44,775,036
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		2,061,908	595,310	318,105	685,259
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		973,107	672,320	3,299,830	3,732,129
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		4,679,328	4,051,142	24,948,705	33,039,080
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	6,611,648
22	Performing residential mortgages, of which:		403,631	346,091	7,327,016	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		403,631	346,091	7,327,016	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		3,296,410	321,358	7,400,188	7,318,568
25	Interdependent assets		—	—	—	—
26	Other assets:	—	5,707,066	76,837	2,541,048	4,240,553
27	Physical traded commodities				—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		677,961	—	131,615	688,140
29	NSFR derivative assets		—			—
30	NSFR derivative liabilities before deduction of variation margin posted		4,005,738			153,779
31	All other assets not included in the above categories		1,023,367	76,837	2,409,433	3,352,127
32	Off-balance sheet items		1,414,754	518,630	7,976,108	495,475
33	Total RSF					54,622,821
34	Net Stable Funding Ratio (%)					116.5954%

Template EU LIQ2: Net Stable Funding Ratio (1/2) - 9/30/22

		09/30/2022				
(in currency amount)		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	9,405,171	—	—	1,099,072	10,504,243
2	Own funds	9,405,171	—	—	874,937	10,280,108
3	Other capital instruments		—	—	224,135	224,135
4	Retail deposits		20,849,621	229,216	682,308	20,262,894
5	Stable deposits		12,189,683	2,974	1,195	11,584,220
6	Less stable deposits		8,659,938	226,242	681,113	8,678,674
7	Wholesale funding:		16,027,204	4,218,994	24,199,643	30,578,718
8	Operational deposits		—	—	—	—
9	Other wholesale funding		16,027,204	4,218,994	24,199,643	30,578,718
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	2,751,344	4,066,365	—	1,188,027	1,188,027
12	NSFR derivative liabilities	2,751,344				
13	All other liabilities and capital instruments not included in the above categories		4,066,365	—	1,188,027	1,188,027
14	Total available stable funding (ASF)					62,533,883

Template EU LIQ2: Net Stable Funding Ratio (2/2) - 9/30/22

(in currency amount)		09/30/2022				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					658,627
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		—	—	6,230,163	5,295,638
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		11,615,385	5,020,115	41,429,492	43,330,296
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		1,743,545	49,798	512,247	545,940
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		2,062,505	183,597	3,327,396	3,614,210
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		4,824,343	3,806,529	24,687,739	32,047,009
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		—	—	—	5,549,670
22	Performing residential mortgages, of which:		327,066	444,138	5,906,432	—
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		327,066	444,138	5,906,432	—
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		2,657,926	536,054	6,995,678	7,123,138
25	Interdependent assets		—	—	—	—
26	Other assets:	—	6,365,056	79,527	2,864,772	5,055,492
27	Physical traded commodities				—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,046,632	—	136,723	1,005,852
29	NSFR derivative assets		—			—
30	NSFR derivative liabilities before deduction of variation margin posted		4,070,035			203,502
31	All other assets not included in the above categories		1,248,390	79,527	2,728,049	3,846,138
32	Off-balance sheet items		1,146,795	793,617	7,993,567	501,699
33	Total RSF					54,841,752
34	Net Stable Funding Ratio (%)					114.0260%

Section 7 – Credit risk

7.1 General information

Qualitative information

The Group¹⁰ is distinguished by its prudent approach to risk, which is reflected in the fact that its NPL levels are extremely low compared to the rest of the Italian panorama.¹¹ The low levels of NPLs on the Bank's book is at least in part due to management of them, techniques in which include the use of different options typically available, such as disposals (of both individual assets and portfolios), collateral enforcement activity, and negotiating restructuring agreements.

The Group uses a single definition for all the following instances: "default" as defined by the regulations on regulatory capital requisites; "non-performing", used for the supervisory reporting statistics; and Stage 3, or "credit-impaired", assets as defined by the accounting standards in force. In so doing, account has been taken of the provisions contained in the following documents: EBA Guidelines on the application of the definition of default (EBA/GL/2016/07), Commission Delegated Regulation (EU) 2018/171 of 19 October 2017, and Regulation (EU) 2018/1845 of the ECB of 21 November 2018. In line with these principles, instances of assets which qualify as "non-performing" include:

- Exposures identified using the 90 days past due principle, based on which the regulations referred to above have standardized the calculation criteria in use at EU level (in particular with reference to the applicable materiality thresholds, and the irrelevance of which instalment in particular is established as being past due for purposes of the calculation);
- Cases in which the credit obligation has been sold, leading to material losses in relation to the credit risk;
- Distressed restructuring, i.e. restructuring the debt of a borrower who is in or is about to encounter difficulties in meeting their own financial obligations, that imply a significantly reduced financial obligation;

¹⁰ The following subsidiaries of Group Legal Entities are excluded from the prudential scope of application: Compass RE (reinsurance business), Compass Rent, MBContact Solutions and RAM UK (other companies).

¹¹ As at 30 June 2023 the Mediobanca Group had a Finrep Gross NPL ratio of 2.5%, a slight improvement on last year (2.6%), and confirming the Group's positioning in line with the domestic market (source: EBA Risk Dashboard, 1Q 2023, AQT_3.2).

- Cases of bankruptcy or other systems of protection covering all creditors or all unsecured creditors, the terms and conditions of which have been approved by a judge in a court of law or another competent institution;
- Instances identified through other indicators of a borrower being unlikely to pay, such as the enforcement of guarantees, exceeding of given financial leverage ratios, negative evidence in information systems such as central credit databases, or the borrower's sources of income suddenly becoming unavailable.

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

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

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

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

The former case, defined here as a commercial renegotiation, recurs at the point where the client might look to end the relationship, as a result of its own high credit standing and of favourable market conditions. In a situation such as this, changes can be made at the client's initiative or on a preventative basis with a view to maintaining the relationship with the client by improving the commercial terms offered, without having to forfeit a satisfactory return on the risk taken and in compliance with the general strategic objectives set (e.g. in terms of target customers).

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

For an exposure to be classified as forborne, the Group assesses whether or not such concessions (typically rescheduling expiry dates, suspending payments, refinancings or waivers to covenants) occur as a result of a situation of difficulty which can be traced to the accumulation, actual or potential (in the latter case if the concessions are not granted), of more than thirty days past due. Assessment of the borrower's financial difficulties is based primarily on individual analysis carried out as part of Corporate Banking and Leasing business, whereas certain predefined conditions apply in the case of consumer credit activities (e.g. observation of the number of credit lines granted) and real estate loans (e.g. whether the borrower has been made unemployed, cases of serious illness and/or divorce and separation). In line with the recommendations made by the European Central Bank in its Letter to Significant Institutions on 4 December 2020, assessment of the borrower's financial difficulties takes into account cases where market conditions have changed significantly in a way that could impact upon the borrower's ability to repay.

7.1.1 Description of the methodologies used to determine loan loss provisions

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

The internal rating models are the baseline instrument for establishing the risk parameters to be used in calculating expected losses, subject to the regulatory indicators in particular being adjusted for aspects which are not suitable to be used directly in an accounting environment (e.g. in some cases reconvert the data to reflect a point-in-time approach). Under IFRS 9, expected losses are calculated from the product of the PD, LGD and EAD metrics. The calculation is based on the outstanding duration of the instruments for which there has been a significant increase in credit risk ("Stage 2") or which show objective signs of impairment ("Stage 3"), and on a time horizon of twelve months for the instruments not included in the previous two categories ("Stage 1"). For off-balance-sheet exposures, credit conversion factors are used to calculate the expected losses, derived from application of the internal models; if there are no specific models, the factors associated with the standard EAD calculation are used.

The Group adopts qualitative and quantitative criteria to establish whether there has been a significant increase in credit risk, using backstop indicators, such as accounts which are thirty or more days overdue or have been classified as forborne, to assess whether or not they should be treated as Stage 2. Cases of low-risk instruments at the recording date are identified, compatible

with classification as Stage 1 (low credit risk exemption), where there is a BBB- rating on the Standard & Poor's scale, or a corresponding internal PD estimate.

As required by IFRS 9, a change in forward-looking twelve-month PD is used as the benchmark quantitative metric for identifying positions to be classified as Stage 2. The Group verifies that twelve-month PD is a reasonable proxy of increases in risk on a lifetime basis.¹² The change in PD for an exposure to be transferred to Stage 2, and the qualitative aspects observed, are specific for each Group Legal Entity.

Both exposures that are non-performing and those that are still compatible with being classified as performing may be classified as forborne. However, as stated in the previous sections, a position being assigned the status of "forborne" is incompatible with its being treated as Stage 1. For this reason, the minimum periods of time that an exposure can be assigned "forborne" status stipulated in the regulations in force on supervisory statistical reporting are reflected in the prudent transitions between Stages 1, 2 and 3. For instance, when concessions have been made in respect of exposures at Stage 2, the exposures in question cannot return to Stage 1 in less than two years, in line with the minimum duration of two years provided for the "forborne performing exposure" status (during this period, the status can only be downgraded to reflect the exposure's transition to non-performing). Similarly, exposures in Stage 3 cannot be returned to Stage 1 in less than three years, in line with the requirement for "non-performing forborne exposure" to retain this status for at least one year, followed (unless the non-performing status requires to be prolonged) by the minimum duration of two years for the "forborne performing exposure" status.

To return to Stage 1, exposures must give proof of having fully recovered their credit quality and the conditions requiring them to be classified as "forborne" must have ceased to apply. Accordingly, the monitoring to detect any new needs for exposures to transition back to Stages 2 or 3 is no different from the monitoring reserved to exposures which have not moved from Stage 1. Nonetheless, "forborne" exposures that have returned from Stage 3 to Stage 2 are subject to enhanced monitoring, for which, if there is a delay of more than thirty days in payment or if a new forbearance measure is applied, the exposure concerned returns immediately to Stage 3 on prudential grounds.

The provisioning reflects the sum of the expected credit losses (over a time horizon of twelve months, or using a lifetime approach,¹³ depending on which stage it is classified in), discounted at the effective interest rate.

The expected credit loss is the result of the combined valuation of three scenarios, one baseline and two alternative scenarios defined on a statistical basis. The scenarios, determined at Group

¹² During the course of 2022, the supervisory authority performed a specific review of the parent company's corporate loan book, analysing in particular the quantitative aspects relating to the IFRS 9 area. Based on the results of this review, methodological fine-tuning activities are in progress to refine the Low Credit Risk Exemption criteria and to transition towards a life-time approach to valuing SICR. The changes identified will be introduced gradually during the course of the new financial year.

¹³ The lifetime approach considers the exposure's contractual expiry wherever possible. For products which have no contractual expiry date, such as credit cards, bills of exchange, uncommitted credit lines, current accounts or overdrafts on current account), the calculation is made based on a time horizon of twelve months.

level, are revised at least once every six months. In particular, the Group defines the estimates for the scenarios, compiling the earnings variables by customizing an external macroeconomic model.

The weightings of the scenarios used to determine the ECLs have been set at 50% for the baseline scenario and 25% for the alternative scenarios; these levels have been quantified analytically based on historical analysis.

In view of the main assumption whereby the base scenario features a level of inflation that remains stably very high, and in consideration of the fact that the impact will be distributed unevenly across the various product areas, the Mediobanca Group has decided, to set aside additional provisions, or "overlays", in line with the policy adopted during the previous financial year. Unlike last year, which was still impacted by the effects of the ongoing pandemic, this year's overlays have been applied to the Corporate portfolio (including Factoring and Leasing) in sectors that are particularly exposed to inflationary pressures, in order to detect any peaks in terms of risk with reference to individual industrial sectors that the quantitative picks up only on average. The overlays have also been maintained for the retail (Consumer Finance and mortgage lending) to combat the uncertainties of the macroeconomic scenario, in continuity with last year.

In order to calculate the ECLs, sensitivity analysis has also been carried out for alternative macroeconomic scenarios, in order to measure how forward-looking factors can influence the expected losses in different scenarios based on consistent estimates of how different macroeconomic factors are likely to develop. This is because the potentially infinite number of interrelations between individual microeconomic factors means that sensitivity analysis of expected losses based on a single macroeconomic factor are relatively insignificant. In particular, the impact has been estimated in terms of ECL of applying the risk parameters obtained respectively from the adoption of a baseline scenario and two alternative scenarios, mild-positive and mild-negative, determined based on historical statistical series.

The analysis has covered the exposures for the Group's main portfolios: the Wholesale Banking portfolio of Mediobanca S.p.A. and Mediobanca International, the Private Banking portfolio of Mediobanca, the mortgages disbursed in Italy by CheBanca!, consumer credit operations by Compass, factoring business for MBFACTA, and leasing for SelmaBipiemme. The ECL calculated in the event of the baseline scenario materializing reflects a change of -0.2% compared to the ECL pre-overlay. Calculated in the event of the mild-negative (mild-positive) scenario occurring, the ECL would be +5.1% (-4.8%) relative to the ECL post-overlay.

In the event of each of the mild-negative, baseline and mild-positive scenarios materializing with certainty, the change in the percentage of the exposure classified as Stage 2 out of the total

performing exposure (gross carrying amount, including both on-balance-sheet and off-balance-sheet items), is +0.90%, +0.04% and -0.16% relative to the figure stated in the accounts respectively.

7.1.2 Details per business segment

Corporate lending

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

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

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

Loans originated by the business divisions are assessed by the Risk Management unit and regulated in accordance with the powers deliberated and the policy for managing most significant transactions, through the different operating levels.

The Credit Risk Management unit also carries out a review of the ratings assigned to the counterparties at least once a year. Approved limits must also be confirmed by the approving body with the same frequency.

The Expected Credit Loss is calculated individually for non-performing items and based on PD and LGD indicators for the performing portfolio. For individual provisioning, valuations based on

discounted cash flows and balance-sheet multiples are applied to businesses which constitute going concerns, while asset valuations are used for companies in liquidation. For provisioning in respect of performing loans, the PD parameters are obtained starting from through-the-cycle matrices used to develop the internal rating model, which are then converted to point-in-time versions. The LGD readings are calculated based on the modelling used for the regulatory calculation, with the downturn effect removed. The forward-looking component of the models is factored in by applying the macroeconomic scenarios defined internally to the risk indicators.

In terms of monitoring the performance of individual credit exposures, Mediobanca has adopted an early warning methodology to identify a list of counterparties (known as the “watchlist”) requiring in depth analysis on account of their potential or manifest weaknesses. The exposures identified are then classified by level of alert (amber or red for performing accounts, black for non-performing items) and are reviewed regularly to identify the most appropriate mitigation actions to be taken. The watchlist is also used to provide qualitative information regarding allocation to Stage 2, which includes counterparties classified as “amber” or “red” for watchlist purposes. All forborne positions are subject to specific monitoring, and revisions to the classification of single names are also possible, based on internal decisions supported by individual analysis.

Leasing

Individual applications are processed using similar methods to those described above for Corporate Banking. Applications for smaller amounts are approved using a credit scoring system developed on the basis of historical series of data, tailored to both asset type and the counterparty's legal status (type of company).

The activities of analysis, disbursement, monitoring, and credit risk control are significantly supported by the company's information system; the asset being leased is also subject to a technical assessment.

With a view to aligning risk management with the current complex financial and market scenario, the approval rights have also been revised and the measurement and control processes enhanced through the institution of regular valuations of performing loans, including from an early warning (i.e. watch list) perspective. Sub-standard accounts are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account concerned.

The quantification of provisions for non-performing accounts requires individual analysis to establish the estimated loss, taking into account inter alia the value of the assets resulting from regularly updated expert valuations, revised downwards on a prudential basis, and/or any other form of collateral. Scenarios for sales strategies are also factored in. The portfolio of performing accounts is measured on the basis of internal PD and LGD parameters. To define the PD parameters, through-the-cycle transition matrices for the management models based on internal data are used, which are then converted to point-in-time versions. The forward-looking component is factored in by applying the macroeconomic scenarios defined internally. The LGD estimates for the exposures differ according to type of product (vehicle leasing, core goods, yachts and property), and are subjected to the same macroeconomic scenarios defined internally to obtain forward-looking data.

In terms of criteria for reclassification of leases to Stage 2, in addition to the positions identified using the quantitative criterion of an increase in the PD, the forbore performing positions, or those more than thirty days past due, the evidence obtained from the Parent Company's Amber and Red watchlists for Corporate clients is used as qualitative information.

Consumer Finance

Consumer credit operations are performed primarily by Compass Banca, where applications for finance are approved on the basis of a credit scoring system tailored to individual products. The scoring grids have been developed from internal historical series, enhanced by data provided by central credit bureaux. Points of sale are linked electronically to the company's headquarters, to ensure that applications and credit scoring results are processed and transmitted swiftly. Under the system of powers for approval assigned by the company's Board of Directors, for increasing combinations of amount and expected loss, approval is required by the relevant bodies at headquarters, in accordance with the authorization levels established by the Board of Directors.

From the first instance of non-payment, accounts are managed using the entire range of recovery procedures, including postal and telephone reminders, external recovery agents, or legal recovery action; during the year, Compass reinforced its NPE early detection criteria in that, in the event of minor signals such as a deferral (which is always treated as forbearance) or slight but repeated delays in conjunction with negative evidence found in external databases, the position is classified as being in default in accordance with the "unlikeliness to pay" principle. After six unpaid instalments (or four unpaid instalments in particular cases, such as credit cards), accounts are held to be officially in default, and the client is deemed to have lapsed from the time benefit allowed under Article 1186 of the Italian Civil Code. As from the six months after such lapse has been established, accounts for which legal action has been ruled out on the grounds of being uneconomic are sold via competitive procedures to factoring companies, for a percentage of the value of the principal outstanding, which reflects their estimated realizable value.

Provisioning is determined collectively on the basis of PD, LGD and CCF metrics which are estimated using internal models. To estimate the PD and LGD parameters and for purposes of calculating the lifetime losses, through-the-cycle transition matrices are used. The matrices have been calculated separately by product type, according to the specific internal management process involved (e.g. credit cards, both revolving and non-revolving, special purpose loans, low-risk personal loans, high-risk personal loans, small tickets and salary-backed finance to public entities, private individuals or pensioners). Once the parameters unaffected by recent historical evidence have been obtained, the forward-looking component is factored in using the PDs, the related transition matrices and the LGDs, using specific macroeconomic models based on scenarios internal to the Group and recent trends in internal default rates.

In consumer credit, in addition to the quantitative criterion based on changes in the PD, specific quality indicators are used to classify exposures as Stage 2, such as the existence of suspension

measures, the existence of other non-performing accounts for the same borrower, and evidence of irregularities in payment in the recent past.

Factoring

Factoring, a business in which MBFACTA specializes, includes both traditional factoring (i.e. acquisition of short-term trade receivables, often backed by insurance cover) and instalment factoring (acquiring loans from the selling counterparty, to be repaid via monthly instalments by the borrowers whose accounts have been sold, which in virtually all cases is a retail customer).

For traditional factoring, the internal units appraise the solvency of the sellers and the original borrowers via individual analysis using methodologies similar to those adopted for corporate lending, whereas for instalment factoring the acquisition price is calculated following due statistical analysis of the accounts being sold, and takes into consideration the projected recoveries, costs and margins.

Non-performing exposures to corporate counterparties are quantified analytically, while non-performing exposures to retail counterparties are based on the identification of clusters of exposures with similar characteristics. The portfolio of performing assets is valued on the basis of PD and LGD parameters. PD parameters are defined by using the revised parameters supplied by external providers or internal estimates based on the retail portfolio. For transactions valued by Mediobanca S.p.A. as part of its corporate business, the parameters set in the parent company's process apply. The evidence obtained from the parent company's watchlist for corporate clients is also used as qualitative information for allocation to Stage 2, which includes counterparties classified as "amber" or "red".

NPL business

This business is performed by Revalea, which operates on the NPLs market, acquiring non-performing loans on a no recourse basis at a price well below the nominal value. The purchase price for the non-performing loans is determined by following well-established procedures which include appropriate sample-based or statistical analysis of the positions being sold, and take due account of projections of expected amounts recovered, expenses and margins. At each annual or interim reporting date the amounts expected to be collected for each individual position are compared systematically with the amounts actually collected. The business is no longer core for Mediobanca, hence in the financial statements as at 30 June 2023 it has been accounted for as a non-current asset held for sale pursuant to IFRS 5.

Premier and Private Banking

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

Loans themselves are normally backed by collateral or guarantees (pledges over the client's financial instruments, assets under management or administration, mortgages over properties or guarantees issued by other credit institutions).

Lending activity is governed through operating powers which require the proposed loan to be assessed at various levels of the organization, with approval by the appointed bodies according to the level of risk being assumed based on the size of the loan, guarantees/collateral and the type of finance involved. Such loans are reviewed on a regular basis (at least annually).

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

Mortgage lending

Mortgage lending is provided primarily by CheBanca!, and processing and approval exposures in this area are performed centrally at head office. The applications are approved, using an internal rating model, based on individual appraisal of the applicant's income and maximum borrowing levels, as well as the value of the property itself. Risks are monitored on a monthly basis, ensuring the company's loan book is regularly assessed.

Properties established as collateral are subject to a statistical revaluation process which is carried out once a quarter. If the review shows a significant reduction in the value of the property, a new valuation is carried out by an independent expert. A new valuation is generally requested for properties established as collateral for positions which have become non-performing.

Accounts, both regular and irregular, are monitored through a reporting system which allows operators to monitor the trend in the asset quality and, with the help of the appropriate indicators, to enter positions at risk, to ensure that the necessary corrective action can be taken versus the credit policies.

Non-performing accounts are managed, for out-of-court credit recovery procedures, by a dedicated organizational structure with the help of external collectors. In cases where a borrower becomes insolvent (or in fundamentally similar situations), the property enforcement procedures are initiated through external lawyers. Internal procedures requires that cases with four or more unpaid instalments (not necessarily consecutive), cases with persistent irregularities, concessions generating a reduction of more than 1% in the financial obligation, and cases which, based on internal or external information (e.g. central databases, public and/or private), the unit responsible assesses should be classified as unlikely to pay. Exposures are classified as bad loans once the ineffectiveness of the recovery actions has been ascertained.

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

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



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

7.1.3 Exposure to sovereign credit risk

The banking book securities portfolio is worth a total of €7.9bn and chiefly consists of financial instruments with Italy country risk (65%, or €5.1bn); the remainder is invested in German government securities (15%), whereas 21% regards securities issued by the French and US governments. The average outstanding duration of the portfolio is three years, whereas the duration itself is shorter, at two years.

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

Quantitative information

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

		a	b	c	d	E	f
		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
			of which stage 1 *	of which stage 2 *		of which stage 2	of which stage 3 **
005	Cash balances at central banks and other demand deposits	4,433,168	4,433,168	—	—	—	—
010	Loans and advances	58,438,102	55,017,528	2,880,850	1,339,714	—	1,328,389
020	Central banks	200,003	200,003	-	-	—	-
030	General governments	226,270	218,160	8,110	2,044	—	2,044
040	Credit institutions	3,754,860	3,754,859	1	-	—	-
050	Other financial corporations	7,060,945	6,511,199	10,022	14,243	—	7,607
060	Non-financial corporations	18,075,340	17,647,753	427,587	250,032	—	245,343
070	of which SMEs	1,143,436	1,088,511	54,925	53,832	—	53,832
080	Households	29,120,684	26,685,554	2,435,130	1,073,395	—	1,073,395
090	Debt securities	10,193,814	10,144,032	48,919	—	—	—
100	Central banks	—	—	—	—	—	—
110	General governments	7,939,619	7,939,207	—	—	—	—
120	Credit institutions	690,006	690,006	—	—	—	—
130	Other financial corporations	1,229,564	1,218,078	11,035	—	—	—
140	Non-financial corporations	334,625	296,741	37,884	—	—	—
150	Off-balance-sheet exposures	16,197,349	15,937,321	100,252	1,066	—	1,066
160	Central banks	2,901	2,901	—	—	—	—
170	General governments	3,158,946	3,158,946	—	—	—	—
180	Credit institutions	30,528	30,050	—	—	—	—
190	Other financial corporations	1,605,386	1,557,197	350	—	—	—
200	Non-financial corporations	8,280,363	8,185,875	68,706	373	—	373
210	Households	3,119,225	3,002,352	31,196	693	—	693
220	Total as at 30 June 2023	89,262,433	85,532,049	3,030,021	1,340,780	—	1,329,455
	Total as at 30 June 2022	88,451,801	84,026,900	3,730,047	1,691,470	—	1,319,624

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

		g	h	i	j	k	l
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			of which stage 1 *	of which stage 2 *		of which stage 2	of which stage 3 **
005	Cash balances at central banks and other demand deposits	(170)	(170)	—	—	—	—
010	Loans and advances	(705,617)	(326,096)	(379,521)	(965,324)	—	(958,688)
020	Central banks	—	—	—	—	—	—
030	General governments	(5,817)	(330)	(5,487)	(827)	—	(827)
040	Credit institutions	(111)	(111)	—	—	—	—
050	Other financial corporations	(18,450)	(17,893)	(557)	(10,689)	—	(4,053)
060	Non-financial corporations	(70,646)	(49,402)	(21,244)	(170,771)	—	(170,771)
070	of which SMEs	(11,914)	(5,723)	(6,191)	(34,153)	—	(34,153)
080	Households	(610,593)	(258,360)	(352,233)	(783,037)	—	(783,037)
090	Debt securities	(16,231)	(10,022)	(6,209)	—	—	—
100	Central banks	—	—	—	—	—	—
110	General governments	(1,649)	(1,649)	—	—	—	—
120	Credit institutions	(3,422)	(3,422)	—	—	—	—
130	Other financial corporations	(7,446)	(2,625)	(4,821)	—	—	—
140	Non-financial corporations	(3,714)	(2,326)	(1,388)	—	—	—
150	Off-balance-sheet exposures	22,031	19,042	2,404	135	—	135
160	Central banks	—	—	—	—	—	—
170	General governments	31	31	—	—	—	—
180	Credit institutions	—	—	—	—	—	—
190	Other financial corporations	1,090	1,085	5	—	—	—
200	Non-financial corporations	12,378	10,503	1,875	4	—	4
210	Households	8,532	7,423	524	131	—	131
220	Total as at 30 June 2023	(744,049)	(355,330)	(388,134)	(965,459)	—	(958,823)
	Total as at 30 June 2022	(727,695)	(336,087)	(391,071)	(953,552)	—	(937,230)

* It should be noted that the above template does not show, for performing exposures classified as Stage 1 and Stage 2, positions with an aggregate gross value of €700.4m and cumulative value reductions for a total amount of €585,000 for financial assets recognized at fair value.

** The template above does not show, for non-performing exposures classified as Stage 3, positions with an aggregate gross value of €11.3m (cumulative value reductions for a total amount of €6.6m) for financial assets recognized at fair value, and of €242.4m (value adjustments of €3.5m) for non-performing assets acquired or originated.

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

		m	n	o
		Accumulated partial write-off	Collateral and financial guarantees received	
			On performing exposures	On non-performing exposures
005	Cash balances at central banks and other demand deposits		—	—
010	Loans and advances	(3,667)	25,891,465	114,339
020	Central banks	—	—	—
030	General governments	—	75	—
040	Credit institutions	—	2,516,665	—
050	Other financial corporations	—	3,527,151	3,508
060	Non-financial corporations	(3,627)	5,584,395	28,612
070	of which SMEs	(720)	857,836	17,479
080	Households	(40)	14,263,179	82,219
090	Debt securities	—	508,099	—
100	Central banks	—	—	—
110	General governments	—	—	—
120	Credit institutions	—	—	—
130	Other financial corporations	—	480,029	—
140	Non-financial corporations	—	28,070	—
150	Off-balance-sheet exposures		1,309,116	407
160	Central banks		—	—
170	General governments		—	—
180	Credit institutions		—	—
190	Other financial corporations		246,893	—
200	Non-financial corporations		572,498	369
210	Households		489,725	38
220	Total as at 30 June 2023	(3,667)	27,708,680	114,746
	Total as at 30 June 2022	(4,312)	25,568,774	185,081

Template EU CR1-A: Maturity of exposures

	a	b	c	d	e	f
	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1 Loans and advances	5,320,020	10,414,508	22,873,006	19,498,208	1,134	58,106,876
2 Debt securities	-	3,466,791	4,411,202	2,266,074	33,516	10,177,583
3 Total	5,320,020	13,881,299	27,284,208	21,764,282	34,650	68,284,459

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

	06/30/2023
	a
	Gross carrying amount
010 Initial stock of non-performing loans and advances	1,688,411
020 Inflows to non-performing portfolios	583,977
030 Outflows from non-performing portfolios	(690,320)
040 Outflow due to write-off	(109,864)
050 Outflow due to other situations	(580,456)
060 Final stock of non-performing loans and advances	1,582,068

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

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

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

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

		a	b	c	d
		Gross carrying amount/nominal amount of exposures with forbearance measures			
		Performing forborne	Non-performing forborne		
				of which defaulted	of which impaired
005	Cash balances at central banks and other demand deposits	—	—	—	—
010	Loans and advances	673,840	523,045	523,045	511,720
020	Central banks	—	—	—	—
030	General governments	—	—	—	—
040	Credit institutions	—	—	—	—
050	Other financial corporations	9,667	10,762	10,762	4,126
060	Non-financial corporations	211,035	124,491	124,491	119,802
070	Households	453,138	387,792	387,792	387,792
080	Debt securities	—	—	—	—
090	Loan commitments given	27,832	—	—	—
100	Total as at 30 June 2023	701,672	523,045	523,045	511,720
	Total as at 30 June 2022	768,459	547,774	547,774	536,497

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

		e	f	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		On performing forborne exposures	On non-performing forborne exposures		of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	—	—	—	—
010	Loans and advances	(95,726)	(394,572)	296,369	46,874
020	Central banks	—	—	—	—
030	General governments	—	—	—	—
040	Credit institutions	—	—	—	—
050	Other financial corporations	(529)	(9,482)	1,406	1,279
060	Non-financial corporations	(10,652)	(101,469)	147,339	17,685
070	Households	(84,545)	(283,621)	147,624	27,910
080	Debt securities	—	—	—	—
090	Loan commitments given	640	—	1,665	—
100	Total as at 30 June 2023	(96,366)	(394,572)	298,034	46,874
	Total as at 30 June 2022	(66,665)	(367,283)	603,914	88,526

Template EU CQ2: Quality of forbearance

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

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

		a	b	c	d
		Gross carrying amount/nominal amount			Gross carrying amount/nominal amount
		Performing exposures			Non-performing exposures
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	
005	Cash balances at central banks and other demand deposits	4,433,168	4,433,168	—	—
010	Loans and advances	58,438,102	58,272,286	165,816	1,339,714
020	Central banks	200,003	200,003	—	—
030	General governments	226,270	218,410	7,860	2,044
040	Credit institutions	3,754,860	3,754,860	—	—
050	Other financial corporations	7,060,945	7,058,745	2,200	14,243
060	Non-financial corporations	18,075,340	18,008,420	66,920	250,032
070	of which SMEs	1,143,436	1,128,553	14,883	53,832
080	Households	29,120,684	29,031,848	88,836	1,073,395
090	Debt securities	10,193,814	10,193,814	—	—
100	Central banks	—	—	—	—
110	General governments	7,939,619	7,939,619	—	—
120	Credit institutions	690,006	690,006	—	—
130	Other financial corporations	1,229,564	1,229,564	—	—
140	Non-financial corporations	334,625	334,625	—	—
150	Off-balance-sheet exposures	16,197,349			1,066
160	Central banks	2,901			—
170	General governments	3,158,946			—
180	Credit institutions	30,528			—
190	Other financial corporations	1,605,386			—
200	Non-financial corporations	8,280,363			373
210	Households	3,119,225			693
220	Total as at 30 June 2023	89,262,435	72,899,270	165,816	1,340,780
	Total as at 30 June 2022	88,451,801	72,494,236	141,037	1,691,470

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

		e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount							
		Non-performing exposures							
		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	of which defaulted
005	Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
010	Loans and advances	483,994	148,782	160,839	173,410	234,521	61,630	76,538	1,339,714
020	Central banks	—	—	—	—	—	—	—	—
030	General governments	1,163	32	35	68	492	136	118	2,044
040	Credit institutions	—	—	—	—	—	—	—	—
050	Other financial corporations	176	9	15	1,552	12,081	281	129	14,243
060	Non-financial corporations	151,229	32,610	4,291	9,391	36,451	3,277	12,783	250,032
070	of which SMEs	17,248	4,328	3,200	6,529	16,277	2,014	4,236	53,832
080	Households	331,426	116,131	156,498	162,399	185,497	57,936	63,508	1,073,395
090	Debt securities	—	—	—	—	—	—	—	—
100	Central banks	—	—	—	—	—	—	—	—
110	General governments	—	—	—	—	—	—	—	—
120	Credit institutions	—	—	—	—	—	—	—	—
130	Other financial corporations	—	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures								1,066
160	Central banks								—
170	General governments								—
180	Credit institutions								—
190	Other financial corporations								—
200	Non-financial corporations								373
210	Households								693
220	Total as at 30 June 2023	483,994	148,782	160,839	173,410	234,521	61,630	76,538	1,340,780
	Total as at 30 June 2022	430,680	108,441	168,313	202,853	635,978	68,173	73,973	1,691,470

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

	a	b	c	d
	Gross carrying/nominal amount			
		of which: non-performing		of which: subject to impairment
		of which: defaulted		
010 On-balance-sheet exposures	69,971,631	1,339,713	1,339,713	69,419,719
020 Italy	50,649,462	1,180,006	1,180,006	50,103,102
030 France	5,062,815	108,104	108,104	5,062,815
040 Germany	2,330,512	81	81	2,330,512
050 Monaco	2,077,992	11,817	11,817	2,077,992
060 United States of America	1,999,303	258	258	1,999,303
070 Spain	1,894,489	143	143	1,894,489
080 Other Countries	5,957,058	39,304	39,304	5,951,506
090 Off-balance-sheet exposures	16,198,415	1,066	1,066	
100 Italy	9,917,301	1,066	1,066	
110 France	1,277,657	—	—	
120 Germany	355,490	—	—	
130 Monaco	602,180	—	—	
140 United States of America	503,335	—	—	
150 Spain	1,046,460	—	—	
160 Other Countries	2,495,992	—	—	
170 Total as at 30 June 2023	86,170,046	1,340,779	1,340,779	69,419,719
Total as at 30 June 2022	81,388,183	1,691,470	1,691,470	65,039,613

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

		e	f	g
		Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on nonperforming exposures
010	On-balance-sheet exposures	(1,680,534)		(6,636)
020	Italy	(1,541,349)		(6,636)
030	France	(97,993)		—
040	Germany	(3,329)		—
050	Monaco	(1,752)		—
060	United States of America	(6,281)		—
070	Spain	(4,379)		—
080	Other Countries	(25,451)		—
090	Off-balance-sheet exposures		(22,166)	
100	Italy		(15,066)	
110	France		(2,428)	
120	Germany		(790)	
130	Monaco		(167)	
140	United States of America		(590)	
150	Spain		(519)	
160	Other Countries		(2,606)	
170	Total as at 30 June 2023	(1,680,534)	(22,166)	(6,636)
	Total as at 30 June 2022	(1,650,057)	(24,264)	(6,636)

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

	a	b	c	d	e	f
	Gross carrying amount			of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non-performing	of which: defaulted			
010 Agriculture, forestry and fishing	34,148	1,106	1,106	34,148	(1,178)	—
020 Mining and quarrying	113,617	186	186	113,617	(82)	—
030 Manufacturing	4,705,015	17,578	17,578	4,705,015	(40,884)	—
040 Electricity, gas, steam and air conditioning supply	1,564,813	36	36	1,564,813	(1,863)	—
050 Water supply	69,987	642	642	69,987	(557)	—
060 Construction	725,176	10,063	10,063	725,175	(10,584)	—
070 Wholesale and retail trade	1,594,430	73,501	73,501	1,594,430	(79,878)	—
080 Transport and storage	927,260	3,796	3,796	927,260	(4,440)	—
090 Accommodation and food service activities	80,408	2,276	2,276	80,408	(3,840)	—
100 Information and communication	1,204,895	11,377	11,377	1,204,895	(9,976)	—
110 Financial and insurance activities	1,406,609	293	293	1,406,609	(1,955)	—
120 Real estate activities	1,662,506	63,027	63,027	1,662,506	(33,710)	—
130 Professional, scientific and technical activities	2,234,934	1,844	1,844	2,234,934	(6,175)	—
140 Administrative and support service activities	1,586,195	5,749	5,749	1,586,195	(6,363)	—
150 Public administration and defence, compulsory social security	—	—	—	—	—	—
160 Education	3,300	60	60	3,300	(100)	—
170 Human health services and social work activities	149,931	55,978	55,978	145,242	(37,288)	—
180 Arts, entertainment and recreation	52,382	220	220	52,382	(322)	—
190 Other services	209,766	2,300	2,300	209,766	(2,221)	—
200 Total as at 30 June 2023	18,325,372	250,032	250,032	18,320,682	(241,416)	—
Total as at 30 June 2022	19,146,709	269,268	269,268	19,142,068	(207,489)	—

Template EU CQ6: Collateral valuation - loans and advances

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

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

	06/30/2023		06/30/2022	
	a	b	a	b
	Collateral obtained by taking possession		Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
010 Property, plant and equipment (PP&E)	76	(7)	76	(5)
020 Other than PP&E	51,093	(18,642)	61,270	(19,892)
030 Residential immovable property	—	—	—	—
040 Commercial Immovable property	51,093	(18,642)	61,270	(19,892)
050 Movable property (auto, shipping, etc.)	—	—	—	—
060 Equity and debt instruments	—	—	—	—
070 Other collateral	—	—	—	—
080 Total	51,169	(18,649)	61,346	(19,897)

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

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



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

Tables EU CR10.1, EU CR10.2, EU CR10.3, EU CR10.4 and EU CR10.5 have not been included, as the Mediobanca Group as at 30 June 2023 had no such cases on its books.

7.2 ECAIS

Qualitative information

Mediobanca uses the following ECAIs in order to determine risk weightings in connection with the standardized method:¹⁴

- Moody's Investors Service;
- Standard & Poor's Rating Services;
- Fitch Ratings.
- Modefinance

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

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

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

¹⁴ External Credit Assessment Institution.

Quantitative information

Template EU CR4 – Standardized approach: Credit Risk Exposure and CRM effects

Exposures class	Exposures before CCF and CRM		Exposures before CCF and CRM		RWAs and RWA density	
	On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWAs	RWA density
	a	b	c	d	e	f
1 Central governments or central banks	12,292,306	15	13,281,488	7,289	49,687	0.3739 %
2 Regional governments or local authorities	182	—	182	—	36	19.9996%
3 Public sector entities	125,268	8	125,268	2	56,680	45.2467%
4 Multilateral development banks	—	—	—	—	—	—
5 International organisations	125,252	—	125,252	—	—	—
6 Institutions	2,730,821	2,670,519	2,306,261	45,677	1,061,543	45.1348%
7 Corporates	9,543,492	2,285,449	6,883,979	563,925	6,483,351	87.0493%
8 Retail	15,408,120	2,688,451	15,026,358	328,968	10,766,173	70.1136%
9 Secured by mortgages on immovable property	1,263,055	44,155	1,222,260	21,786	462,883	37.2079%
10 Exposures in default	526,050	528	497,708	524	514,426	103.2502%
11 Higher-risk categories	3,187	178,193	3,187	178,193	272,070	150.0000%
12 Covered bonds	54,246	—	54,246	—	14,354	26.4612%
13 Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14 collective investments undertakings	566,725	8,770	566,725	8,770	1,110,356	192.9392%
15 Equity	2,675,648	—	2,675,648	—	8,426,866	314.9468%
16 Other items	1,820,532	54	1,820,532	11	1,473,929	80.9610%
17 Total as at 30 June 2023	47,134,884	7,876,143	44,589,094	1,155,145	30,692,355	67.0956%
Total as at 30 June 2022	48,037,763	7,506,088	46,016,270	1,796,307	30,788,013	64.3931%

Template EU CR5: Standardized approach (1/3)

Exposures classes		Classes of credit worthiness (Weighting Factors)					
		0%	2%	4%	10%	20%	35%
		a	b	c	d	e	f
1	Central governments or central banks	13,231,301	—	—	—	—	—
2	Regional governments or local authorities	—	—	—	—	182	—
3	Public sector entities	—	—	—	—	23,337	—
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	125,252	—	—	—	—	—
6	Institutions	—	45,528	—	—	1,209,709	—
7	Corporates	—	—	—	—	539,816	—
8	Retail	—	—	—	—	—	1,562,796
9	Secured by mortgages on immovable property	—	—	—	—	—	889,138
10	Exposures in default	—	—	—	—	—	—
11	Higher-risk categories	—	—	—	—	—	—
12	Covered bonds	—	—	—	9,707	29,620	—
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	Collective investment undertakings	30,193	—	—	—	14,313	—
15	Equity	—	—	—	—	—	—
16	Other items	303,155	—	—	—	38,857	—
17	Total as at 30 June 2023	13,689,901	45,528	—	9,707	1,855,833	2,451,934
	Total as at 30 June 2022	16,028,313	67,774	—	75,230	1,623,820	2,566,763

Template EU CR5: Standardized approach (2/3)

Exposures classes	Classes of credit worthiness (Weighting Factors)					
	50%	70%	75%	100%	150%	250%
	g	h	i	j	k	l
1 Central governments or central banks	15,578	—	—	41,898	—	—
2 Regional governments or local authorities	—	—	—	—	—	—
3 Public sector entities	99,839	—	—	2,093	—	—
4 Multilateral development banks	—	—	—	—	—	—
5 International organisations	—	—	—	—	—	—
6 Institutions	654,740	—	—	342,799	99,162	—
7 Corporates	991,793	—	—	5,835,760	80,536	—
8 Retail	—	—	13,792,531	—	—	—
9 Secured by mortgages on immovable property	351,807	—	—	3,100	—	—
10 Exposures in default	—	—	—	465,846	32,387	—
11 Higher-risk categories	—	—	—	—	181,380	—
12 Covered bonds	14,919	—	—	—	—	—
13 Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14 Collective investment undertakings	1,943	—	—	215,054	256,259	—
15 Equity	—	—	—	467,689	—	175,225
16 Other items	—	—	—	1,345,441	—	133,089
17 Total as at 30 June 2023	2,130,618	—	13,792,531	8,719,680	649,724	308,314
Total as at 30 June 2022	1,979,991	—	13,189,849	9,067,518	847,503	459,683

Template EU CR5: Standardized approach (3/3)

Exposures classes	Classes of credit worthiness (Weighting Factors)			Total	Without rating
	370%	1250%	Others		
	m	N	o	p	q
1 Central governments or central banks	—	—	—	13,288,777	666,677
2 Regional governments or local authorities	—	—	—	182	172
3 Public sector entities	—	—	—	125,269	12,275
4 Multilateral development banks	—	—	—	—	—
5 International organisations	—	—	—	125,252	—
6 Institutions	—	—	—	2,351,938	124,868
7 Corporates	—	—	—	7,447,904	1,878,930
8 Retail	—	—	—	15,355,327	15,132,959
9 Secured by mortgages on immovable property	—	—	—	1,244,045	251,411
10 Exposures in default	—	—	—	498,232	480,980
11 Higher-risk categories	—	—	—	181,380	85,000
12 Covered bonds	—	—	—	54,246	—
13 Institutions and corporates with a short-term credit assessment	—	—	—	—	—
14 Collective investment undertakings	—	36,798	20,935	575,495	4,959
15 Equity	2,032,734	—	—	2,675,648	7,611
16 Other items	—	—	—	1,820,542	948,853
17 Total as at 30 June 2023	2,032,734	36,798	20,935	45,744,239	19,594,695
Total as at 30 June 2022	1,862,703	43,430	—	47,812,577	33,055,909

7.3 Credit risk: disclosure on portfolios subject to AIRB methods

Qualitative information

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

The Internal Model Investigation for the internal models for Compass's consumer credit and credit card operations took place in the months from May to July 2022; the decision was received in June 2023, becoming effective as from 1 July 2023. In a first-time adoption scenario, for the figures as at 30 September 2023, there should be an increase in RWAs (compared to the current standard value) in the region of €900m, including both the prudential elements already included in the models and the requests from the Supervisory Authority.

In December 2023 the Group will present its first application for the LGD Corporate model for MBFACTA, and at the same time will submit an application for a model change and extension of the Corporate PD model to the MBFACTA Corporate portfolio.

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

- In April 2023 an Internal Model Investigation was launched by the ECB for the approval of a material change to the Mediobanca Corporate LGD model, submitted by the Group with the intention of reducing the increase in RWAs due to the limitation on the LGD recently set at 45% by the regulator, bringing forward the benefit that will be received with the introduction of CRR III. The inspection ended in June 2023 and the Group is waiting to hear the final result;
- The Group will submit an application for a material model change for the Corporate PD model in December 2023, which will be revised in order to extend the application of the model to the MBFACTA Corporate portfolio and resolve the findings released following the authorization granted in 2022;
- During the year under review, CheBanca! was involved in the Internal Model Investigation for the model change application made in June 2020 and supplemented in July 2021. Based on the preliminary indications available at the date on which this document was published, no findings have emerged that would prevent the new LGD model from being used, and a positive assessment has been made regarding the resolution of the findings that had been released in

conjunction with the 2019 authorization. The ECB letter with the authorization to use the new LGD model is expected to be received in the early months of FY 2023-24.

7.3.1 Scope of application for the IRB model

As at 30 June 2023, the following companies are using internal models:

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

7.3.2 Corporate rating system structure

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

The model consists of:

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

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

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

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

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

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

A model has been adopted for non-performing positions, which estimates the uncertainty of the LGD relative to the value of the expected loss, taking into account the position's vintage (i.e. the length of time for which the position remains in default status).

Currently a regulatory floor has been set at 45% on the LGD, which is used only for purposes of calculating the capital requirement.

7.3.3 Structure of the mortgage rating system

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

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

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

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

- Accepted category: this consists of the exposures actually originated by CheBanca!;
- Rejected category; this consists of rejected practices and therefore has no observed performance;
- Declined category; this consists of those practices that, although approved by CheBanca!, were not originated and therefore do not have an observed performance.

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

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

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

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

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

7.3.4 Rating system uses

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

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

Risk-adjusted pricing

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

Delegated powers to approve, reject and renew credit

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

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

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

Credit monitoring

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

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

Internal reporting

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

Value adjustments for impairment

The process for calculating impairment uses risk parameters estimated internally to factor in the expected loss on the performing positions. The regulatory PD indicator is transformed into a point-in-time value, while the LGD does not include the indirect cost downturn factor or the regulatory floor at 45%. The forward-looking component is factored into the models by making the risk parameters conditional upon macroeconomic scenarios defined internally.

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

Non-performing exposures in the Mediobanca Corporate portfolio and CheBanca! mortgage loans classified as bad debts are subject to individual assessment, reference is made to section 7.1.1.

ICAAP and Risk Appetite Framework

As part of the stress testing, which is an integral component of the ICAAP process, Risk Management applies risk parameters derived from the regulatory parameters through the application of satellite models. These models provide risk parameters conditional upon the adverse

macroeconomic scenarios defined by the Bank. Risk-based metrics (primarily expected loss and economic capital) also underpin the definition of the Risk Appetite metrics for the loan book.

Credit recovery process

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

7.3.5 Control and review of the internal models

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

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

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

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

Quantitative information

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

		a	B	c	d	e	f	g	h	i	j	k	l
AIRB	PD range	On- balance sheet exposures	Off- balance- sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust- ments and provisions
Corporates - Other	0.00 to <0.15	3,169,999	3,128,204	53.2708%	4,995,905	0.0656 %	44	45.0000%	3	1,202,370	24.0671%	1,476	(1,692)
	0.00 to <0.10	3,169,999	3,128,204	53.2708%	4,995,905	0.0656 %	44	45.0000%	3	1,202,370	24.0671%	1,476	(1,692)
	0.10 to <0.15	—	—	—	—	—	—	—	—	—	—	—	—
	0.15 to <0.25	2,338,084	2,088,538	55.0991%	3,442,782	0.1553 %	46	45.0509%	3	1,394,225	40.4970%	2,409	(3,522)
	0.25 to <0.50	5,248,614	1,556,069	48.3246%	5,977,157	0.3442 %	123	44.3132%	3	3,592,447	60.1029%	9,152	(12,111)
	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	—
	0.75 to <2.50	2,054,202	788,223	49.6466%	2,401,687	1.1474%	76	45.6285%	3	2,463,631	102.5792%	12,597	(20,750)
	0.75 to <1.75	2,054,202	788,223	49.6466%	2,401,687	1.1474%	76	45.6285%	3	2,463,631	102.5792%	12,597	(20,750)
	1.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—
	2.50 to <10.00	1,061,293	231,924	52.9244%	1,145,035	3.0709%	45	45.3182%	3	1,577,744	137.7900%	16,008	(25,146)
	2.50 to <5.00	945,999	166,227	53.3079%	1,021,459	2.8122%	34	45.0000%	3	1,366,009	133.7311%	12,926	(19,993)
	5.00 to <10.00	115,294	65,697	51.9542%	123,575	5.2089%	11	47.9481%	3	211,734	171.3403%	3,081	(5,153)
	10.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
	10.00 to <20.00	—	—	—	—	—	—	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—	—	—	—	—	—	—
	30.00 to <100.00	—	—	—	—	—	—	—	—	—	—	—	—
	100.00 (Default)	118,056	—	—	118,056	100.0000%	4	85.0877%	3	40,186	34.0400%	97,237	(96,861)
Sub-total		13,990,248	7,792,959	52.3963%	18,080,622	1.1613%	338	45.1480%	3	10,270,604	56.8045%	138,877	(160,082)

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

		a	b	c	d	e	f	g	h	i	j	k	l
AIRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
	0.00 to <0.15	9,201,732	52,086	100.0000%	9,253,818	0.0940 %	81,311	27.8770%	—	608,602	6.5768%	2,505	(2,035)
	0.00 to <0.10	4,034,406	21,327	100.0000%	4,055,733	0.0300 %	36,563	26.1630%	—	103,708	2.5571%	318	(253)
	0.10 to <0.15	5,167,326	30,760	100.0000%	5,198,085	0.1440 %	44,748	29.2150%	—	504,893	9.7131%	2,187	(1,782)
	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	—
	0.25 to <0.50	1,431,768	8,337	100.0000%	1,440,105	0.3830 %	14,636	27.9760%	—	275,228	19.1116%	1,541	(1,598)
	0.50 to <0.75	1,025,696	3,901	100.0000%	1,029,597	0.6720 %	12,071	27.5870%	—	288,333	28.0045%	1,909	(12,168)
	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—
	0.75 to <1.75	—	—	—	—	—	—	—	—	—	—	—	—
	1.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	—
Retail: secured by mortgages on immovable property	2.50 to <10.00	475,137	1,408	100.0000%	476,545	3.9680%	5,966	24.8640%	—	365,756	76.7516%	4,701	(25,053)
	2.50 to <5.00	475,137	1,408	100.0000%	476,545	3.9680%	5,966	24.8640%	—	365,756	76.7516%	4,701	(25,053)
	5.00 to <10.00	—	—	—	—	—	—	—	—	—	—	—	—
	10.00 to <100.00	51,981	25	100.0000%	52,006	32.3200%	641	23.8780%	—	76,527	147.1520%	4,013	(8,168)
	10.00 to <20.00	—	—	—	—	—	—	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—	—	—	—	—	—	—
	30.00 to <100.00	51,981	25	100.0000%	52,006	32.3200%	641	23.8780%	—	76,527	147.1520%	4,013	(8,168)
	100.00 (Default)	148,212	61	100.0000%	148,273	100.0000%	1,847	40.0420%	—	39,702	26.7764%	56,195	(73,137)
	Sub-total	12,334,527	65,818	100.0000%	12,400,345	1.6542%	116,472	27.8773%	—	1,654,148	13.3395%	70,864	(122,159)
	Total as at 30 June 2023	26,324,775	7,858,777	—	30,480,967	—	—	—	—	11,924,752	—	209,741	(282,241)
	Total as at 30 June 2022	25,285,432	8,217,103	—	29,708,983	—	—	—	—	11,137,263	—	159,085	(250,398)

* Given the difference between the two portfolios reported using AIRB models, the total has been completed only in those columns for which the amount shown refers to these exposures.

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

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

	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
	a	b	c	d	e
1 Central governments or central banks	11,975,102	11,973,485	100.0000%	0.0000%	0.0000%
1,1 of which Regional governments or local authorities		—	100.0000%	0.0000%	0.0000%
1,2 of which Public sector entities		—	100.0000%	0.0000%	0.0000%
2 Institutions	5,807,628	5,797,728	67.3904%	32.6091%	0.0000%
3 Corporates	26,007,529	25,784,060	23.9297%	6.6062%	69.4642%
3,1 of which Corporates - Specialised lending, excluding slotting approach		342,559	100.0000%	0.0000%	0.0000%
3,2 of which Corporates - Specialised lending under slotting approach		—	100.0000%	0.0000%	0.0000%
4 Retail	30,452,340	29,195,301	8.2461%	49.8103%	41.9435%
4,1 of which Retail – Secured by real estate SMEs		241,108	100.0000%	0.0000%	0.0000%
4,2 of which Retail – Secured by real estate non-SMEs		12,266,048	0.1672%	0.0000%	99.8328%
4,3 of which Retail – Qualifying revolving		752,416	0.9538%	99.0462%	0.0000%
4,4 of which Retail – Other SMEs		792,307	59.2936%	40.7064%	0.0000%
4,5 of which Retail – Other non-SMEs		15,143,423	11.0207%	88.9793%	0.0000%
5 Equity	1,735,288	1,734,286	100.0000%	0.0000%	0.0000%
6 Other non-credit obligation assets	858,414	858,413	100.0000%	0.0000%	0.0000%
7 Total	76,836,301	75,343,274	35.9035%	24.0714%	40.0251%

Table 7.3.1 – PD and LGD values by geographical area

The table below shows the geographical breakdown of AIRB exposures for the “Exposures to corporates – others” segment, showing the weighted average PD and LGD values for each exposure. It should be noted that a regulatory floor has been set at 45% for the LGD Model.

The table shows only the performing exposures and the average weighted regulatory parameters, i.e. those used to calculate the regulatory requirements (LGD at 45%, unlike the one used for management purposes).

	a	b	c
Geography	EAD post CRM and	Average PD	Average LGD
Italy	8,650,552	0.39%	44.37%
France	1,991,903	0.41%	46.11%
Spain	1,518,248	0.30%	45.35%
Germany	707,030	0.41%	45.23%
United Kingdom	707,993	1.01%	45.03%
Netherlands	694,246	0.40%	45.31%
Luxembourg	934,839	0.88%	45.00%
Other European countries	1,142,860	1.38%	45.00%
United States	1,331,783	0.50%	45.16%
Rest of the world	283,113	0.62%	45.00%

The “Exposures guaranteed by properties” portfolio contains exposures that are concentrated in Italy; out of a total performing exposure of €12,252m, the average weighted PD and LGD per exposure are 0.464% and 27.73% respectively.

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

		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
		a	b
1	Exposures under FIRB	—	—
2	Central governments and central banks	—	—
3	Institutions	—	—
4	Corporates	—	—
4,1	of which Corporates - SMEs	—	—
4,2	of which Corporates - Specialised lending	—	—
5	Exposures under AIRB	11,924,752	11,924,752
6	Central governments and central banks	—	—
7	Institutions	—	—
8	Corporates	10,270,604	10,270,604
8,1	of which Corporates - SMEs	—	—
8,2	of which Corporates - Specialised lending	—	—
9	Retail	1,654,148	1,654,148
9,1	of which Retail – SMEs - Secured by immovable property collateral	—	—
9,2	of which Retail – non-SMEs - Secured by immovable property collateral	1,654,148	1,654,148
9,3	of which Retail – Qualifying revolving	—	—
9,4	of which Retail – SMEs - Other	—	—
9,5	of which Retail – Non-SMEs- Other	—	—
10	TOTAL AS AT 30 JUNE 2023 (including F-IRB exposures and A-IRB exposures)	11,924,752	11,924,752
	TOTAL AS AT 30 JUNE 2022 (including F-IRB exposures and A-IRB exposures)	11,137,263	11,137,263

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

A-IRB		Total exposures	Credit risk Mitigation techniques					
			Funded credit Protection (FCP)					
			Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)			Part of exposures covered by Other funded credit protection (%)	
				Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		
		a	b	c	d	e	f	g
1	Central governments and central banks	—	—	—	—	—	—	—
2	Institutions	—	—	—	—	—	—	—
3	Corporates	18,080,622	2.2443%	—	—	—	—	—
3,1	of which Corporates – SMEs	—	—	—	—	—	—	—
3,2	of which Corporates – Specialised lending	—	—	—	—	—	—	—
3,3	of which Corporates – Other	18,080,622	2.2443%	—	—	—	—	—
4	Retail	12,400,345	—	224.1274%	224.1274%	—	—	—
4,1	of which Retail – Immovable property SMEs	—	—	—	—	—	—	—
4,2	of which Retail – Immovable property non-SMEs	12,400,345	—	224.1274%	224.1274%	—	—	—
4,3	of which Retail – Qualifying revolving	—	—	—	—	—	—	—
4,4	of which Retail – Other SMEs	—	—	—	—	—	—	—
4,5	of which Retail – Other non-SMEs	—	—	—	—	—	—	—
5	Total as at 30 June 2023	30,480,967	1.3313%	91.1801%	91.1801%	—	—	—
	Total as at 30 June 2022	29,708,983	0.6552 %	38.3096%	38.3096%	—	—	—

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

A-IRB		Credit risk Mitigation techniques				Credit risk Mitigation methods in the calculation of RWEAs		
		Funded credit Protection (FCP)			Unfunded credit Protection (UFCP)		RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
		Part of exposures covered by Other funded credit protection (%)			Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)		
		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)				
		h	i	j	k	l	m	n
1	Central governments and central banks	—	—	—	—	—	—	—
2	Institutions	—	—	—	—	—	—	—
3	Corporates	—	—	—	—	—	10,248,621	10,270,604
3,1	of which Corporates – SMEs	—	—	—	—	—	—	—
3,2	of which Corporates – Specialised lending	—	—	—	—	—	—	—
3,3	of which Corporates – Other	—	—	—	—	—	10,248,621	10,270,604
4	Retail	—	—	—	—	—	1,654,148	1,654,148
4,1	of which Retail – Immovable property SMEs	—	—	—	—	—	—	—
4,2	of which Retail – Immovable property non-SMEs	—	—	—	—	—	1,654,148	1,654,148
4,3	of which Retail – Qualifying revolving	—	—	—	—	—	—	—
4,4	of which Retail – Other SMEs	—	—	—	—	—	—	—
4,5	of which Retail – Other non-SMEs	—	—	—	—	—	—	—
5	Total as at 30 June 2023	—	—	—	—	—	11,902,770	11,924,752
	Total as at 30 June 2022	—	—	—	—	—	11,093,211	11,137,263

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

The table below shows the changes in RWAs calculated with application of the IRB in the three months from March 2023 to June 2023, with a breakdown by the reasons for such changes.

In the three months under review, there was a reduction in RWAs due to a reduction in the exposure to the "Other companies" segment, attributable primarily to debt repayments plus an improvement in credit quality. The mortgage lending segment did not show any significant changes.

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

	a	b
	RWA	Capital requirements
1 Risk weighted exposure amount as at the end of the previous reporting period (03/31/2023)	12,767,353	1,021,388
2 Asset size	(644,824)	(51,586)
3 Asset quality	(209,473)	(16,758)
4 Model updates	-	-
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	11,697	936
8 Other	-	-
9 Risk weighted exposure amount as at the end of the reporting period (06/30/2023)	11,924,752	953,980

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

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

With reference to the Corporate segment, two instances of default were recorded in the course of the financial year.

In general, if we compare the average PD readings by credit rating class with the historical default rates observed (the latter calculated as the average default rates recorded in the past five years), we may note that for each segment the historical rates are in line with, or indeed slightly lower than, the theoretical PD values. One significant case in which this does not occur is the PD 5-10% bucket of the Corporate segment, where the rate recorded (40%) is much higher than the notional PD (8.60%): this case, however, refers to a PD bucket which contains an immaterial number of counterparties: indeed, in these years there has been a total of three defaults (one in FY 2018-19, two in FY 2019-20), with the bucket containing one or two counterparties, thus producing a very high default rate which, however, is relatively insignificant given the low numbers contained in the bucket. Consequently, for this bucket the historical default rate is not representative of the average risk of such counterparties. In particular, during the last three years there have been no defaults in this bucket.

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

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

a	b	c	d	e	f	g	i
Exposure class	PD range	Number of obligors at the end of the previous year	of which: number of obligors which defaulted during the year	Default rate	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
	0.00 to <0.15	37	—	0.0000%	0.0656%	0.0709%	0.0000%
	0.00 to <0.10	37	—	0.0000%	0.0656%	0.0709%	0.0000%
	0.10 to <0.15	—	—	—	—	—	—
	0.15 to <0.25	45	—	0.0000%	0.1553%	0.1700%	0.0000%
	0.25 to <0.50	120	—	0.0000%	0.3442%	0.3231%	0.1724%
	0.50 to <0.75	—	—	—	—	—	—
	0.75 to <2.50	97	1	1.0309%	1.1474%	1.1265%	0.2062%
	0.75 to <1.75	97	1	1.0309%	1.1474%	1.1265%	0.2062%
	1.75 to <2.50	—	—	—	—	—	—
	2.50 to <10.00	39	1	2.5641%	3.0709%	4.3743%	1.7291%
	2.50 to <5.00	30	—	0.0000%	2.8122%	4.1853%	0.0000%
	5.00 to <10.00	9	—	0.0000%	5.2089%	8.6014%	40.0000%
	10.00 to <100.00	—	—	—	—	—	—
	10.00 to <20.00	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—
	30.00 to <100.00	—	—	—	—	—	—
	100.00 (Default)	2	—	0.0000%	100.0000%	100.0000%	0.0000%

A-IRB - Retail exposures: secured by properties

a	b	c	d	e	f	g	i
Exposure class	PD range	Number of obligors at the end of the previous year	of which: number of obligors which defaulted during the year	Default rate	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
	0.00 to <0.15	73,930	63	0.0852%	0.0940%	0.0950%	0.0733%
	0.00 to <0.10	31,763	9	0.0283%	0.0300%	0.0300%	0.0332%
	0.10 to <0.15	42,167	54	0.1281%	0.1440%	0.1440%	0.0987%
	0.15 to <0.25	—	—	—	—	—	—
	0.25 to <0.50	14,125	24	0.1699%	0.3830%	0.3825%	0.2105%
	0.50 to <0.75	11,823	35	0.2960%	0.6720%	0.6720%	0.3656%
	0.75 to <2.50	—	—	—	—	—	—
	0.75 to <1.75	—	—	—	—	—	—
	1.75 to <2.50	—	—	—	—	—	—
	2.50 to <10.00	6,108	121	1.9810%	3.9680%	3.9676%	1.9348%
	2.50 to <5.00	6,108	121	1.9810%	3.9680%	3.9676%	1.9348%
	5.00 to <10.00	—	—	—	—	—	—
	10.00 to <100.00	597	128	21.4405%	32.3200%	32.3199%	21.7127%
	10.00 to <20.00	—	—	—	—	—	—
	20.00 to <30.00	—	—	—	—	—	—
	30.00 to <100.00	597	128	21.4405%	32.3200%	32.3199%	21.7127%
	100.00 (Default)	2,097	—	0.0000%	100.0000%	100.0000%	0.0000%

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

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

a	b	c	d	e	g	h	i
Exposure class	PD range	External rating equivalent	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
	0 to < 0.001	AAA	—	—	—	—	—
	0.001 to < 0.009	AA+ to AA-	—	—	—	—	—
	0.009 to < 0.06	A+ to A-	17	—	0.0000%	0.0440%	0.0000%
	0.06 to < 0.358	BBB+ to BBB-	134	—	0.0000%	0.2555%	0.0000%
	0.358 to < 2.06	BB+ to BB-	148	1	0.6757%	0.9370%	0.2750%
	2.06 to < 11.978	B+ to B-	39	1	2.5641%	4.3743%	1.7720%
	11.978 to < 100	CCC/C	—	—	—	—	—
	100 (Default)	D	2	—	0.0000%	100.0000%	0.0000%

Section 8 – ESG risks

8.1 Introduction

In line with the EBA Guidelines issued in January 2022, Section 8 of this document, on Environmental, Social and Governance risks, contains the disclosure on ESG risks. The new reporting, which came into force on 28 June 2022, is required to be disclosed on a half-yearly basis.

The EBA ITS¹⁵ require the disclosure to consist of three qualitative sections to define Environmental, Social and Governance risks, plus a total of ten quantitative tables (the “Tables”), four of which on climate change transition risk, one on climate change physical risk, plus five three with quantitative data on the actions that credit institutions are implementing in order to mitigate risks linked to climate change, including information on EU Taxonomy¹⁶-alignment actions (GAR and BTAR) and any other mitigation actions.

The EBA Guidelines provide for a phase-in period until June 2024 for some of the information that is more complex in terms of data collection and risk measurement methodology, such as reporting Scope 3 emissions. As for the alignment metrics, the first disclosure on the Green Asset Ratio (GAR) is scheduled for December 2023, whereas the optional Banking Taxonomy Alignment Ratio (BTAR) disclosure is scheduled to start from December 2024.

For this, the second annual disclosure, a total of five templates are required by the regulations, containing information (e.g. on GHG emissions) provided on a best-efforts basis, which will become mandatory according to the phase-in procedure provided for in the EBA ITS from not before 31 December 2023.

The information shown here, required by Article 8 of Regulation (EU) 2020/852, reflects the contents of the Consolidated Non-Financial Statement (CNFS) and/or the climate report drawn up on the basis of the Task Force on Climate-Related Financial Disclosure (TCFD) protocol for FY 2022-23 (both updated based on the situation at 30 June for each year).

¹⁵ EBA/ITS/2022/01 (24 January 2022). Final draft implementing technical standards on prudential disclosures on ESG risks in accordance with Article 449a CRR.

¹⁶ Regulation (EU) 2020/852 of 18 June 2020

8.2 Qualitative information

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

In any case, the assignment of roles and responsibilities is an issue common to all three spheres, i.e. Environmental, Social and Governance, and so is described below.

In particular, with regard to the roles and responsibilities in the supervision and management of ESG risks, the **Board of Directors** is responsible for strategic supervision, approving the Bank's strategic direction, including on sustainability issues and topics related to climate change or ESG issues in general, and monitoring to ensure it is implemented in practice. In this scenario, the Board of Directors is responsible, *inter alia*, for:

- Defining and approving the business model, in full awareness of the risks to which the model exposes the Group and the Bank;
- Defining and approving the Group's strategic guidelines, financial and business plans and budgets (monitoring their implementation, and regularly comparing the results delivered with those planned);
- Approving the individual and consolidated financial statements and non-financial statements, including the Pillar III disclosure to the public;
- Revising and directing the risk management process, approving the Risk Appetite Statement (RAS), the Risk Appetite Framework (RAF), the risk objectives, the risk governance policies, and the tolerance thresholds (where identified), checking they are consistent with the strategic plans adopted;
- Approving the main internal regulations, policies and codes, including the Code of Ethics, the Code of Conduct, the Group Sustainability Policy and the Group ESG Policy, including on ESG issues. In particular, the Group ESG Policy defines the guidelines for integrating ESG criteria, and outlines the reference principles and the negative screening criteria (based also on assessments of the environmental risk posed by counterparties) and positive screening criteria applicable to lending, investment of own funds, and investment advice to clients.

The Board of Directors is also responsible for compiling the Group Staff Remuneration Policy (including the KPIs based on ESG and sustainability criteria contained in it), for submitting it to the approval of shareholders at the Annual General Meeting and revising it (at least annually), and is also responsible for ensuring it is implemented properly in practice.

At a Board meeting held on June 2017, the Directors of Mediobanca mandated the Chief Executive Officer to take charge of activities regarding sustainability (including environmental issues) and the actions to be implemented and monitored, including the institution of the Group Sustainability Committee.

In March 2022, further roles and responsibilities in the sustainability area were defined (including climate and environmental issues), specifying that ESG strategy and ESG risk governance within the Board itself are the responsibility of the Corporate Social Responsibility Committee (the CSR Committee) (at the CEO's proposal) and the Risks Committee respectively, in particular as follows:

- The **CSR Committee** (set up in September 2019) checks that the Group is positioned correctly relative to its strategy for sustainable growth over time, in terms of valorizing its staff, sensitivity to social issues, and the reduction of its direct and indirect impact on the environment. The Committee is responsible for prior analysis of sustainability issues, and for compiling proposals to be submitted to the approval of the Board of Directors, including the CSR policies, the Consolidated Non-Financial Statement, and the ESG strategy based on the CEO's proposal; it defines and monitors short- and medium-term sustainability objectives; it assesses the degree to which the CSR objectives set in the Group Remuneration Policy or the senior management scorecards have been met, and monitors the initiatives promoted by the Group Sustainability Committee;
- The **Risks Committee** supports the Board of Directors in its supervision of ESG risks, with reference in particular to the implications of climate and environmental risks to the company's business model and strategy.

As far as regards the roles and responsibilities of the steering and management committees for ESG risk-related issues, the situation is as follows:

- The **Group Risks Management Committee**, with reference to ESG issues in particular, defines and updates the framework for managing the impacts deriving from ESG factors, decides how to apply them at the regulatory risk level, and assesses the methodological structure at regular intervals, carrying out monitoring to ensure that the measures adopted remain effective overall;
- The **Lending and Underwriting Committee** examines the ESG risk profile of counterparties for which loans are being approved, based on analysis prepared for this purpose by Credit Risk Management;
- The **Group Sustainability Committee** is responsible for proposing, promoting and monitoring the initiatives intended to make a positive contribution to society in terms of both direct and

indirect impacts, and for ensuring that such actions are in line with stakeholders' expectations and are adequately represented and communicated both internally and externally to the Group. It also supports the CEO and the Board CSR Committee in finalizing the overall ESG strategy, including the approach to climate-related issues in terms of both direct and indirect impacts. In recent years, for example, it has evaluated various initiatives, where necessary submitting them to the Board CSR Committee, including updating the internal policies and signing up to relevant ESG frameworks on a voluntary basis (including the Sustainable Development Goals, the UNEP FI Principles for Responsible Banking (PRB), the Task Force on Climate-Related Financial Disclosure (TCFD), and the Net-Zero Banking Alliance).

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

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

The ESG Working Group is cross-divisional, with representatives from various different business and staff units, and also from the largest Group Legal Entities. The Working Group is itself structured into different sub-groups based on the topics discussed.

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

- **Group Sustainability** supports senior management, in defining the sustainability policies and identifying whether or not to adhere to ESG agreements/initiatives. With regard to initiatives, the unit is responsible for setting the targets (and defining the data required to monitor their achievement) in order to structure them within the Bank's operations. The unit supports the development of ESG financial products and services in the various business lines, engaging with the reference stakeholders, and monitoring the indirect impacts on the Group. The unit is also responsible for compiling the TCFD Report and the Consolidated Non-Financial Statement (CNFS), which includes the disclosure required by the EU Taxonomy Regulation.

- **Group Chief Financial Office** contributes to defining the Group ESG strategy, supervises the process and consolidates the data, and monitors the quantitative ESG KPIs included in the Strategic Plan/budget. It co-ordinates the planning/budget process (including climate-related aspects), and carries out ex-post monitoring on it. It also prepares the disclosure to the public required by the authorities on ESG issues (Pillar III). It helps to prepare the EU Taxonomy Regulation reporting, and compiles the annual reporting for the Green, Social and Sustainable Bond Framework.

In relation to activities related to the Group's remuneration and incentivization system, it co-operates proactively with Group HR and with Group Sustainability in defining the environmental KPIs consistent with the Group's strategies and in monitoring them on a regular basis, providing the Remuneration Committee with detailed information on the results.

Through Group Treasury, it handles the creation and structuring of financial instruments linked to sustainable finance, and manages the portfolio of assets relating to the Green, Social and Sustainable Bond Framework; it also defines and updates the internal fund transfer pricing (FTP) curve, into which ESG criteria have been integrated.

ESG risk assessment and management is also integrated into the Group's three lines of defence. The units involved in the internal control framework for environmental risk in particular are as follows:

First line of defence:

- The **Front Office** teams contribute to defining the ESG strategy, by taking account of the risks and business opportunities linked to the climate. They receive the climate objectives deriving from the Group's membership of ESG agreements/initiatives, and apply them to the commercial offering. They manage the loan book in accordance with the ESG Credit Guidance and RAF.

Together with Group Risk Management and Group Sustainability, they check that the Group ESG Policy is applied correctly in practice (negative screening and ESG investment limits).

They analyse clients' climate transition plans in conjunction with Group Risk Management, and participate in proactive engagement activity versus clients.

Second line of defence:

- **Group Risk Management** handles relations with the supervisory authorities, including on matters pertaining to climate and environmental risk, and with the support of Group Sustainability, monitors the external regulations and best practices for managing it.

It also supervises the integration (qualitative and quantitative) of climate issues into the RAF and ICAAP frameworks.

The unit defines, implements and updates the materiality assessment at least once a year, and prepares the risk reporting to be shared with the Board of Directors at regular intervals. It also co-ordinates the regulatory and management stress test activities (including climate-related).

It assesses the proprietary lending and investment portfolio's exposure to climate risk, with the support of the ESG Heatmap, a tool used to determine the potential risk for ESG factors. For further details on the methodology on which the Heatmap is based, reference is made to the sub-section entitled "Environmental Risk Management Framework".

It assesses single-name ESG risk, and together with Group Sustainability reviews the compliance of borrowers and investment counterparties with the Group ESG Policy.

It defines the methodology for, and performs the calculation of, the Group portfolio's emissions (Scope 3), and carries out the portfolio alignment exercises.

The unit also assesses the reputational risk issues linked to ESG factors, in conjunction with Compliance & Group AML.

It also assesses the operational risk linked to climate issues (e.g. the business continuity of the Group's structures and of its principal outsourcers);

- The **Compliance & Group Anti Money Laundering (AML) unit** is responsible for governance of the regulatory risks facing the Group and the reputational risks that derive from them. Within the broader range of ESG issues, Compliance & Group AML also manage risks relating to money laundering, anti-corruption and greenwashing. The Compliance unit is involved in defining the reference framework for climate and environmental issues, in conjunction with Group Risk Management and il Group Sustainability.

Third line of defence:

- The **Group Audit Unit** carries out regular audits on ESG issues, in view of the different components and various relevant roles within the company, in accordance with its function as the third line of defence within the internal control system.

Data management framework

The IT framework for data management is also applicable to all three spheres, E, S and G. The following are used to measure environmental, social and governance risks:

- The client's internal data at counterparty level (e.g. economic sector codes used for statistical purposes);
- External public data (e.g. CNFS);
- Information from data providers (e.g. ESG ratings, ESG pillar scores, Controversies);
- Research institution data (e.g. UNEP FI used to compile the ESG Heatmap).

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

A series of activities have also been launched with the purpose of compiling a shared ESG database which is integrated into the Group's data architecture, to function as "single point of truth" in supporting the internal analysis/assessment activities, and to meet the regulatory reporting requirements. The database will include both management and regulatory/accounting data, both internal and external data, on:

- The needs expressed by Regulation (EU) 2020/852 (tables required by Annex VI for the GAR and by Annex XII for nuclear and fossil gases);
- Information useful for the proprietary lending and investment portfolios (trading and banking books) for purposes of carrying out the analysis required by the internal procedures on pre-lending for loans and pre-investment for investing in securities, and for reporting and internal ESG risk factor monitoring and applying the criteria laid down in the Group ESG Policy;
- Information useful for the portfolios managed or administrated on behalf of clients, for purposes of applying ESG factor integration policies adopted by the Group and for the control, reporting and disclosure requirements provided by the SFDR (Regulation (EU) 2019/2088) and MiFID II, as amended on ESG matters by Commission Delegated Regulations (EU) 2021/1253 and 2021/1269;
- Information useful for calculating the counterparties' Scope 1, 2 and 3 emissions.

1. ENVIRONMENTAL

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

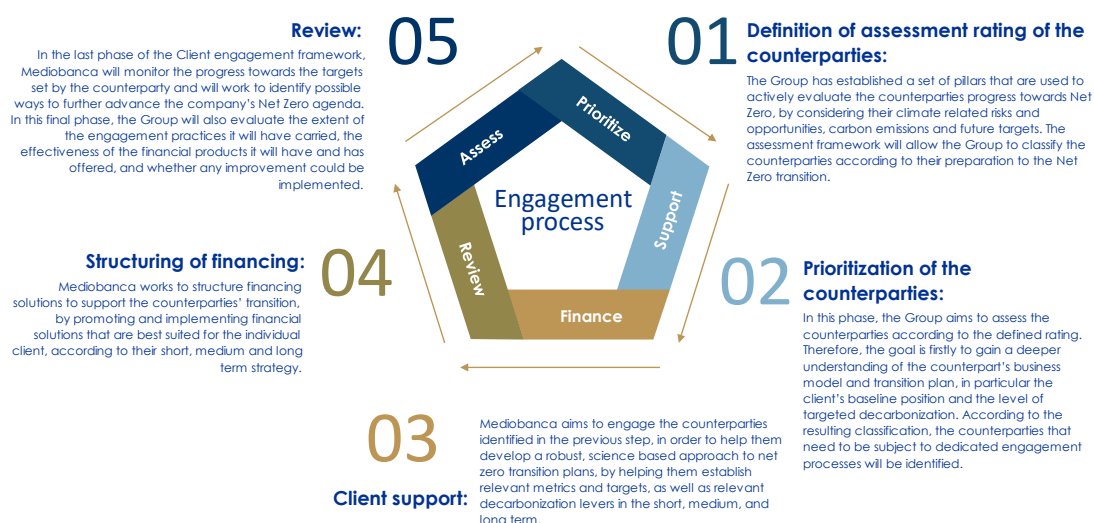
- Implementing new metrics into the Group Risk Appetite Framework focused on credit risk deriving from climate transition risk and physical climate risk factors. In particular, the Group has identified the maximum acceptable levels of exposure for the loan to high environmental-risk counterparties.

A mapping exercise has been carried out for the client mortgage loan book (CheBanca! portfolio) with collateral in geographical areas considered to be at high environmental risk (identified on the basis of a scoring methodology that takes landslide, flooding and seismic risk into consideration jointly).

The Group has also added a specific metric, at present only for monitoring purposes, to measure the GHG emissions intensity of the Mediobanca and Mediobanca International S.A. loan books (see sub-section entitled "Transition Risk" for further details);

- Client engagement: the Mediobanca Group is committed to engaging and supporting its clients and society on the journey towards zero emissions. Mediobanca has adopted specific measures to mitigate climate risk in line with its clients' specific mitigation actions. With reference to the NZBA in particular, greenhouse gas emissions reduction targets have been formalized for counterparties operating in four of the sectors identified by the Alliance (the remainder will be covered by end-2024). In this connection, among the measures to be adopted, engagement activity with all clients operating in high-impact sectors is particularly important, especially counterparties not aligned with the sector's net zero targets. The Group is currently completing the first of five phases in the process, illustrated in Fig. 1 below, and is working assess its counterparties based on the rating system developed;

Fig. 1: Steps in client engagement process



- Staff training: staff employed in the business areas receive training in the form of courses which are preparatory to client engagement, with a view in particular to strengthening the competences necessary in order to assess and monitor the clients' plans for alignment with the Paris Agreement targets. The courses run during the year under review involved an illustration of the regulatory, climate risk, technology and decarbonization framework in which the counterparties operate in the sectors for which specific targets have been set. The drivers available to the banking sector to reach its decarbonization portfolio targets have also been analysed;
- Offering ESG products (a breakdown of which is included in the TCFD (Task Force on Climate-Related Financial Disclosure) report and/or the Consolidated Non-Financial Statement). Further details are provided in the Group ESG Product Catalogue published on the Bank's official website;¹⁷
- Adopting ESG policies, including exclusion policies specific to sectors such as forestry and use of forest areas, farming, the mining industry, energy production, sale and consumption, and transport;
- Launch of a transition plan that is able to direct its proprietary lending towards achieving the climate objectives for the portfolio, as shown below.

Portfolio emissions intensity targets

In its capacity as a member of the Net-Zero Banking Alliance (UNEP FI initiative), the Group has published (in September 2023) the climate objectives for its proprietary lending exposure

¹⁷ https://www.mediobanca.com/static/upload_new/esg/esg-catalogue-post-comitato-sost-engl-.pdf.

to the Power, Automotive, Cement and Aviation sectors (for further details, reference is made to the TCFD Report updated as at 30 June 2023).

The targets are aligned with a 1.5°C climate ambition, and hence with the Paris Agreement are summarized in the table below. The scenario used to define them is Net Zero Emissions 2050, International Energy Agency (2021).

	AUTOMOTIVE	POWER	AVIATION	CEMENT
SDA <i>Emissions intensity level reduction by 2025 from 2022 baseline</i>	16%	22%	4%	10%
Economic intensity method¹⁸ <i>Total GHG emission reduction percentage (Scope 1 + Scope 2) by 2025 from 2022 baseline</i>	15.9%			

To be able to quantify these objectives, Mediobanca has performed specific portfolio alignment analysis.¹⁹ This activity will allow the Bank to assess possible changes to the composition of its portfolio, in order to align itself with the objectives set by the Paris agreement, and to monitor the exposure to transition risk. Reference is made to the section entitled "Portfolio alignment" of the TCFD Report.

The progress made towards achieving the targets will be monitored over time, and regular disclosure will be made on such progress at least once a year (every six months starting from June 2024, with the publication of Pillar III Template no. 3).

In accordance with the Net-Zero Banking Alliance requirements, the portfolio sector targets are complemented by the calculation of the absolute emissions financed for all sectors (Scope 3, Category 15 GHG Protocol); this calculation is made on the basis of the "Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition" (2022) Standard and methodology compiled by the Partnership for Carbon Accounting Financials (PCAF). For the compilation of template no. 1 "*Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity*", the counterparties' scope 1, scope 2 and scope 3 emissions have been calculated based on the Group's banking book as required by the Guidelines and relevant regulations.

Targets contained in the 2023-26 Strategic Plan

In the 2023-26 Strategic Plan "One Brand-One Culture", the Mediobanca Group has set itself the objective of supporting clients in their ESG transition strategies by providing them with specific advisory activities, of allocating capital with an ESG focus, and strengthening the ESG

¹⁸ The economic intensity method (GEVA) is based on SBTi criteria, in which the target is set via an economic intensity reduction rate defined *a priori* as constant and annual.

¹⁹ To perform this analysis, Mediobanca has used a methodology that enables the climate transition risk to which the Bank's counterparties are exposed to be assessed, evaluating to what degree the emissions levels, current and future (assessed on the basis of the transition plans launched by them), are compatible with achievement of the Paris Agreement objectives to limit global warming.

product offering to be structured for all the divisions featured in it (Wealth Management, Consumer Finance and Corporate & Investment Banking).

The new Strategic Plan contains specific targets on environmental issues; the commitment to achieve carbon neutrality by 2050 has been confirmed (with an interim target of an approx. 35% reduction in financed emissions intensity by 2030, and of 18% by 2026). For the CIB loan book and proprietary investing portfolio (in all markets), Mediobanca has set the objective of completely phasing out its involvement in the coal industry by 2030. Finally, in order to reach the objective of carbon neutrality, the Group's commitment to using electricity 100% from renewable sources remains fundamental. Reference is made to the TCFD Report and the Consolidated Non-Financial Statement for further details.

Environmental sustainability and ESG products

Mediobanca's commitment to pursuing ESG objectives is further demonstrated by the introduction of its Green, Social and Sustainability Bond Framework, which lays down the rules and procedures for identifying eligible projects and initiatives; the Green, Social and Sustainability Bond, which is compliant with the Mediobanca Framework – in addition to being aligned with the Green Bond Principles (2021), the Social Bond Principles (2021) and the Sustainability Bond Guidelines (2021) issued by the ICMA (International Capital Market Association) – will also pursue alignment with the regulatory technical standards set forth in the Delegated Acts to the EU Taxonomy Regulation and any relevant future updates of them. Meanwhile, work continues in the granting of green mortgages (with a target for green mortgages to account for some 20% of total new loans by the end of the Plan). In Lending, the Group expects, as per the 2023-26 Strategic Plan, around 40% of new corporate loans to have ESG or ESG-linked features in the course of the three years. The Group also intends to expand its wide range of financial products and services with environmental, social and governance characteristics as defined in Regulation (EU) 2019/2088 (the "Sustainable Finance Disclosure Regulation"). Compass has a target CAGR of 15% for ESG loans which includes green loans (e.g. to support sustainable mobility).

Actions and objectives related to the regulatory and voluntary protocols

The Group qualifies under the terms of the EU Taxonomy Regulation as a "credit entity"; accordingly, it discloses the Key Performance Indicators (KPIs) stipulated by Regulation (EU) 2021/2178 for such types of financial firms in the Consolidated Non-Financial Statement. In the disclosure updated as at 30 June 2023, the Group has published its percentage of potentially sustainable (or eligible) activities. As part of a project specifically for this purpose, the Group is preparing the methodologies to estimate the share of sustainable (or aligned) activities to be

disclosed, as provided by the ESG ITS Implementing Regulation, starting with the Pillar III disclosure at December 2023.

In line with the Group ESG Policy and the Directive on responsible investing in portfolio management and investment advice, the Group is also committed to "shareholder activism" practices, to the degree that these are applicable to the different types of activity, taking an active part in the annual general meetings of the investee companies, in accordance with their specific policies and directives on voting. Mediobanca SGR and RAM AI have signed up to the Non-Disclosure campaign promoted by the Carbon Disclosure Programme (CDP), which offers investors an opportunity to engage actively with the companies that have received a request to promote the CDP on behalf of investors but have not responded, thus encouraging enhanced transparency on climate change issues.

Furthermore, both companies, like Polus, are signatories to the United Nations Principles for Responsible Investment (UNPRI), through which they have committed also to operate as shareholder activities, integrating a focus on ESG issues into the traditional shareholder policies and practices. Also in connection with the UNPRI, Mediobanca SGR is an endorser of the Advance initiative, through which it supports institutional investors' engagement activity on social and human rights issues. RAM AI is also a member of the Net-Zero Asset Managers Initiative.

Environmental risks governance, reporting, and remuneration policies

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

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

In relation to reporting, the Chief Risk Officer briefs the Board of Directors once every three months on the risk trends observed, including climate-related risks, and on the performances of the climate and environmental risk metrics integrated into the RAF during the reference period. The Risks Committee, containing analysis of the Lending and Investment portfolios deriving from the results of the ESG Heatmap and the single-name analysis of lending counterparties. The ESG Heatmap is an instrument developed by sector which serves to identify the potential risk

in relation to ESG factors for the proprietary lending and investment portfolio in the Corporate and Investment Banking division. Reference is made to the heatmap shown in the section entitled "Environmental Risk Management Framework" below.

Mediobanca has also updated its remuneration and incentivization policies and practices with the objective of stimulating behaviours consistent with the approach adopted for climate and environment risk, and to include the commitments made on a voluntary basis and so steer the beneficiaries' conduct towards the objective of creating value over the long term. As part of the assessment of its staff performance and incentivization system, the Mediobanca Group devotes special and increasing space to the delivery of environmental, social and governance (ESG) objectives. These targets are applied on the basis of the individual scope of responsibility, and having regard to the incentivization systems applicable individually or at divisional level.

The incentivization system is based on long-term schemes and short-term schemes as follows:

Long-term incentive schemes

- Long-Term Incentive 2019-23: predefined and determined Environmental, Social and Governance objectives were included in the individual Long-Term Incentive Plan for 2019-23, for the Mediobanca Chief Executive Officer and the Group General Manager, and for the Chief Executive Officer of Compass/CheBanca!, which was completed on 30 June 2023. The objectives were in line with the UN's Sustainable Development Goals; and they included an ongoing and increasing investment of the time horizon of the plan in projects with positive social and environmental impact, a focus on environmental objectives, with targets in terms of the percentages of energy used from renewable resources, reduction of CO2 emissions, etc. All the objectives were public, measurable and quantified, with the Board of Directors assessing whether or not they had been reached (the Board received detailed reporting in this connection).
- New Long Term Incentive Plan 2023-2026: the recipients are the Mediobanca Chief Executive Officer and the Group General Manager, plus select Group senior management figures; two ESG objectives are included in the KPIs and scorecards, both quantified and measurable, with a total weighting of 20% (10% each). One in particular is directly related to climate change, and involves the reduction of the portfolio's carbon intensity (portfolio

decarbonization²⁰). The Plan remuneration is payable entirely in Mediobanca shares, and, once it has been completed, over a time horizon of several years.

Short-term annual incentive schemes:

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

The short-term incentive scheme for other senior figures (strategic management and Material Risk-Takers heading up the main business lines, including the CEOs and general managers of the main Group legal entities) also includes, both individually and as part of the scorecards used to define the divisional bonus pools, and where appropriate to the scope under consideration, the presence of quantitative, measurable ESG indicators. These include, without limitation: higher volumes of green products and deeper penetration of ESG funds in clients' portfolios; green bond issues; monitoring and accounting for assets in portfolios from an ESG standpoint; integrating ESG evaluations into the fund investment process. Other targets include: increasing green-/ESG-linked bond issues and lending activities; assessment of suppliers according to ESG criteria, target levels for electricity from renewable resources, cutting CO₂ emissions (Scope 1 and 2). Non-financial ESG objectives have also been set for these figures, with a focus on ESG issues in some cases also structured as projects.

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

ESOP FY 2023-26

As part of the new 2023-26 Strategic Plan, an Employee Share Ownership and Co-investment Scheme has been introduced for Mediobanca Group staff. The advantages of this Plan include ensure that Group staff compensation is correlated to the achievement of

²⁰ Intensity of climate-altering emissions (tCO₂eq/€mil) Purpose 1-2-3 of loans granted by the CIB division (excluding Specialty Finance) to non-financial counterparties.

positive results over time, ensuring that the performances delivered are consistent with an approach based on the overall sustainability of the pay mechanisms. The conditions which enable participants to have their shares matched by the Bank (1 share for every 10) include the achievement of one climate-related KPI, namely 100% energy from renewable sources at Group level.

For further details, reference is made to the Group Remuneration Policy and Report, the Long Term Incentive Plan 2023-26 and the ESOP 2023-26 documents published on the Bank's official website at www.mediobanca.com.

Environmental Risk Management Framework

The Mediobanca Environmental Risk Management Framework is based on:

- Group ESG Policy – which defines the guidelines for integrating ESG criteria, and outlines the reference principles and the negative screening criteria (based also on assessments of the environmental risk posed by counterparties) and positive screening criteria applicable to lending, investment of own funds, and investment advice to clients;
- Methodologies developed internally based on international standards (United Nations Environment Programme Finance Initiative - UNEP FI, Principles for Sustainable Insurance - PSI). In particular, Mediobanca has defined an ESG Heatmap, an instrument which has been developed at sector level with the objective of identifying ESG risk for the proprietary lending and investment portfolio within the Corporate and Investment Banking Division based on the different risk levels. The Heatmap takes ESG factors into consideration, and distinguishes between climate change transition risk and climate change physical risk. The sector mapping has been developed using external information collected from international standards (United Nations Environment Programme Finance Initiative – UNEP FI²¹, Principles for Sustainable Insurance – PSI²²).

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

To increase the consistency of the analysis and the Heatmap itself, the ESG factors identified by the UNEP FI have been integrated with some of the themes recommended by the PSI in its

²¹ UNEP FI is a partnership between the United Nations and the global financial system to support sustainable finance. The UNEP FI network helps financial institutions to remain updated on the instruments, policies and practices employed by the sector to address the challenges and opportunities associated with sustainable growth.

²² The PSI are a voluntary initiative supported by the United Nations, which has the objective of tackling the risks and opportunities related to environmental, social and governance (ESG) issues in the insurance sector. Launched in 2012, the PSI are aligned with and integrated into the United Nations' Global Compact.

document entitled “Managing environmental, social and governance risks in non-life insurance business”.

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

	Source: <u>UNEP FI</u>	Source: <u>PSI</u>
Environmental	<ul style="list-style-type: none"> • Quality • Water • Air • Soil • Biodiversity & ecosystems • Resources efficiency / security • Climate • Waste 	<ul style="list-style-type: none"> • Transition Risk • Physical Risk • Impacts on World Heritage Sites or other protected areas • Impacts on species on IUCN Red List of Threatened Species • Controversial living conditions or use of chemicals/medicines (e.g. overuse of antibiotics)

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

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

- Completion of qualitative questionnaires to collect information used for analysis of Group ESG policy requirements and to define an internal ESG score specific to the single counterparty;
- Collection of specific information for the individual counterparty from external info-providers, if the questionnaire has not yet been submitted;
- If no information is available from the previous two sources, assessment of the counterparties is based on the “potential” Heatmap sector results.

The Credit Risk Management unit also prepares a memo (“ESG Risk Report”) for each counterparty featured in the Lending portfolio, containing a summary of the ESG assessments obtained during the origination process (such as whether or not they meet the criteria set forth in the Group ESG Policy, or the synthetic ESG Internal Score) and an assessment of the counterparty’s ESG risks. Even though it is not always possible to obtain all the required information in advance, this memo forms part of the documents to be submitted to the committee responsible for approving the transaction. Coverage for some of the lending portfolio counterparties is also currently in progress.

Mediobanca carries out regular reporting on ESG risk analysis, which is updated on a quarterly basis and discussed by all relevant internal Committees. The report provides an assessment of the environmental, social and governance (ESG) risks for the loan book and investment portfolio exposures, with specific indepth analysis of those sectors with the highest environmental risk.

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

The Group has identified environmental factors as one of the key elements on which its Risk Appetite Framework is based, to promote responsible business activities while maintaining a

low profile in terms of exposure to climate risk. Work continues in this area, with the objective of ensuring increased integration, which at present entails implementing new metrics within the Group Risk Appetite Framework, offering ESG products, and adopting ESG policies (including exclusion policies).

In order to mitigate the environmental risks, the Group adopts a structure with operating limits, and management and mitigation processes for specific exposures to climate and environmental risks that could represent especially significant concentrations. Reference is made to the following section on "Limits for climate risk set as part of the Group Risk Appetite Framework" for further details.

Limits for climate risk set as part of the Group Risk Appetite Framework

The desired risk profile level is guaranteed by the assumption of risk that is limited by defining thresholds representing the level of risk considered to be acceptable and which is consistent with the Group's earnings objectives. To monitor and mitigate the Group's exposure, the Risk Appetite Framework includes several metrics focused on physical risk and transition risk.

Transition risk

In order to identify its portfolio's potential ESG risk, Mediobanca has developed, as mentioned in the previous section, an ESG Heatmap by sectors, and has refined it to incorporate the distinctive features of its portfolio and the characteristics of the individual counterparties that comprise it. With the objective of promoting responsible business activities based on environmental criteria, the Group's Risk Appetite Framework includes a metric, based on the ESG Heatmap, that identifies the maximum acceptable level of exposure to counterparties operating in high-environmental risk sectors.

The Group has also added a monitoring metric to its Risk Appetite Framework representing the GHG emissions intensity of the Mediobanca and Mediobanca International S.A. loan books. This metric is defined as the sum of the Scope 1, 2 and 3 emissions (tCO₂eq.) of the non-financial counterparty (NFC) as a percentage of the total exposure versus such counterparties (expressed in terms of Gross Carrying amount) with the objective of monitoring the Group's exposure to counterparties with a high dependency in terms of carbon emissions.

CheBanca! has integrated transition risk into its framework for monitoring and managing credit risk; its loan book accounts for more than 90% of the Group's loans secured by properties.

With reference to credit risk, transition risk is defined as the risk that the process of transitioning to a low carbon emission economy, stimulated by the adoption of specific

regulations at EU and national level, might influence the credit rating of a counterparty or the value of the collateral in the short, medium and/or long term.

To monitor this risk, CheBanca! has identified the energy class of a property used as collateral for loans in the short, medium and/or long term as the factor most able to affect its value. In particular, energy classes A and B are considered to be the ones with the highest degree of efficiency, and so determining a low level of consumption for the property. Accordingly, a Transition Risk Indicator has been developed in order to monitor the level of new mortgages guaranteed by energy class A or B properties relative to the total new mortgages granted on a quarterly basis.

Physical risk

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

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

This metric has been included in the Group's Risk Appetite Framework with the objective of limiting the number of new loans granted that are secured by properties located in towns and cities classified as being at Very High and High physical risk.

Materiality assessment

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

To integrate the short-, medium- and long-term effects of environmental factors and risks into the Group's risk management framework, the following time horizons have been defined:

- Short term (ST): from 0 to 3 years;
- Medium term (MT): from 3 to 7 years
- Long term (LT): from 7 to 30 years

The short-, medium- and long-term effects have been defined as part of the risk framework, outlining the possible impacts for each traditional risk category.

CREDIT RISK				
Transmission Description		Horizon	Channel	Legal Entities
Physical Risk	Acute (droughts, extreme heats, floods, storms, hurricanes): acute physical risk can cause damages in the form of lower values of households property resulting from damage caused by severe weather events; lower corporates profitability levels and increase in credit risk, restriction of governments' access to financial markets and general increase in the average cost of debt	Short-term	Mortgages, corporate lending, leasing, factoring, corporate bonds, equity and derivatives	Mediobanca, Mediobanca International, CheBancal, Compass, CMB Monaco, MB Credit Solution/Revalea, Selmabipiemme, MB Facta
	Chronic (biodiversity loss, land use change, water stress, sea level rise): chronic physical risk can cause damages in the form of decline in the value of households property resulting from damage caused by chronic weather events; effects on corporates income due to decrease in the financial health of borrowers, restriction of governments' access to financial markets and general increase in the average cost of debt	Medium/ Long-Term		
Transition Risk	Policy & Regulation: changes in regulations and standards could lead to the devaluation of the value of the assets used as collaterals which are characterized by a lower energy class than current policy standards. Such effect holds especially when dealing with retail counterparties	Medium/ Long-Term	Mortgages, corporate lending, leasing, factoring, corporate bonds, equity and derivatives	
	Technology: technological innovations are expected to facilitate the transition to lower-carbon economies. Corporates that rely on carbon-intensive technologies may become less competitive, and banks with exposures to those corporates may experience higher credit-related losses			
	Market Sentiment: transitioning to lower-carbon economies may trigger shifts of consumer and market sentiment. Banks' clients may manage their savings or investments towards projects with a positive environmental impact. Cost of capital and funding for some corporates may increase. Higher costs associated with climate regulation changes could dampen firms' profitability and eventually increase the bank credit risks			

MARKET RISK				
Transmission Description		Horizon	Channel	Legal Entities
Physical Risk	Acute (droughts, extreme heats, floods, storms, hurricanes): uncertainty about the timing, intensity and location of future severe weather events and other natural disasters may lead to higher volatility in financial markets, which is directly reflected into stocks, debt instruments, currencies or commodity prices held by the institution.	Short-term	Corporate bonds, equity, derivatives	Mediobanca
	Chronic (biodiversity loss, land use change, water stress, sea level rise): chronic weather events may lead to a variation into risk premia for debt instruments, and a variation into the long run assets valuation. Chronic risks may bring to new long run expectations for such instruments whose business is chronically affected. This is true also for sovereign entities which are located in some high risk areas	Medium/ Long-Term		
Transition Risk	Policy & Regulation/ Technology/ Market Sentiment: transition-related changes in official sector policies could lead to variations in borrowing costs and an abrupt repricing of financial assets. E.g. investors could increase the risk premia they demand from carbon-intensive borrowers. In addition, inadequate economic and structural policies could exacerbate the negative relationship between environmental/climate shocks and the economy output level	Medium/ Long-Term	Corporate bonds, equity, derivatives	

OPERATIONAL RISK				
Transmission Description		Horizon	Channel	Legal Entities
Physical Risk	Acute (droughts, extreme heats, floods, storms, hurricanes)/ Chronic (biodiversity loss, land use change, water stress, sea level rise): as a result of extreme weather events, the bank operations and business continuity may be disrupted due to physical damage of its property, branches and data centres. Physical hazards can affect the bank directly through operational risks. For instance, if physical hazards disrupt telecommunications infrastructure, the bank operational ability may be reduced. From the bank's perspective it assumes considerable relevance the impact of above-mentioned extreme events on outsourcers from whom the bank receives services.	Short/ Medium/ Long-term	Damage to property, IT dysfunctions	Mediobanca, Mediobanca International, CheBanca!, CMB Monaco, Compass MB Credit Solution/Revalea, Mediobanca SGR, Polus, RAM UK, Selmabipiemme, SPAFID, SPAFID SIM, MB Facta
Transition Risk	Policy & Regulation/ Technology/ Market Sentiment: Financing counterparties for projects that do not respect environmental sustainability requirements, together with the evolution of customer preferences, could cause damages to the bank reputation. Failure to comply with environmental sustainability standards results in penalties against the bank. Corporates may also be exposed to increasing legal and regulatory compliance risks as well as litigation and liability costs associated with climate-sensitive investments and businesses. Furthermore, climate-related lawsuits could target corporations for past environmental misconduct, consequently the bank would be impacted. In fact, there could be "green washing" episodes linked to unsustainable investment policies which could arise indirect reputational risk for the bank as well as an operational loss.	Short/ Medium/ Long-term	Green-washing episodes	

LIQUIDITY RISK				
Transmission Description		Horizon	Channel	Legal Entities
Physical Risk	Acute (droughts, extreme heats, floods, storms, hurricanes)/ Chronic (biodiversity loss, land use change, water stress, sea level rise): The occurrence of extreme weather events generates an increase of cash outflows with an impact on the bank ability to meet its financial obligations. Moreover, post-disaster lending has a significant negative effect on liquidity buffers. If households and corporates affected by physical risks need liquidity, they may withdraw deposits or draw on credit lines: this may be reflected onto facing the natural disaster at its timing, and recovering from direct damages. These withdrawals could put the bank own liquidity under pressure. In addition, severe natural disasters can trigger a sharp increase in precautionary demand for liquidity by financial institutions, households and corporates, which can bring to the intervention of the central bank.	Short/ Medium/ Long-term	Current accounts, credit lines	Mediobanca, Mediobanca International, CheBanca!, Compass, CMB Monaco, MB Facta
Transition Risk	Policy & Regulation/ Technology/ Market Sentiment: Liquidity buffers can vary according to the evolution of consumer preferences which can generate a negative impact on deposits determining higher cost of funding for the bank. Moreover, an abrupt repricing of securities, for instance due to asset stranding, may reduce the value of high quality liquid assets of the bank, thereby affecting liquidity buffers as well.	Short/ Medium/ Long-term	Current accounts, credit lines, cost of funding, securities (including own issuances) and other funding instruments	

Integration of environmental risks into ICAAP framework

In line with the regulator's expectations that climate risks (physical and transition) should be included in banks' capital planning processes, including the Internal Capital Adequacy

Assessment Process (ICAAP), Mediobanca has integrated the impact on its capital adequacy deriving from the exposure to climate risks into the Group's management stress testing carried out as part of the ICAAP, considering various specific scenarios. In particular, the scenario analysis enables the Group to assess the impact generated, through the different transmission channels (i.e. credit, market and operational risk), of the climate transition and the physical risks (acute and chronic) on the Group's capital ratios. Climate scenario analysis considers the potential vulnerabilities linked to extreme weather events (physical risk) and to other "disorderly" transition risk sources (such as particularly stringent climate regulations, technology innovation, and market volatility) that could materialize over the estimation period time horizon. The exercise was devised to include both transition and physical risks in the following transmission channels: credit and counterparty risks (focused on corporates and households in retail banking, and on the economy as a whole), operational and conduct risks, and market risks (focused on corporate debt securities and equities as well as derivatives).

For a detailed description of the physical and transition environmental risk transmission channels for the various risk categories, reference is made to the table shown in the sub-section entitled "Materiality Assessment".

Portfolio alignment

During FY 2022-23, climate transition risk impact analysis was carried out on the loan books and investment portfolios of the leading Group Legal Entities, to measure their degree of alignment (current and future) with the objective of reaching net zero CO₂ emissions by 2050. The analysis was carried out using a proprietary portfolio alignment methodology developed internally, and based on data supplied by a specialized external data provider.

For further details on the methodological framework developed, reference is made to Section 8.3 "Quantitative information", Template 3.

In its capacity as member of the Net-Zero Banking Alliance, Mediobanca must, within three years of making its commitment (November 2021), publish its portfolio objectives for the following sectors: agriculture, aluminium, cement, coal, real estate (commercial and residential, iron and steel, oil and gas, energy production, and transport. During the year under review, changes were made to the sector targets approved the previous year for the power and automotive sectors for the Mediobanca and Mediobanca International loan book, the scope of reference was extended to the entire Group proprietary portfolio, and the methodological approach for the analysis was also changed from the PACTA methodology previously used to the ones described above. Specific targets have also been introduced for

the Cement and Aviation sectors. Reference is made to Section 5.1 of the TCFD Report for FY 2022-23 for further details.

ESG Policy and negative screening criteria

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

To support responsible business activities that take ESG criteria into consideration, Mediobanca has defined parameters for analysis that all Group Legal Entities must factor into their own valuations – according to their own needs and the distinctive features of their respective businesses – using one or more of the following sources (where available):

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

The Group does not knowingly engage in business activities that are contrary to its own values or that are in breach of principles and regulations and so could expose it to serious reputational risks. In particular, it does not engage in business activities that regard or directly involve entities operating in sectors considered not to be socially responsible, with low ESG ratings and/or involved in serious events (e.g. companies with convictions), that have generated or could generate adverse impacts in the environmental, social or governance spheres (indirect impacts).

Negative screening criteria have been incorporated into the internal regulatory framework, so issuers that do not meet these criteria are not considered eligible for investment purposes. Such criteria are also applied and and/or updated progressively based on changes in the scenario, both regulatory and strategic and in the area of risk-taking on ESG issues. In particular, during FY 2022-23 the Group ESG Policy was updated to include restrictions on counterparties that generate more than 10% of their revenues from coal mining, and whose revenues generated from the exploration, production, transport or sale of coal, oil and/or gas

from non-conventional sources represent, jointly or severally, more than 10% of the company's turnover (consolidated where applicable).

2. SOCIAL














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

- Offering ESG products (reference is made to the CNFS for FY 2022-23 for further details); and
- Adopting ESG Policies. The latter are based on a combination of:
 - Negative screening, i.e. criteria to identify and exclude parties involved in specific activities);
 - Positive screening, i.e. criteria to identify parties and/or assets which are assessed positively from an ESG standpoint.

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

In addition to the information provided above for the Environmental area regarding setting targets and objectives, on the Social side, on 31 March 2022 the Mediobanca Group also launched a cultural transformation process under the title “toDEI”, with the objective of creating an even more inclusive working environment. More specifically, while acknowledging that diversity has many sides to it, the Group has said it wants to contribute to reducing the gender gap. In quantitative terms, the Group has set the following objectives:

Fig. 2: Social objectives

Objective		KPIs	As of 30/06/2023	To be
Address gender balance with long term results	Consolidate female representation in top management and executive positions	% of female members of Mediobanca Key Function Holders	 20%	 >30%  >40%
		% of female “executives”	 18,7%	 >20%  ~35%
	Establish gender balanced recruiting inflows	% of female on total hiring	 ~40%	 >50%  ~50%
	Ensure balanced and fair advancement & remuneration processes	Advancement rate	 14.8%  12.7%	 Parity  Parity

A detailed action plan has been drawn up accordingly, focused on the following three pillars: governance (a Diversity, Equity and Inclusion management committee has been set up), people management (HR policies and processes are in the process of being updated to adapt them to best international practice), and corporate culture (a learning process will be launched that will involve the Group's entire corporate population).

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

The social sphere has also been considered and integrated into the Group's business strategy following the analysis carried out during the year under review, to identify a second significant impact area in connection with the Principles for Responsible Banking (PRB), alongside climate change which was selected last year. In particular, considering both its own portfolio and the needs of the geographies in which it operates, the Group has identified "Financial Health and Inclusion" as an area of significant impact with reference to the social sphere, for which specific targets have been set (already incorporated into the 2023-26 Strategic Plan "One Brand-One Culture", for which see the next section). For further details, reference is made to the information published in the PRB Report 2023 available at www.mediobanca.com.

Targets contained in the 2023-26 Strategic Plan

The Mediobanca Group's new strategic plan contains specific targets in the social area, both in terms of direct impacts and of impacts generated by its own business activities. With reference to the former, the Group has set the objective of increasing the number of women at the level of Key Function Holders (>30%) and executives (>20%), and to 50% of total hires. Gender parity in the career advancement rate remains fundamental for the Group, as is the objective of ensuring that all Group staff receives the appropriate training on ESG issues.

The Group is aware that training its staff and increasing the financial competences of its clients are a key factor for the growth which it has committed to achieving as part of the objective to promote financial health and inclusion, the new Strategic Plan includes ESG training targets both for employees and FAs (100% of staff and FAs to receive ESG training by end-June 2026, with EFPA certification for WM relationship managers); over the course of the three years covered by the Strategic Plan, Compass has also set itself the objective of sending more than 35 million emails to its clients containing tips on green and financial education.

The new Mediobanca Group Strategic Plan also includes expansion of the social impact product offering. The Wealth Management Division has set itself the objective having more

than 50% of client portfolios made up of ESG products (SFDR Article 8 and Article 9 funds) and of achieving a 50% increase in ESG funds managed by the Group's product factories.

Compass also has an objective of a 15% CAGR for ESG loans, which includes SMEs in disadvantaged areas, loans to support education expenses, and loans to clients in elderly age brackets.

In the CIB area an advisory team will be set up to focus on the energy transition, as part of the Mediobanca Corporate Finance division, in addition to targets relating to granting loans and originating bonds with ESG characteristics.

Mediobanca is also committed to promoting the health and welfare of the community, including through its own portfolio activity, as demonstrated by the commitment made by Mediobanca and Mediobanca International in the Strategic Plan no longer to lend to or invest in the tobacco industry, and the Group's strategic investment in the Istituto Europeo di Oncologia.

Actions and objectives related to regulatory and voluntary protocols

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

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

The Mediobanca Group is committed to supporting and defending the values of diversity, equity and inclusion through the adoption of corporate processes, organizational structures and management activities based on respect for personal rights and liberties.

To this end the Group has compiled a Human Resource Management Policy, based on a series of non-negotiable general principles, such as sustainability, human rights, ethics and integrity, dignity and civil liberties, meritocracy, diligence, equality and inclusion, health and safety, confidentiality and data privacy.

The Mediobanca Group Human Resource Management Policy is closely co-ordinated with the other codes and policies adopted which impact on staff management, including the

Mediobanca Group Diversity, Equity and Inclusion Code and the Group Directive on discriminatory and abusive behaviour, bullying and harassment. In particular, the Mediobanca Group Diversity, Equity and Inclusion Code and the Group Directive on discriminatory and abusive behaviour, bullying and harassment have been drawn up and published with the aim of outlining the Group's approach in terms of objectives, strategies and practices in this area, and to promote a collaborative and inclusive working environment, which welcomes and receives the contribution of all staff members, to promote equal growth and increase the level of confidence among employees, clients, and society in general.

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

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

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

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

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

For details regarding the model used for defining and managing social risks, integrating measures to manage social risks and factors into the internal governance agreements, including the roles of the committees, and the assignation of duties and responsibilities, reference is made to the comments reported above in section 8.2 “Qualitative information”.

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

The financial ESG and sustainability criteria for the Mediobanca CEO and the Group General Manager are properly described in section 1. “Environmental”.

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

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

ESG Policy and negative screening criteria

In addition to the details provided above, it should be noted that on the subject of social risks, the Group ESG policy aims to:

- Promote knowledge and facilitate the application of responsible lending and investment processes within the Group;
- Reduce the risks and indirect impact related to the core businesses managed by the Group;
- Prevent the Group from being involved in activities and investments that are not in line with the principles of ethics and integrity which constitute the foundation of the Group's way of doing business.

The Group considers the integration of social principles into its own operating criteria to be a priority, among other things in order to consolidate the confidence of investors and the

market. Social principles, like environment and government principles, are a key factor for creating value in economic and financial terms which is also sustainable socially.

The Group ESG Policy defines the guidelines for integrating ESG criteria, and outlines the reference principles and the negative screening criteria (based also on assessments of the social risk posed by counterparties) and positive screening criteria applicable to lending, investment of own funds, and investment advice to clients. For example, the Group does not finance or invest in counterparties for which it has evidence of: serious breaches of the regulations on health and safety or human rights, with reference both to the companies' own employees and their local communities (e.g. use of child and/or forced labour).

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

- Companies related (even only marginally) in the production and/or sale of weapons that violate fundamental human principles;²³
- Companies that have been convicted of serious violations of human rights (including/with reference in particular to those in the area of child labour);
- Companies that have been convicted of serious violations in the areas of accounting fraud, money laundering and bribery and corruption;
- Companies that have been convicted of crimes in the area of worker health and safety.

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

Reference is made to section 1. "Environmental" of this document and to the Group ESG Policy for further details.

Social Risk Management Framework

The Mediobanca social risk management framework is based on:

- Group ESG Policy;

²³ "[...] the parent company is considered as being involved in controversial weapons if it holds a majority interest in the subsidiary's share capital" (see Group ESG Policy, https://www.mediobanca.com/static/upload_new/pol/politica-esg_eng_23.pdf).

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

In particular, an Impact Map has been adopted, as featured in the UNEP FI's Portfolio Impact Analysis Tool, which identifies how firms in different economic sectors impact positively or negatively on the different ESG areas. Reference is made to section 1. "Environmental" for further details.

The process has led to a set of social factors being identified that impact one each economic sector as identified in the following table:

Pillar ESG	Source: <u>UNEP FI</u>	Source: <u>PSI</u>
Social	<ul style="list-style-type: none"> • Availability - Water • Food • Housing • Health & sanitation • Education • Employment • Energy • Mobility • Information • Culture & heritage 	<ul style="list-style-type: none"> • Child labour • Human trafficking • Forced resettlement (including land/water rights for native people, land grabbing) • Violation of worker rights (e.g., discrimination, collective bargaining) • Controversial weapons exposure (e.g., UN conventions)

ESG risks are assessed at sector level using the ESG Heatmap, which is integrated with the characteristics of the individual counterparties that make up the portfolio (single-name analysis) in order to reflect the effective level of ESG risk. As regards the lending portfolio counterparties, such analysis is performed through the use of a qualitative questionnaire which allows the criteria stipulated in the Group ESG Policy to be screened at the individual level. For the investments portfolio, meanwhile, the reference internal regulations include a screening process based on external information, with the aim of establishing which counterparties are eligible for investment.

Based on the results of the ESG Heatmap, regular reporting is prepared on the ESG risk analysis, which is updated quarterly and discussed by all the relevant internal committees. The report contains an assessment of the environmental, social and governance (ESG) risks facing the exposures included in the loan book and investments portfolio.

Finally, to ensure the effects of the social factors and risks are fully integrated into the Group's Risk Appetite Framework, the risks impacted and the respective transmission channels have been identified, as shown below:

Risk category	Risk driver (level 1)	Risk driver (level 2)	Example	Transmission channel
Operational risk	Social	-	Non-compliance with social risk provisions (e.g. occupational health, discrimination) leads to negative economic impacts from possible sanctions or compensation.	Failed internal processes, internal or external events

3. GOVERNANCE

Regarding the roles and responsibilities of the various directional and management committees on issues related to governance risk, reference is made to the first part of this section, 8.2 "Qualitative information". In general terms the Group has integrated ESG risks into its organizational structures and the roles and responsibilities of the various Parent Company units. The Board of Directors of Mediobanca approved the new Group Regulations on 11 May 2023, describing the Group's governance through the structure of powers assigned to the Parent Company, the Group's organizational model, and the activities of direction, governance and control performed by the Parent Company with regard to the Group Legal Entities. Furthermore, on 23 January 2023 the new Mediobanca Group organizational chart was published, providing a description of the main activities performed by each organizational area, and an illustration of their respective roles and responsibilities.

On 26 March 2020 the Board of Directors approved the Group Sustainability Policy (also adopted by the Group Legal Entities), divided into the four areas which the Group sees as priorities: Bribery and Corruption, Human Rights, Diversity and Inclusion, and Environment and Climate Change.

On 23 March 2023, the Board of Directors of Mediobanca also approved the revised version of the Group ESG Policy (this too adopted by the Group Legal Entities). The Policy defines the guidelines for integrating ESG criteria (negative and positive screening criteria), and outlines the reference principles applicable to all the Bank's businesses (lending, investments, M&A, investment services, etc.). In particular, Mediobanca has defined positive and negative screening criteria at both general and sector level (for the latter, sectors such as forestry and use of forest areas, energy production, sale and consumption, etc.).

Mediobanca also uses the ESG Heatmap, as mentioned previously. This tool, based on the UNEP FI and PSI international standards, identifies the ESG factors which impact on each economic sector of interest and quantifies the respective impact.

The governance factors identified are listed in the following table:

Pillar ESG	Source: <u>UNEP FI</u>	Source: <u>PSI</u>
Governance & Economic	<ul style="list-style-type: none"> • Inclusive, healthy economies • Economic convergence 	<ul style="list-style-type: none"> • Illegal and unethical payments • Anti-competitive practices, violations of antitrust laws, unethical conduct, unethical tax approach • Unethical conduct or negative health impact on customers

ESG risk analysis by sector is performed using the ESG Heatmap which is input with the characteristics of the individual counterparties represented in the portfolio (single-name analysis) in order to reflect the actual level of ESG risk. For lending portfolio counterparties, this analysis is performed through the use of a qualitative questionnaire, as previously described for the environmental and social issues.

The analysis conducted through the use of questionnaires or information obtained externally is focused on the following aspects of the governance systems put in place by the counterparties:

- Ethical considerations;
- Strategy and risk management;
- Inclusiveness;
- Transparency;
- Management of conflicts of interest;
- Internal communication on critical problems.

For further details on the ESG Heatmap and single-name analysis, reference is made to the comments contained previously in section “1. Environmental”.

As mentioned previously, based on the results of the ESG Heatmap, regular reporting is prepared on the ESG risk analysis, which is updated quarterly and discussed by all the relevant internal committees. The report contains an assessment of the environmental, social and governance (ESG) risks facing the exposures included in the loan book and investments portfolio.

When the Corporate Sustainability Reporting Directive (CSRD) comes into force, further aspects will also be integrated into the analysis of the Group counterparties' governance risk.

8.3 Quantitative information

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

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

The template contains a breakdown of the gross book value of exposures in the form of loans and advances, debt securities and equity and equity-like instruments, held as part of the banking book; accordingly, financial assets held for trading or held for sale are excluded. The exposures are shown by sector of economic activity, classified using the NACE (Nomenclature of Economic Activities) codes based on the counterparties' core business. Template 1 also requires additional information to be stated regarding the quality of such exposures, including if any of them are classified as non-performing or Stage 2, the provisioning made in respect of them, and their breakdown by duration brackets and average weighted duration.

The rows show the exposures based on their classification by NACE code for the companies included in the scope of application.

As for the columns, column (b) requires the exposures to non-financial companies excluded from EU Paris-aligned benchmarks to be identified. The Group has considered the requirements specified in Article 12(1), 1, letters d) to g), of Commission Delegated Regulation (EU) 2020/1818:

- d) Companies that generate 1% or more of their revenues from prospecting, mining, distributing or refining of hard coal and lignite;
- e) Companies that generate 10% or more of their revenues from prospecting, mining, distributing or refining of hard coal and lignite;
- f) Companies that generate 50% or more of their revenues from prospecting, mining, producing or distributing fuel gases;
- g) Companies that generate 50% or more of their revenues from the production of electricity with greenhouse gas intensity of above 100g CO₂e/kWh.

and in Article 12, Section 2: that significantly harm one or more of the environmental objectives referred to in Article 9 of Regulation (EU) 2020/852 of the European Parliament and of the Council.

This latter criterion has been assessed on whether or not there is litigation pending against the counterparty with respect to one or more environmental objectives.

Counterparties are included in column (b) based on single-name analysis of the exposures and clients included in the scope. Starting from this disclosure, the Group has also used the support of an info-provider, which has enabled more indepth portfolio analysis and so has resulted in counterparties not considered in the previous disclosures being included.

In columns (i), (j) and (k) the amount of greenhouse gas emissions financed (counterparties Scope 1, 2 and 3 emissions) is shown for each sector. This information (i.e. GHG emissions) has been compiled on a best efforts basis during the phase-in period provided by the EBA ITS.

A summary description is provided below of the scope and methodological approach adopted to quantify the GHG emissions data.

As required by the ECB,²⁴ the calculation has been made based on the Global GHG Accounting and Reporting Standard for the Financial Industry (December 2022) compiled by the Partnership for Carbon Accounting Financials (PCAF), a detailed guide for financial institutions, developed in accordance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

The PCAF Standard details the allocation and calculation methodologies for the various asset classes, such as: Listed equity and corporate bonds, Business loans and unlisted equity, Commercial real estate.

It should be noted that the scope of calculation considered, which is equal to approx. 90% of the total exposures, does not include loans to non-financial counterparties for the purchase of real estate or vehicles (loans which fall within the "commercial real estate" and "motor vehicle loans" PCAF categories").

The calculation does include Scope 1, Scope 2 and Scope 3 of the counterparties' GHG emissions. The data on counterparties' emissions are provided by Sustainalytics: this is data which is disclosed publicly by the counterparties themselves and collected by the info-provider, or alternatively calculated by Sustainalytics by using a methodology which it has developed itself, based on the use of earnings indicators for the counterparties. In some cases, in the absence of data collected by the info-provider, the data published by the counterparty has been searched for manually.

²⁴ Guide on climate-related and environmental risks Supervisory expectations relating to risk management and disclosure, ECB, November 2020; plus the TCFD guidance on Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, TCFD, October 2021.

For counterparties that do not declare their emissions or whose emissions have not been estimated by Sustainalytics, emissions are calculated according to the methodology advocated by the PCAF standard. In particular, emissions factors provided by the Partnership for Carbon Accounting Financials (PCAF Emission Factor Database).²⁵ The calculation made using these emissions factors takes account of both the sector in which the counterparty operates and the country in which it is based (plus its turnover where available).

The PCAF standard includes a data quality score, which ranks the emissions data on a scale from 1 to 5, with 1 representing the best quality data (meaning the counterparty has verified and disclosed its emissions) and 5 is the lowest score (meaning the data are estimates). Data provided by Sustainalytics and disclosed by the company or found directly in the counterparties' own publications, including information obtained through discussions with them, is ranked in category 2. Conversely, counterparty emissions calculated using the PCAF emission factors per unit of turnover are classified as category 4, as are counterparty emissions estimated by Sustainalytics. Meanwhile, emissions estimated using a PCAF emission factor per unit of assets are classified as category 5.

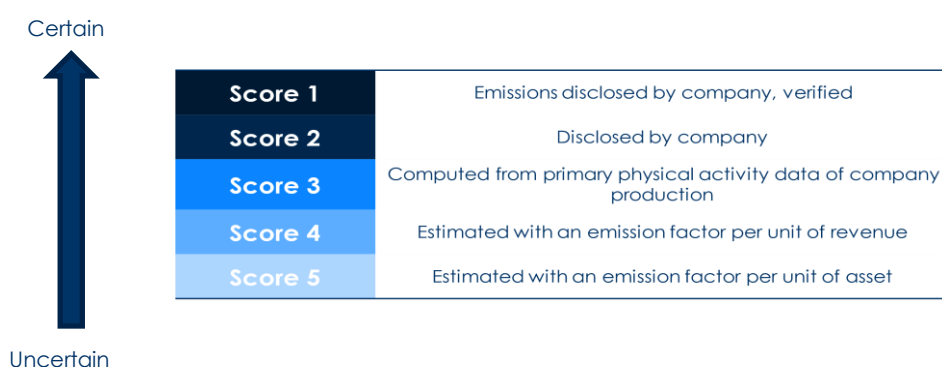


Diagram adapted from the Global GHG Accounting and Reporting Standard for the Financial Industry di PCAF.

The above categorization generates an overall data quality indicator, which is calculated as a weighted average based on the exposure to the individual counterparty, as provided by the PCAF Standard, and used internally for monitoring purposes.

Mediobanca's approach to calculating emissions is aligned with the PCAF methods for the following asset classes: Listed equity and corporate bonds; Business loans and unlisted equity.

Depending on the availability of data, the calculation follows three main approaches. These three approaches are applied for all the counterparties' emission scopes.

²⁵ Mediobanca S.p.A. adhered to the PCAF in February 2022.

- 1) If emissions data disclosed by the company or Sustainalytics are available, and also the Enterprise Value Including Cash (EVIC, for listed companies) and the Gross Carrying Amount (GCA):

$$\text{Financed emissions} = \sum_c \frac{GCA_c}{EVIC_c} \times \text{Reported or estimated company emissions}_c$$

where c refers to each counterparty.

- 2) If the counterparty's emissions are unavailable, but the counterparty's EVIC and turnover are available:

$$\text{Financed emissions} = \sum_c \frac{GCA_c}{EVIC_c} \times \text{PCAF factor per unit of revenue}_{\text{sector, country}} \times \text{Revenue}_c$$

where *sector* and *country* refer to the sector and country in which the counterparty being considered operate.

- 3) If the EVIC and the counterparty's emissions and turnover are unavailable or none of the data mentioned is available:

$$\text{Financed emissions} = \sum_c GCA_c \times \text{PCAF factor per unit of asset}_{\text{sector, country}}$$

The EVIC is obtained from Sustainalytics, and the company's revenue also in part from Sustainalytics and in part from other databases/providers.

The justification for using weightings in calculating the emissions "financed" lies in ensuring that the value of the emissions stated is consistent with the Bank's contribution to the overall financing of the various counterparties' balance-sheet structures.

Table 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity (1/2)

Settori/Sub-settori	a	b	c	d	e	f	g	h
	Gross carrying amount (Min EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Min EUR)		
		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Reg	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures
1 Exposures towards sectors that highly contribute to climate change*	11,739,966	1,099,043		368,981	172,211	(178,424)	(18,895)	(122,113)
2 A - Agriculture, forestry and fishing	34,148	—		1,391	1,106	(1,178)	(80)	(876)
3 B - Mining and quarrying	113,617	96,252		3	186	(82)	—	(39)
4 B.05 - Mining of coal and lignite	—	—		—	—	—	—	—
5 B.06 - Extraction of crude petroleum and natural gas	97,592	94,711		1	—	(28)	—	—
6 B.07 - Mining of metal ores	—	—		—	—	—	—	—
7 B.08 - Other mining and quarrying	7,415	—		1	186	(54)	—	(39)
8 B.09 - Mining support service activities	8,610	1,541		1	—	—	—	—
9 C - Manufacturing	4,837,431	145,102		227,496	17,578	(41,348)	(9,243)	(11,436)
10 C.10 - Manufacture of food products	366,214	—		13,370	1,572	(1,954)	(460)	(876)
11 C.11 - Manufacture of beverages	130,621	—		19	59	(138)	—	(30)
12 C.12 - Manufacture of tobacco products	1	—		—	—	—	—	—
13 C.13 - Manufacture of textiles	16,767	—		146	1,052	(882)	(24)	(720)
14 C.14 - Manufacture of wearing apparel	5,739	—		137	859	(594)	(24)	(529)
15 C.15 - Manufacture of leather and related products	14,443	—		399	123	(220)	(50)	(87)
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	14,170	—		634	150	(247)	(40)	(111)
17 C.17 - Manufacture of pulp, paper and paperboard	190,715	—		98	47	(1,005)	(7)	(15)
18 C.18 - Printing and service activities related to printing	10,547	—		152	755	(524)	(24)	(457)
19 C.19 - Manufacture of coke oven products	20,246	20,119		2	—	(24)	(1)	—
20 C.20 - Production of chemicals	231,321	—		214	16	(1,234)	(10)	(9)
21 C.21 - Manufacture of pharmaceutical preparations	484,251	—		50,165	120	(3,382)	(2,887)	(15)
22 C.22 - Manufacture of rubber products	59,517	—		239	990	(651)	(20)	(416)
23 C.23 - Manufacture of other non-metallic mineral products	165,418	—		58,732	645	(2,077)	(862)	(525)
24 C.24 - Manufacture of basic metals	58,972	—		3,537	132	(586)	(263)	(119)
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	172,957	—		2,127	3,038	(2,504)	(293)	(1,501)
26 C.26 - Manufacture of computer, electronic and optical products	249,437	—		1,780	22	(2,559)	(147)	(18)
27 C.27 - Manufacture of electrical equipment	216,461	—		26,456	925	(2,971)	(1,858)	(418)
28 C.28 - Manufacture of machinery and equipment n.e.c.	487,482	—		37,768	5,030	(8,039)	(1,847)	(4,478)
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	1,709,802	124,983		29,902	213	(9,665)	(235)	(117)
30 C.30 - Manufacture of other transport equipment	15,357	—		462	22	(198)	(59)	(19)
31 C.31 - Manufacture of furniture	7,050	—		382	821	(446)	(46)	(373)
32 C.32 - Other manufacturing	185,752	—		180	777	(1,110)	(10)	(459)
33 C.33 - Repair and installation of machinery and equipment	24,191	—		595	210	(338)	(76)	(144)
34 D - Electricity, gas, steam and air conditioning supply	1,603,793	736,541		810	36	(2,016)	(213)	(20)
35 D35.1 - Electric power generation, transmission and distribution	1,106,074	404,400		767	4	(1,574)	(197)	(3)
36 D35.11 - Production of electricity	703,830	404,400		546	—	(1,204)	(196)	—
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	496,913	332,141		38	16	(438)	(14)	(15)
38 D35.3 - Steam and air conditioning supply	806	—		5	16	(4)	(2)	(2)
39 E - Water supply; sewerage, waste management and remediation activities	69,987	—		606	642	(557)	(56)	(421)
40 F - Construction	725,175	65,046		12,058	10,063	(10,584)	(963)	(7,642)
41 F.41 - Construction of buildings	213,970	65,046		7,951	6,513	(6,896)	(646)	(5,149)
42 F.42 - Civil engineering	302,758	—		450	385	(594)	(27)	(153)
43 F.43 - Specialised construction activities	208,447	—		3,657	3,165	(3,094)	(290)	(2,340)
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,646,383	43,897		71,205	73,501	(80,091)	(4,832)	(68,061)
45 H - Transportation and storage	966,518	12,205		17,224	3,796	(5,018)	(252)	(2,663)
46 H.49 - Land transport and transport via pipelines	387,357	12,205		16,292	1,329	(1,255)	(153)	(628)
47 H.50 - Water transport	38,000	—		11	25	(316)	(3)	(19)
48 H.51 - Air transport	49,912	—		10	78	(639)	(9)	(44)
49 H.52 - Warehousing and support activities for transportation	419,640	—		506	1,977	(2,405)	(29)	(1,709)
50 H.53 - Postal and courier activities	71,609	—		405	387	(403)	(58)	(263)
51 I - Accommodation and food service activities	80,408	—		16,392	2,276	(3,840)	(1,455)	(1,428)
52 L - Real estate activities	1,662,506	—		21,796	63,027	(33,710)	(1,801)	(29,527)
53 Exposures towards sectors other than those that highly contribute to climate change*	7,130,378	328,261		96,490	77,821	(66,707)	(3,737)	(48,658)
54 K - Financial and insurance activities	1,406,609	—		12,286	293	(1,955)	(420)	(243)
55 Exposures to other sectors (NACE codes J, M - U)	5,723,769	328,261		84,204	77,528	(64,752)	(3,317)	(48,415)
56 TOTAL	18,870,344	1,427,304		465,471	250,032	(245,131)	(22,632)	(170,771)

The GBV shown in column (a) is aligned with the figure contained in the Finrep reporting.

Table 1: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity (2/2)

Settori/Sub-settori	i	j	k ²⁶	l ²⁷	M	N	O	p
	GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)	Of which Scope 3 financed emissions	GHG emissions (column l): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
1 Exposures towards sectors that highly contribute to climate change*	5,897,889	4,234,149	19.59%	10,729,795	713,322	200,669	96,180	
2 A - Agriculture, forestry and fishing	12,987	3,787	—	23,004	10,827	317	—	3.70
3 B - Mining and quarrying	601,639	493,537	84.39%	113,334	283	—	—	2.09
4 B.05 - Mining of coal and lignite	—	—	—	—	—	—	—	—
5 B.06 - Extraction of crude petroleum and natural gas	596,885	492,330	90.50%	97,592	—	—	—	2.25
6 B.07 - Mining of metal ores	—	—	—	—	—	—	—	—
7 B.08 - Other mining and quarrying	1,764	631	—	7,132	283	—	—	2.06
8 B.09 - Mining support service activities	2,990	576	—	8,610	—	—	—	0.28
9 C - Manufacturing	2,506,879	1,966,762	9.39%	4,470,048	266,644	100,739	—	2.50
10 C.10 - Manufacture of food products	225,977	198,907	3.63%	363,264	2,675	275	—	2.51
11 C.11 - Manufacture of beverages	16,637	13,196	—	85,701	44,617	303	—	3.36
12 C.12 - Manufacture of tobacco products	—	—	—	1	—	—	—	—
13 C.13 - Manufacture of textiles	4,255	3,597	—	14,720	2,047	—	—	2.46
14 C.14 - Manufacture of wearing apparel	749	639	—	3,634	1,661	444	—	4.33
15 C.15 - Manufacture of leather and related products	2,899	2,727	2.16%	7,891	662	5,890	—	9.68
16 C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	2,222	1,826	—	9,918	4,252	—	—	4.33
17 C.17 - Manufacture of pulp, paper and paperboard	58,741	37,777	—	109,535	3,086	78,094	—	9.81
18 C.18 - Printing and service activities related to printing	1,054	828	0.01%	6,956	1,472	2,119	—	5.23
19 C.19 - Manufacture of coke oven products	25,800	17,750	—	20,198	48	—	—	2.84
20 C.20 - Production of chemicals	143,282	117,991	36.45%	198,329	30,429	2,563	—	3.12
21 C.21 - Manufacture of pharmaceutical preparations	74,486	53,310	5.57%	483,306	945	—	—	3.15
22 C.22 - Manufacture of rubber products	18,318	16,249	—	47,375	12,142	—	—	2.48
23 C.23 - Manufacture of other non-metallic mineral products	382,486	87,887	—	149,778	15,611	29	—	2.33
24 C.24 - Manufacture of basic metals	44,441	31,967	—	54,739	3,966	267	—	0.95
25 C.25 - Manufacture of fabricated metal products, except machinery and equipment	68,506	61,957	0.00%	144,556	26,518	1,883	—	2.98
26 C.26 - Manufacture of computer, electronic and optical products	31,704	25,811	14.48%	211,290	38,147	—	—	2.54
27 C.27 - Manufacture of electrical equipment	79,537	75,258	18.43%	211,528	2,958	1,975	—	2.91
28 C.28 - Manufacture of machinery and equipment n.e.c.	187,182	172,991	0.75%	416,952	68,087	2,443	—	3.54
29 C.29 - Manufacture of motor vehicles, trailers and semi-trailers	1,072,673	985,655	11.87%	1,709,683	119	—	—	0.77
30 C.30 - Manufacture of other transport equipment	3,005	2,003	48.47%	14,173	237	947	—	2.52
31 C.31 - Manufacture of furniture	1,332	1,098	—	5,182	1,868	—	—	3.62
32 C.32 - Other manufacturing	59,096	55,095	16.48%	184,402	1,350	—	—	3.51
33 C.33 - Repair and installation of machinery and equipment	2,497	2,243	—	16,937	3,747	3,507	—	5.79
34 D - Electricity, gas, steam and air conditioning supply	1,888,144	1,224,513	52.41%	1,552,455	12,355	15,358	23,625	2.51
35 D35.1 - Electric power generation, transmission and distribution	877,276	395,811	47.50%	1,058,756	8,335	15,358	23,625	2.99
36 D35.11 - Production of electricity	618,706	238,003	27.05%	657,369	7,478	15,358	23,625	4.34
37 D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	1,010,076	828,451	63.38%	492,893	4,020	—	—	1.42
38 D35.3 - Steam and air conditioning supply	792	251	0.25%	806	—	—	—	0.08
39 E - Water supply; sewerage, waste management and remediation activities	14,218	7,551	—	41,247	25,616	3,124	—	4.14
40 F - Construction	108,987	92,206	12.56%	676,562	37,209	11,404	—	3.26
41 F.41 - Construction of buildings	24,805	20,799	48.89%	178,232	25,644	10,094	—	4.03
42 F.42 - Civil engineering	54,694	47,940	0.00%	302,116	642	—	—	2.40
43 F.43 - Specialised construction activities	29,488	23,467	4.58%	196,214	10,923	1,310	—	3.74
44 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	383,073	223,817	19.28%	1,504,328	127,005	15,050	—	2.69
45 H - Transportation and storage	299,335	157,947	24.27%	942,541	21,282	2,695	—	1.84
46 H.49 - Land transport and transport via pipelines	143,371	104,007	17.79%	370,140	15,981	1,236	—	2.73
47 H.50 - Water transport	47,463	7,349	—	38,000	—	—	—	0.47
48 H.51 - Air transport	25,954	6,838	76.32%	49,016	896	—	—	2.27
49 H.52 - Warehousing and support activities for transportation	82,154	39,558	13.17%	414,738	3,443	1,459	—	1.34
50 H.53 - Postal and courier activities	393	195	97.05%	70,647	962	—	—	0.36
51 I - Accommodation and food service activities	8,274	6,626	—	53,191	22,589	4,628	—	4.09
52 L - Real estate activities	74,353	57,403	2.62%	1,353,085	189,512	47,354	72,555	1.98
53 Exposures towards sectors other than those that highly contribute to climate change*				6,587,555	326,571	160,585	55,667	
54 K - Financial and insurance activities				1,271,151	90,939	2,417	42,102	1.37
55 Exposures to other sectors (NACE codes J, M - U)				5,316,404	235,632	158,168	13,565	2.88
56 TOTAL	5,897,889	4,234,149	19.59%	17,317,350	1,039,893	361,254	151,847	

²⁶ The percentage is equal to 0 in all cases where reporting is not available for the specific companies.

²⁷ Columns from L to O show the breakdown by outstanding life of the gross book value shown in column A. For the purpose of defining weighted average duration (column p), equity exposures are not included in the balance in column O

The exposures for which GHG emissions have been calculated represent approx. 90% of the total in Template 1 (equivalent to €16,627m), which is in line with the analysis as at end-December 2022 (in the first disclosure as at end-June 2022 the percentage rate was 70%). The positions belonging to the sectors most exposed to climate risk, for which the emissions must be stated in the Template in millions of tons of CO₂ EQ represent just under 60% of the total, for 86% of which the GHG emissions have been calculated. For 20% of the exposures, the emissions data has been obtained directly from documents published by the counterparties themselves or via info-provider (the gross book value corresponds to €1,982m).

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

Template 2 shows the climate change transition risk for loans secured by commercial and residential properties, and for the collateral recovered, based on the energy performance and energy class (EPC label) of the collateral itself. The Gross Book Value of the in-scope exposures is stated.

For disclosures of exposures based on EPC label, reference is made to the energy class stated in the energy certificates obtained by the Group.

For the disclosure of exposures subject to transition risk based on energy performance score (EP score in kWh/m² of collateral), reference is made to the information stated in the energy certificates, or, where this is not available, to data estimated by info-providers or through internal models. The total amount of the exposures for which the performance score has been estimated is stated in the rows entitled: *of which Estimated energy level efficiency (EP score in kWh/m² of collateral)*, split according to the geographical area where the collateral is located (i.e. EU or non-EU).

Approx. 90% of the total exposures (approx. €12.3bn) regards the contribution from CheBanca!, which has developed processes for obtaining energy certificates when new contracts are opened. Furthermore, in order to obtain the energy certificates for buildings or properties securing loans already outstanding and included in the loan book, the Group Legal Entity has used the support of a leading info-provider. In this way it has been possible to obtain EPC labels for properties used as collateral for a share of the mortgage loans covering approx. 30% of the loan book. For the remaining properties, for which it has not been possible to obtain EPC labels, the energy efficiency values have been estimated by a leading info-provider, for a share of the mortgage loans which covers approx. 62% of the loan book.

For the remainder of the Group's real estate portfolio, it has been possible to obtain EPC labels for those properties of which ownership has been acquired. For a share of the commercial properties

used as collateral, energy efficiency data has been estimated using the methodologies developed internally for climate stress testing.

Activities to obtain energy efficiency certificates for both new and outstanding loans are also in progress. These activities have enabled energy efficiency class certificates to be obtained for approx. €166m of the loans secured by residential properties included in the CMB Monaco portfolio.

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

Counterparty sector	a ²⁸	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Total gross carrying amount amount (in MEUR)															
	Level of energy efficiency (EP score in kWh/m ² of collateral)							Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500		A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m ² of collateral) estimated
1 Total EU area	13,105,528	4,170,709	5,559,800	998,172	574,870	220,745	171,244	562,447	218,094	202,654	422,701	595,784	722,275	843,521	9,538,052	85.31%
2 Of which Loans collateralised by commercial immovable property	818,721	—	126,853	98,845	63,393	152,121	130,418	—	—	—	—	—	—	—	818,721	69.82%
3 Of which Loans collateralised by residential immovable property	12,235,638	4,159,308	5,397,946	897,362	511,457	68,204	39,814	561,447	218,094	186,348	395,233	592,493	720,754	843,288	8,717,981	86.78%
4 Of which Collateral obtained by taking possession: residential and commercial immovable properties	51,169	11,401	35,001	1,965	20	420	1,012	1,000	—	16,306	27,468	3,291	1,521	233	1,350	—
5 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated ²⁹	8,134,633	3,004,079	4,157,385	346,940	343,648	152,163	130,418								8,134,633	100,00%
6 Total non-EU area	480,755	24,622	35,237	8,606	11,592	—	80	5,297	23,747	1,867	34,179	103,646	6,050	3,882	302,087	19.26%
7 Of which Loans collateralised by commercial immovable property	44,622	—	—	—	—	—	—	—	—	—	—	—	—	—	44,622	—
8 Of which Loans collateralised by residential immovable property	436,133	24,622	35,237	8,606	11,592	—	80	5,297	23,747	1,867	34,179	103,646	6,050	3,882	257,465	22.59%
9 Of which Collateral obtained by taking possession: residential and commercial immovable properties	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10 Of which Level of energy efficiency (EP score in kWh/m ² of collateral) estimated ³⁰	58,172	15,760	27,523	5,458	9,432	—	—								58,172	100,00%

²⁸ The GVB shown in column (a) is aligned with the figure contained in the Finrep reporting.

²⁹ La riga 5 è un di cui della somma delle righe 2, 3, e 4.

³⁰ La riga 10 è un di cui della somma delle righe 7, 8, e 9.

Template 3: Banking book – Climate change transition risk: alignment metrics

Template 3 requires information to be disclosed on the Group's efforts in terms of alignment with the Paris Agreement objectives for a selected number of sectors.

Based on the phase-in period permitted by the EBA ITS, the Template should be published for the first time on 30 June 2024. However, as Mediobanca is one of the banks that already estimates information regarding its alignment with the Paris Agreement which is published in the TCFD Report, to which reference is made for further details, a description of the method and data sources used is provided below.

As required by the EBA Guidelines, the disclosure on alignment must reflect the degree to which the cash flows are consistent with a process that will lead to low GHG emission and climate change-resilient growth in accordance with the Paris Agreement. It should be emphasized that the analysis has been carried out on the Group's lending and investment portfolios.³¹

As mentioned previously, analysis of the Group portfolio's alignment has been carried out primarily for the compilation of the TCFD Report, hence the assumptions and data used for the TCFD have been followed scrupulously in this case also.³² In particular: the reference date for the portfolio is 31 December 2022, and the sector classification, based on the NACE (Nomenclature of Economic Activities) code, reflects the internal analysis performed on the individual counterparties based on the information available specifically attributable to the counterparty, to allow the sector most closely aligned with the principal economic activity performed by it to be identified. This process has been essential in order to focus on those counterparties whose economic activities are effectively comprised within the sectors reported on within the scope of Pillar III Template 3 and the NZBA. The latter indeed are not purely for disclosure purposes, but also and indeed primarily contain guidance of a strategic nature. The definition of coherent and achievable objectives which result in real reductions in emissions is closely depend upon counterparties' correct sectors of operation being identified.

It should also be noted that the scope of counterparties considered for purposes of the portfolio alignment analysis differs from the other templates included in this document, as it is wider and includes holding companies among others.

The Group's investment and lending counterparties classified as operating in the economic sectors specified in the instructions for compiling Pillar III Template 3 (Energy, Fossil Fuel Combustion, Automotive, Air Transport, Sea Transport, Production of Cement, Clinker and Limestone, Production of Iron and Steel, Chemical Products, and other relevant sectors for the Bank) represent an exposure (in terms of Gross Carrying Amount) of approx. €4,670m³³ (see section 5.1.2 of the TCFD Report for FY 2022-23), of which:

³¹ In particular the following Group Legal Entities' exposures have been considered: Mediobanca S.p.A.; Mediobanca International (Luxembourg) SA; CMB Monaco; CheBanca! S.p.A.; Compass Banca S.p.A.; MBFACTA S.p.A.; SelmaBipiemme Leasing S.p.A.; and MB Credit Solutions.

³² As from 30 June 2024, when the phase-in period comes to an end, the analysis will also be performed for purposes of the Pillar III disclosure at six-monthly intervals and at the reference dates specified.

³³ All figures refer to the data as at 31 December 2022.

- The Automotive sector has the largest share with an exposure of €1,616.m (35% of the portfolio's total volume),
- The Power sector has an exposure of €1,141m (24% of the portfolio's total volume).
- The Aviation and Cement sectors have exposures respectively of €358m and €141m (8% and 3% of the portfolio's total volume).

Of all the sectors for which disclosure is required in connection with Pillar III Template 3 and the Net-Zero Banking Alliance (NZBA) regulations, the four economic sectors analysed (Automotive, Power, Cement and Aviation) have been chosen on the basis of:

- The results of the pilot analysis exercise carried out in FY 2021-22;
- The importance of the sectors themselves in terms of exposure; and
- The availability of data for the counterparties concerned and of recognized target setting methodologies.

After determining the counterparties for consideration, Mediobanca chose to use the services of an external info-provider, coupled with direct engagement with the most important counterparties, to obtain the emissions data necessary in order to be able to perform the analysis that led to the results required by the Pillar III regulations.

The info-provider referred to above provided the emissions data for approx. 83% of the total exposure for the industrial sectors currently under analysis (Automotive, Power, Cement and Aviation), providing coverage of approx. 59% of the entire investment and lending portfolio attributable to the aggregate of economic sectors required for Template 3.

The analysis has been performed for only a portion of the exposures for which emissions data could be obtained from the info-provider or which was otherwise available (either in the public domain or through direct discussions) as a result of direct calculations by the counterparty. This allows for maximum control to be obtained over changes in the data over time, which is of vital strategic importance as it avoids introducing further estimates and approximations. The approach is further justified by the high coverage achieved in terms of percentages, at 83% for the sectors analysed, which breaks down to 80% for the Automotive sector, 92% for the Power sector, 98% for the Cement sector, and 73% for the Aviation sector.

Based on the requirements of the specific methodologies employed and the types of emission data made available by the info-provider, each counterparty being analysed has been assessed by applying one or other of the two methodological approaches described below:

- SDA methodology: based on SBTi criteria, in which the emissions intensity target is defined by the reduction in emissions relative to a specific sector-based physical metric, such as the company's production (e.g. tons of CO₂e per ton of product manufactured);

- Economic intensity methodology: in cases where it is impossible, for methodological reasons or due to an absence of data, to apply the SDA methodology, the target is set using an annual economic intensity reduction rate (tons of CO₂e per unit of revenue) defined *a priori* as unchanging from year to year.³⁴

In both cases, the methodologies produce targets consistent with the IEA NZE2050 scenario, as required by the EBA Guidelines.

For further details on the methodologies applied by the Group to perform the analysis, reference is made to the TCFD Report for FY 2022-23.

³⁴ An annual reduction percentage has been established for the years from 2022 to 2030; the 2025 target has been calculated based on this percentage. The percentage will not change until a target revision has been decided (generally every five years).

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

Template 4 shows the Group's exposures to the world's top 20 high carbon-intensity companies. In performing its analysis the Group has considered both direct exposures to the world's top 20 high carbon-intensity companies, and those to companies belonging to the same economic group as one of the top 20, in line with recent clarification deriving from Q&A 2022_6536 published on 19 February 2023.

The Mediobanca Group has a single exposure to one company owned by one of the top 20 most polluting companies in the world, representing 0.018% of the Group's total amount financed.

The lists used to identify such exposures are as follows:

- Carbon Majors Database - Carbon-Majors-Report-2017.pdf (cdp.net).
- Climate Accountability Institute - [CAI Press Release December 2020](https://climateaccountability.org/) (climateaccountability.org).

Both lists used are attached as annexes to this document.

a	b	c	d	e
Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Of which environmentally sustainable (CCM)	Weighted average maturity	Number of top 20 polluting firms included
1 12,205.00	0.018%	—	2.720	1

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

Information is provided on banking book exposures to non-financial companies, loans secured by properties, and collateral in the form of properties recovered, that have been exposed to physical risk (chronic and acute risks) in relation to climate. The counterparties have been aggregated by sector of economic activity (NACE classification) and by geographic area (with detail for Italy, the Eurozone and the Rest of the World) into two macro-categories: Non-Financial Corporates and Guaranteed by Properties.

Loans secured by properties

The Group's loans guaranteed by properties are concentrated almost exclusively on the domestic market (96% of the total), with approx. 44% located in Northern Italy, approx. 25% in Central Italy, approx. 21% in Southern Italy, and approx. 9% in Sicily and Sardinia.

In order to classify the properties used as collateral that are exposed to physical risks, chronic and/or acute, a methodological approach has been adopted which is based on estimates of the size of the potential damages to earnings expected for the properties, which are calculated based on the precise geographical location of the asset, risk maps of the principal physical climate risk factors relevant for Italy, and the outstanding duration of the exposure guaranteed.

More specifically, the approach generally adopted by the scientific literature and by best practice (in the insurance sector in particular) has been followed to estimate the damage expected from natural events. According to these criteria, the expected damage is estimated based on "Susceptibility" (the likelihood of a certain area to be subject to a given type of catastrophic event as a result of its specific structural or geomorphological features); the "Exposure Time" (the reference period for which the asset is exposed to the danger³⁵); the "Damage" (the expected value of the event's consequences); and the "Vulnerability" (i.e. the greater or lesser capacity of the individual assets to withstand the event or their specific propensity for damage). The risk for a property in relation to a physical event may therefore be represented in simplified terms by the following equation:

$$Risk = Probability \times Vulnerability \times Exposure$$

The methodological approach adopted as at 30 June 2023 reflects significant changes compared to the previous one (as at 31 December 2022), in order to provide the most accurate estimates possible for the degree of exposure to physical risk. In particular, as described further below, the estimated exposures to physical risks have been calculated starting from the precise geolocation

³⁵ The longer the reference time period is, the higher the likelihood that a given event could occur. This in theory means that in a high risk area, an event does not necessarily translate to higher expected damage if the exposure time is very brief.

of the properties themselves, and so reflects the results of the precise impact estimates for the properties used as collateral. In previous disclosures,³⁶ the estimates were based on the portion of the high risk area (flooding or landslide risk) for the municipality where the property was located. The adoption of this new approach has also led to an expansion of the database of information available (including, for example, the property's use or its floor plan).

The physical risk factors taken into consideration are as follows:

- Acute Physical Risks: Flooding (rivers and coastal)³⁷ and Landslides.
- Chronic Physical Risks: Coastal Erosion.³⁸

These are the most significant climate risk factors for Italy, and in terms of materiality, together with seismic risk, constitute virtually all of the relevant physical risks for properties.

The flooding and landslide risk factors have been classified conventionally, as "acute" physical risk; this is consistent with the ECB's findings expressed recently.³⁹ Coastal erosion by contrast, in view of its gradual nature and the progressive manifestation of its impacts, has been considered as a "chronic physical risk factor".

To compile the template, all properties for which the sum of the economic impacts expected from landslides and flooding represent more than 5% of the value of the collateral stated at the reference reporting date have been classified as being exposed to "acute" physical risk. Similarly, all properties for which the economic impacts expected to derive from coastal erosion again are higher than 5% have been classified as being exposed to "chronic" physical risk. Lastly, all properties for which the expected economic impacts exceed both limits referred to above are classified as being exposed to both "acute and chronic" physical risk.

The methodology used for the acute physical risk factors of landslides and flooding involves the following steps:

- Geolocation: precise identification of the geographical co-ordinates of the property concerned based on its address.

³⁶ Reference is made to the situations disclosed as at 30 June 2022 and 31 December 2022.

³⁷ More specifically, the flooding risks mapped by ISPRA follow the guidance laid down by Directive 2007/60/EC and include the risk of temporary flooding of areas not usually covered by water, caused by rivers, torrents, canals, lakes, and for coastal areas, by the sea.

³⁸ Coastal erosion is defined as the loss, temporary or permanent, of coastal areas following removal of portions of sediment or sub-stratum from the coastline as a result of the action of currents and the failure to carry out beach nourishment and/or due to the occurrence of extreme events (such as storms, tsunamis, etc.); alongside erosion, there may also be a chronic flooding process linked to phenomena such as coastal subsidence (sinking land) or to the sea-level rising. Both processes imply the coastline retreating with the sea covering areas previously anthropized, making them effectively unusable for construction and/or economic activities. The risk of coastal areas being flooded "temporarily" is included within flooding risk as an acute physical risk phenomenon, and as such it is already included in the ISPRA flooding risk maps, hence it is not treated as part of erosion risk to avoid the effects of double-counting in the impact estimates.

³⁹ "In contrast to other providers of physical risk indicators, the focus here lies on acute natural hazards rather than on chronic changes in weather extremes. While data availability is better and data processing is easier for chronic hazards, acute hazards can be linked to physical damage in a more intuitive and exact way. For instance, an increase in precipitation can result in several natural hazards such as flooding, subsidence or landslides. However, it is not possible to directly measure damages caused by the higher precipitation without being transformed into a natural hazard." (ECB; Towards climate-related statistical indicators; January 2023).

- Risk area: the property is assigned a risk class based on its geographical position. The geographical risk maps provided by ISPRA (*Istituto Superiore per la Protezione and la Ricerca Ambientale*) have been used.⁴⁰
- Damage Function: for each level of damage (Damage) a return period (Return Period) is assigned to the property, i.e. a probability of occurrence (likelihood of the levels being exceeded⁴¹). The function is derived from the combination of two functions: *Damage versus Intensity* (which estimates the percentage of damage done to the property, comprised within a range between 0 and 1, in relation to the physical phenomenon's degree of intensity);⁴² *Intensity versus Return Period* (for each area at risk, this function assigns intensity levels to the likelihood of the levels being exceeded derived from the Return Periods of the extreme events linked to the different areas of physical risk).⁴³ The Damage Functions change based on the physical risk factor (landslides, flooding).

The Expected Damage is calculated as the integral of the Damage Function which assigns the probability of the levels being exceeded accumulated over the entire time horizon considered for each potential damage level. To proceed from the damage expected to the impact in economic terms on the value's property, the reconstruction costs following the expected damage are estimated using a function based on the property's market price (decreasing function of the reconstruction costs relative to the property's market price).⁴⁴ As a reference time horizon for the estimates, the outstanding life of the credit exposure linked to the real estate collateral is used. Considering that often the time horizons are long, the annual damage values are discounted to the reporting date.

The impacts of the flooding and landslide physical risks are then added together for each property as they are considered independent risks: given that the likelihood of them occurring simultaneously is not relevant, they may indeed be treated as being effectively incompatible. Therefore, in accordance with the principles of probability theory, the estimated impacts deriving from the various relevant risks must be added together. The result of this addition provides the percentage of damage expected for each property over a given time horizon.

⁴⁰ For "flooding risk" the following risk areas are considered: P1, P2 P3. For "landslide risk" the following risk areas are considered: P1, P2 P3, P4.

⁴¹ The probability of an event of an intensity equal to or higher than a given level (in excess) must occur within a given period of time. The likelihood of the levels being exceeded must occur within a certain period of time. The likelihood of the levels being exceeded is linked to the Return Periods (e.g. once every hundred years). Naturally, the longer the return periods, the lower the probability of the event occurring, and vice versa.

⁴² Provision has been made for different Damage Functions based on the type of property involved (residential, commercial or industrial); the floor of the building on which the property is located (for flooding risk). The Damage Functions are derived from empirical research described in the scientific literature on this subject. For "flooding risk" reference has been made in particular to Huizinga, J., De Moel, H. and Szweczyk, W., *Global Flood Depth-Damage Functions: Methodology and the Database with Guidelines*, EUR 28552 EN, Publications Office of the European Union, Luxembourg, 2017. For "landslide risk", a function has been adopted based on several studies, in particular the one by Cruden, D.M., Varnes, D.J., 1996, *Landslide Types and Processes*, U.S. National Academy of Sciences, Special Report, 247: 36-75.

⁴³ The function also incorporates an estimate of the future reduction of the Return Period (increase in probability) for events of equivalent intensity, associated with the expected climate change linked to the climate scenario used as the benchmark (Divergent Net Zero), which in the scenarios identified by the Network for Greening the Financial System (NGFS), is one of the Disorderly Scenarios. The reduction in the Return Periods due to climate changes has been estimated based on the empirical ratio between the number of extreme events linked to hydrogeological risk (Flooding + Landslides) and the increase in temperatures compared to the pre-industrial period. The analysis has been compiled using the EM-DAT database (<https://public.emdat.be/>).

⁴⁴ If the market value per sqm of the property is not available, the average value per sqm for the municipality in which the property is located is used as a proxy (source: OMI – Osservatorio del Mercato Immobiliare, by the Italian revenue authority or Agenzia delle Entrate).

The starting point for the chronic physical risk modelling process for coastal erosion is to identify the property's location using a geolocation system, which is followed by two fundamental steps. The objective of the first step is to establish whether the property is a coastal area, based on the ISTAT census sections that are on the sea. The second step involves constructing a Coastal Vulnerability Index (CVI), based on four sub-indexes defining the fundamental sizes that determine the vulnerability linked to coastal erosion.⁴⁵ Finally, in the last step, a normalized loss rate in the 0-1 range is assigned for each CVI value, based on which the risk (or expected economic impact) is estimated in terms of the property's loss of value.

The estimated risk of coastal erosion does not include the acute component caused by temporary short-term events (which are included in flooding risk); but concentrates instead on the chronic component caused by slow and gradual processes, that ultimately lead to the coastal area flooding permanently. Considering that coastal erosion is a component of chronic risk, the economic impact of this phenomenon is based on criteria of partial or total loss of value for the property, which is better suited to picking up the effects of this phenomenon, unlike other physical risks such as flooding or landslides which are based on the criterion of damage and subsequent reconstruction costs. Indeed, if coastal erosion, in the absence of any anthropical mitigation measures implemented, results in the area where a property is located being submerged, this will inevitably determine its total loss of value.

Precise geolocations have been established for approx. 82% of the properties, to which the methodology described above can be applied. For the remainder of the properties, i.e. those for which the geolocation process has not provided a sufficiently high level of confidence, a simplified methodology has been applied based on the same criteria but at the level of municipality rather than the individual property, with the average expected economic impact values for each municipality being estimated as the weighted average of the properties located in the various physical risk areas. This methodology, which has been applied to approx. 18% of the properties, tends to have a prudential effect, as on average it tends to overestimate the properties' exposure to physical risks.

⁴⁵ According to the most authoritative scientific literature, the CVI is estimated using the following four sub-indexes: SET – Shoreline Evolution Trend (estimate of vulnerability via a combined ranking score considering the various morphological, physical and anthropical factors for the coastal area); SRR – Shoreline Retreat Rate (estimate of coastal retreat caused by erosion defined narrowly based on projections of the rise in the sea level and the distance of the property from the coast line); EDR – Elevation Decay Rate (estimate of the coastal retreat caused by the sea level rising compared to the property's average height above sea level); GDPPC – Gross Domestic Product per Capita (estimate of human adaptation capacity, i.e. the capability to implement processes that could mitigate the effects of coastal erosion in the area where the property is located). The rising sea level projects are obtained based on the climate scenario used as a benchmark (Divergent Net Zero).

Exposures to Non-Financial Corporates

To classify counterparties exposed to physical risks, a methodology has been adopted that allows a distinction to be made between physical chronic and acute risks, by adopting a quantitative methodological approach based on the estimated economic impacts deriving from the different physical risk factors to which the counterparty might be exposed. The economic impact is determined by considering the average value of the impacts estimated over a 15-year time horizon, which is considered to be an adequate period of time to record potential climate changes and the uncertainty regarding the future development of climate risk events, in line with the EBA Guidelines in this area.⁴⁶ The average economic impact for all the physical risk factors considered is then calculated in relation to the company's net worth as shown in the most recent financial statements available, so that the percentage differs according to the company's level of capitalization and hence its ability to face down the possible economic impacts caused by adverse physical events. All counterparties which show a ratio between average economic impact and net worth of above 1% are classified as being exposed to physical risk. All the economic impact estimates are related to the Divergent Net Zero climate scenario, based on which the effects are graduated in terms of probability of occurrence and intensity of climate phenomena.

The methodology used to estimate the economic impacts of physical risks differs according to the type of corporate counterparty, which are distinguished into two categories:

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

⁴⁶ “[...] the timeframe for long-term environmental risk should normally exceed the 10 years mark.” Single Rulebook Q&A, *Transparency and Pillar 3*, Question ID: 2022_6537, EBA 2022.

of Italian counterparties.

The identification of counterparty types has been made on a simplified basis, based on company revenues: all companies with revenues of above €50m have been treated as "Global" Connected Corporate Counterparties, and all those with revenues below this figure as "Local" Small Business Counterparties.

Here too there has been an improvement in the disclosure compared to the previous version of this document, with regard in particular to estimated impacts on companies classified as Local "Small" Businesses, for which the degree of exposure to acute physical risks has been determined based on the precise geolocation of their place of operations.

The "Global" Connected Corporate Counterparties have been classified as exposed to physical risk if the potential annual negative impact from one or other risk factor exceeds the threshold of 1% of their net equity. The potential impact of physical risk has been estimated based on a methodology that considers the aggregate impacts (but primarily indirect impacts for this type of company) deriving from the set of all physical risk factors, but still distinguishing between acute and chronic physical risk factors. This methodology is based on the application of two damage functions,⁴⁷ one for chronic physical risk and the other for acute physical risk, both expressed in terms of GDP loss rates; these loss rates are then rescaled relative to the individual companies, using a transformation function,⁴⁸ which has the objective of converting the loss rates returned by the Damage Function expressed in terms of GDP to loss rates at the level of turnover for the individual company. The function incorporates a calibration system which takes account of the company's operating structure, based on a ranking system using various accounting and size variables for each company, so the effects can be allocated according to how potentially sensitive/exposed the companies are to this type of risk.

Regarding the classification of "Local" Small Business Counterparties in the "exposed to chronic physical risk" category, for the Italian domestic loan book only, a methodology is adopted which is similar to the one used for the "Global" Connected Corporate Counterparties, i.e. based on a

⁴⁷ The damage function for chronic physical risks captures the expectations in terms of the reduction in labour and capital productivity due to rising temperatures, excluding impacts deriving from extreme events (acute physical risk) and social indirect phenomena, such as pandemics, migrations, conflicts, etc.). The damage function for acute physical risks captures the impacts deriving from acute extreme physical events. For the first time, as from October 2022 the NGFS scenarios include the estimates of the macroeconomic impact linked to acute physical risks as far as 2050. Hence for the construction of the damage function linked to acute physical risks too, the new NGFS estimates have been used, based on the following criteria: "There are four main steps to the acute physical risk estimation: (1) Determination of historical shocks based on the recorded past impacts of weather-related extreme events relative to GDP (calculated from a combination of economic damages from extreme events sourced from the EM-DAT database); (2) use the average historical impacts to GDP to calibrate the necessary supply and demand shocks needed; (3) combination of the calibrated demand and supply shocks using a Monte Carlo stochastic trial alongside a set of future multipliers inspired by the modelled CLIMADA-based projections found in the Climate Impact Explorer (CIE); (4) determination of the final values to use for the single extreme event path to be used in the NGFS stacked series of shocks for each scenario based on the resulting confidence bounds". The damage function has been constructed on the basis of the impacts associated with the climate scenarios considered. To this end the new estimates issued by the NGFS in October 2022 have been used.

⁴⁸ The transformation function considers two factors:

- The first factor (Physical Risk Sensitivity) serves to establish whether the company will have a higher or lower loss rate than the general one for GDP in the relevant geographical area because of its particular sensitivity to physical risk. This is determined based on the company's ranking within its own reference geographical area, relative to the value of an indicator that acts as a driver for the degree of exposure to physical risk. The indicator adopted for this purpose is physical capital intensity per employee, based on the rationale that the higher the physical capital intensity (tangible fixed assets and inventories divided by revenues), the higher the company's degree of exposure to the physical risks will be.
- The second factor (Physical Risk Scaling Factor) serves to translate the loss rate into a loss of value based on the company's size and the value added it produces, as the latter indicates each individual company's contribution to the GDP of a country or more generally of a geographical area. This naturally implies that, assuming the same conditions, the higher the value added of a company is, the higher its expected loss will be for a given rate of reduction in GDP.

chronic risk damage function and a transformation function. In this case, however, the damage function considers Italian GDP, which is rescaled based on the level of the increase in temperatures at the level of province.⁴⁹ Consequently, the ranking based on which the loss rate starting from the change in Italian GDP is determined, tends to penalize mostly those companies located in Italian provinces where in the past the most significant anomalies in terms of the increase in temperatures have been recorded. Therefore those provinces that have the highest probability of having higher temperatures (for example, Catania, Syracuse, Cagliari, Salerno, Reggio Emilia), will reflect a higher impact in terms of GDP reduction, and so, all other conditions being equal, higher losses at the individual company level.

For the “Local” Small Business Counterparties, the classification methodology in the “exposed to acute physical risk” category considers three risk factors: flooding, landslides, and droughts. The risk factors have been estimated based on the geolocation of their place of operation, and they have been assigned to the relevant classes of physical risk based on the ISPRA maps.

For the landslide and flooding risk factors the economic damage has been determined on the basis of two components:

- The direct impact caused by the physical event in terms of the damage done to the company's fixed tangible assets, which is calculated using a damage function that assigns a value for the impact as a percentage of the sum of the gross value of the company's fixed tangible assets and its inventories; the damage functions used vary according to the sector in which the company operates;⁵⁰
- The indirect impact related to the reduction in revenues due to the lower production capacity as a result of the estimated damage to the tangible assets referred to in the previous point, and to the temporary interruption of the production cycle associated with the company risk area.

By contrast, the methodology used for “drought” risk concentrates exclusively on the segment of Italian firms operating in high intensity water use sectors,⁵¹ and is based on the SPI (Standardized Precipitation Index),⁵² an index which enables the degree of intensity of a drought in a given location to be measured.

The economic impacts are estimated via a damage function, which matches the likelihood of drought events of different intensities associated with “critical” SPI values⁵³ with the related economic damage. The damage functions have been calibrated based on the scientific literature on the

⁴⁹ The average of the following three ISTAT indicators: average temperature in the 2010-20 period; average number of days with temperatures of above 25°C in the 2006-20 period; the highest of the maximum temperatures recorded in the 2006-20 period.

⁵⁰ The macro-sectors considered are: Industry; Commerce; Transport and Agriculture.

⁵¹ In particular the sectors considered are as follows: Agriculture; Mining; Electricity Generation; Water Collection, Treatment and Supply; Construction; Textiles; Petrochemicals; Pharmaceuticals; Rubber and Plastic Materials; Paper; Products in Metal, Transport via Inland Waterways.

⁵² The SPI is based on the cumulative monthly precipitation in a given area, and quantifies a deficit or surplus of rainwater compared to the average values for a reference period (which is generally at least 30 years). The SPI can be calculated based on different timing aggregation scales (1, 3, 6, or 12 months), and allows different types of drought to be identified (short-term or long-term droughts).

⁵³ Situations which reflect SPI levels < -1 are considered to be drought situations.

subject, and provide an estimate of the impacts in terms of the reduction in value added of the company's output, which can be rescaled for the individual counterparties.⁵⁴

The distribution of probabilities for the SPI has been derived empirically on the basis of historical series of monthly data available at the level of provinces for the 1981-2022 period (source: Copernicus – European Union Space Programme). The probability functions have been adjusted based on the reference climate scenario to reflect the potential effects of the future climate changes assumed by the scenario. The adjustment is based on the empirical relation between the trend in the SPI and the temperature levels historically recorded.

To estimate the damage for the agricultural sector SPI3 has been used, which refers to short timing aggregation periods (3 months), and so gives an indication of the immediate impacts, which is why it is better suited to measuring the exposure to drought risk for this type of company, as crops are generally exposed to the short- and medium-term precipitation trends. For the other sectors (hydroelectric, water supply, and general industries for which the production levels are linked to high-intensity water usage) SPI12 has been used, which refers to longer timing aggregation periods (i.e. 12 months), and so is able to provide more precise indications regarding the reduction in the river discharges and the volume capacities, and so is better suited to measuring the exposure to drought risk for high-water intensity industrial sectors.

⁵⁴ Reference has been made in particular to: Naumann G, Spinoni J, Vogt J, Barbosa P. *Assessment of Drought Damages and their Uncertainties in Europe*. Environmental Research Letters 10 (12), 2015; and Cammalleri, C., Naumann, G., Mentaschi, L., Formetta, G., Forzieri, G., Gosling, S., Bisselink, B., De Roo, A. and Feyen, L., *Global Warming and Drought Impacts in the EU*, EUR 29956 EN, Publications Office of the European Union, Luxembourg, 2020.

Template 5: Banking book – Physical risk in relation to climate change: Exposures subject to physical risk (all countries) **(1/4)**

	a	b ⁵⁵	c	d	e	f	g	h	i	j	k	l	m	n	o
All countries	Gross carrying amount (Mln EUR)														
	of which exposures sensitive to impact from climate change physical events														
	Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				
	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures		
1	A - Agriculture, forestry and fishing	34,148	8,499	709	—	—	2.11	309	3,061	5,837	198	361	(352)	(25)	(226)
2	B - Mining and quarrying	113,617	100,314	—	—	—	2.23	94,947	682	4,685	1	3	(32)	—	—
3	C - Manufacturing	4,837,431	1,533,564	59,480	182,039	4,947	3.26	1,355,630	20,476	403,925	39,301	4,468	(10,178)	(1,789)	(1,765)
4	D - Electricity, gas, steam and air conditioning supply	1,603,793	625,625	3,967	—	23,625	4.15	617,790	47	35,380	41	5	(908)	(15)	(2)
5	E - Water supply; sewerage, waste management and remediation activities	69,987	11,139	24,756	—	—	5.50	31,208	1,209	3,478	565	228	(203)	(41)	(118)
6	F - Construction	725,175	173,332	10,155	902	—	4.06	11,447	22,243	150,700	4,780	1,730	(2,129)	(430)	(1,053)
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,646,383	655,695	59,610	3,601	—	2.65	494,358	12,211	212,337	40,477	54,964	(59,648)	(1,596)	(54,614)
8	H - Transportation and storage	966,518	295,206	1,297	996	—	2.20	206,186	3,264	88,049	1,143	499	(1,095)	(69)	(207)
9	L - Real estate activities	1,662,506	52,934	18,892	5,174	—	3.56	5,310	47,522	24,167	2,915	1,871	(2,261)	(367)	(1,326)
10	Loans collateralised by residential immovable property	12,671,771	3,659	37,379	337,828	647,787	21.91	96,529	915,336	14,788	68,694	13,216	(11,828)	(4,566)	(6,847)
11	Loans collateralised by commercial immovable property	863,343	3,215	16,313	6,674	—	8.60	—	26,202	—	950	1,864	(1,690)	(73)	(1,527)
12	Reposessed collaterals	51,169	—	—	817	—	20.00	—	817	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	7,210,786	1,107,554	15,477	28,629	—	3.00	799,726	7,249	344,685	31,653	52,156	(40,169)	(1,115)	(35,816)
14	J - Information and Communication	1,292,314	110,488	972	27,274	—	5.12	58,474	777	79,484	682	22	(213)	(28)	(10)
15	M- Professional, scientific and technical activities	2,375,500	658,041	6,255	254	—	2.90	590,565	1,089	72,896	540	107	(1,478)	(33)	(29)
16	N - Administrative and support service activities	1,640,414	102,868	3,047	546	—	3.69	88,778	1,633	16,049	1,287	868	(723)	(106)	(383)

⁵⁵ The GBV shown in column (b) is aligned with the figure contained in the Finrep reporting.

Table 5: Banking book – Physical risk in relation to climate change: Exposures subject to physical risk (Italy) (2/4)

a		b56	c	d	e	f	g	h	i	j	k	l	m	n	o
Italy		Gross carrying amount (Mln EUR)													
		of which exposures sensitive to impact from climate change physical events													
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures	
1	A - Agriculture, forestry and fishing	31,480	8,499	709	—	—	2.11	309	3,061	5,837	198	361	(352)	(25)	(226)
2	B - Mining and quarrying	9,084	5,603	—	—	—	0.78	236	682	4,685	1	3	(6)	—	—
3	C - Manufacturing	2,852,271	938,231	51,831	182,039	4,947	3.87	1,005,462	20,476	151,111	39,108	4,468	(8,402)	(1,788)	(1,765)
4	D - Electricity, gas, steam and air conditioning supply	1,547,354	592,408	3,967	—	—	0.70	584,573	47	11,755	41	5	(671)	(15)	(2)
5	E - Water supply; sewerage, waste management and remediation activities	69,987	11,139	24,756	—	—	5.50	31,208	1,209	3,478	565	228	(203)	(41)	(118)
6	F - Construction	335,178	64,987	10,155	902	—	3.46	11,447	22,243	42,355	4,780	1,730	(2,082)	(430)	(1,053)
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	880,063	426,100	59,610	3,601	—	3.03	440,234	12,211	36,866	5,366	837	(3,833)	(604)	(487)
8	H - Transportation and storage	574,788	99,552	1,297	996	—	1.41	88,630	3,264	9,951	1,143	499	(482)	(69)	(207)
9	L - Real estate activities	710,160	52,934	18,892	5,174	—	3.56	5,310	47,522	24,167	2,915	1,871	(2,261)	(367)	(1,326)
10	Loans collateralised by residential immovable property	12,180,408	3,659	37,379	337,828	647,787	21.91	96,529	915,336	14,788	68,694	13,216	(11,828)	(4,566)	(6,847)
11	Loans collateralised by commercial immovable property	818,721	3,215	16,313	6,674	—	8.60	—	26,202	—	950	1,864	(1,690)	(73)	(1,527)
12	Reposessed collaterals	49,819	—	—	817	—	20.00	—	817	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	3,153,280	662,367	15,477	28,629	—	3	576,248	7,249	122,976	3,649	1,851	(2,817)	(317)	(816)
14	J - Information and Communication	787,374	37,894	972	27,274	—	8.09	29,673	777	35,691	682	22	(94)	(28)	(10)
15	M- Professional, scientific and technical activities	1,727,129	563,438	6,255	254	—	2.82	499,925	1,089	68,933	540	107	(1,227)	(33)	(29)
16	N - Administrative and support service activities	475,869	31,751	3,047	546	—	2.32	18,926	1,633	14,784	1,287	868	(650)	(106)	(383)

⁵⁶ The GBV shown in column (b) is aligned with the figure contained in the Finrep reporting.

Table 5: Banking book – Physical risk in relation to climate change: Exposures subject to physical risk (Other EU Member States) (3/4)

	a	b57	c	d	e	f	g	h	i	j	k	l	m	n	o
Other EU countries	Gross carrying amount (Mln EUR)														
	of which exposures sensitive to impact from climate change physical events														
	Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				
	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures		
1	A - Agriculture, forestry and fishing	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2	B - Mining and quarrying	97,464	94,711	—	—	—	2.31	94,711	—	—	—	—	(26)	—	—
3	C - Manufacturing	1,127,737	351,984	7,649	—	—	1.59	136,482	—	223,151	193	—	(1,303)	(1)	—
4	D - Electricity, gas, steam and air conditioning supply	23,625	—	—	—	23,625	94.44	—	—	23,625	—	—	(154)	—	—
5	E - Water supply; sewerage, waste management and remediation activities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	F - Construction	373,452	108,345	—	—	—	4.48	—	—	108,345	—	—	(47)	—	—
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	581,792	194,566	—	—	—	2.14	54,124	—	140,442	—	54,127	(54,823)	—	(54,127)
8	H - Transportation and storage	354,274	195,654	—	—	—	2.61	117,556	—	78,098	—	—	(613)	—	—
9	L - Real estate activities	308,089	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Loans collateralised by residential immovable property	52,530	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Loans collateralised by commercial immovable property	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Reposessed collaterals	1,350	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	2,040,055	248,727	—	—	—	3	104,037	—	144,690	28,004	50,305	(37,069)	(798)	(35,000)
14	J - Information and Communication	152,701	43,793	—	—	—	1.82	—	—	43,793	—	—	(88)	—	—
15	M- Professional, scientific and technical activities	290,449	3,963	—	—	—	2.28	—	—	3,963	—	—	(87)	—	—
16	N - Administrative and support service activities	1,107,530	71,117	—	—	—	4.38	69,852	—	1,265	—	—	(73)	—	—

Table 5: Banking book – Physical risk in relation to climate change: Exposures subject to physical risk (Rest of World) (4/4)

⁵⁷ The GBV shown in column (b) is aligned with the figure contained in the Finrep reporting.

	a	b58	c	d	e	f	g	h	i	j	k	l	m	n	o
Rest of the World	Gross carrying amount (Mln EUR)														
	of which exposures sensitive to impact from climate change physical events														
	Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				
	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures		
1	A - Agriculture, forestry and fishing	2,668	—	—	—	—	—	—	—	—	—	—	—	—	—
2	B - Mining and quarrying	7,069	—	—	—	—	—	—	—	—	—	—	—	—	—
3	C - Manufacturing	857,423	243,350	—	—	—	2.82	213,687	—	29,663	—	—	(474)	—	—
4	D - Electricity, gas, steam and air conditioning supply	32,814	33,217	—	—	—	1.85	33,217	—	—	—	—	(83)	—	—
5	E - Water supply; sewerage, waste management and remediation activities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	F - Construction	16,545	—	—	—	—	—	—	—	—	—	—	—	—	—
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	184,528	35,029	—	—	—	0.19	—	—	35,029	35,111	—	(992)	(992)	—
8	H - Transportation and storage	37,456	—	—	—	—	—	—	—	—	—	—	—	—	—
9	L - Real estate activities	644,257	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Loans collateralised by residential immovable property	438,833	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Loans collateralised by commercial immovable property	44,622	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Reposessed collaterals	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Other relevant sectors (breakdown below where relevant)	2,017,451	196,460	—	—	—	2	119,441	—	77,019	—	—	(283)	—	—
14	J - Information and Communication	352,239	28,801	—	—	—	3.35	28,801	—	—	—	—	(31)	—	—
15	M- Professional, scientific and technical activities	357,922	90,640	—	—	—	3.45	90,640	—	—	—	—	(164)	—	—
16	N - Administrative and support service activities	57,015	—	—	—	—	—	—	—	—	—	—	—	—	—

⁵⁸ The GBV shown in column (b) is aligned with the figure contained in the Finrep reporting.

Template 5.1 – Breakdown of gross book value subject to physical risk

TOTAL	Gross carrying amount (Mln EUR)		PHYSICAL RISK/ GROSS CARRYING AMOUNT (%)
		of which exposures sensitive to impact from climate change physical events	
1 A - Agriculture, forestry and fishing	34,148	9,207	26.96%
2 B - Mining and quarrying	113,617	100,314	88.29%
3 C - Manufacturing	4,837,431	1,780,031	36.80%
4 D - Electricity, gas, steam and air conditioning supply	1,603,793	653,217	40.73%
5 E - Water supply; sewerage, waste management and remediation activities	69,987	35,895	51.29%
6 F - Construction	725,175	184,390	25.43%
7 G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,646,383	718,906	43.67%
8 H - Transportation and storage	966,518	297,499	30.78%
9 L - Real estate activities	1,662,506	76,999	4.63%
10 Loans collateralised by residential immovable property	12,671,771	1,026,652	8.10%
11 Loans collateralised by commercial immovable property	863,343	26,202	3.03%
12 Repossessed collaterals	51,169	817	1.60%
13 Other relevant sectors (breakdown below where relevant)	7,210,786	1,151,660	15.97%
14 J - Information and Communication	1,292,314	138,734	10.74%
15 M- Professional, scientific and technical activities	2,375,500	664,550	27.98%
16 N - Administrative and support service activities	1,640,414	106,460	6.49%

The total exposures sensitive to physical events related to climate risk amount, for the Non-Financial Corporate component, to €3,291.6m for Italy, to €1,129.8 m for the other EU Member States, and to €300.5m for the Rest of the World (equal to 32.39%, 23.03% and 7.91% of the total gross book value of their respective geographical areas).

For the Secured loans and collateral recovered component, the only significant figure for the exposures sensitive to the impact of physical events related to climate change is for Italy, which amounts to €1,054.1m (equal to 8.08% of the total gross book value for the country of Italy). The risk calculation methodology fine-tuning described above has enabled the physical risk to be analysed much more precisely, which has resulted in a reduction of the impact compared to the previous disclosures.

It should be noted that the methodology for calculating exposures subject to physical risk is constantly evolving; the expansion of the information dataset available and the refinement of the methodologies used is believed to lead to a progressive improvement of the Group's internal estimates

Templates 6, 7, 8, 9 (disclosures on GAR and BTAR)

These templates are intended to present exposures that are considered to be sustainable (i.e. Taxonomy-aligned) and to provide information on the Green Asset Ratio (GAR) other KPIs required by the regulations.

Mediobanca Group will publish templates "6 – Summary of KPIs on the Taxonomy-aligned exposures", "7 - Mitigating actions: Assets for the calculation of GAR", and "8 – GAR (%)" starting from the disclosure as at end-December 2023, as permitted by the phase-in provisions (*Annex XL - Instructions for disclosure of ESG risks*). Template "9 – Mitigating actions: BTAR" will be published on a voluntary basis starting from the disclosure as at 31 December 2024.

The Group is currently developing the methodologies and data collection and calculation processes for the Taxonomy-aligned assets towards the Climate Change Mitigation (CCM) and Climate Change Adaptation (CCA) objectives so as to be able to publish the templates and the related KPIs in the next Pillar III ESG disclosures.

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

Template 10 requires companies to disclose their exposures to counterparties in support of their transition process and adaptation to Climate Change Mitigation (CCM) and Climate Change Adaptation (CCA) objectives, which, however, are not considered to be sustainable in view of the EU Taxonomy (i.e. are not Taxonomy-aligned).

In view of the fact that the process for identifying Taxonomy-aligned is still being developed, as the reporting on such exposures will become mandatory only starting from end-December 2023, for the purposes of this disclosure, all the mitigation activities have been considered, including those that could be Taxonomy-aligned, and which will therefore be included in the GAR or BTAR templates as from end-December 2023 and end-December 2024 respectively.

The scope of the exposures considered includes green and sustainable-linked loans worth a total amount of approx. €2.3bn. The entire scope is made up as follows:

- Sustainable-linked loans with favourable terms linked to climate KPIs (e.g. energy efficiency and emissions reductions), worth approx. €1.6bn.
- Green mortgages to acquire properties in energy class A or B, for approx. €500m.
- Loans to acquire hybrid and electric vehicles, for approx. €56m.
- Loans to instal photovoltaic panels, for approx. €29m.

— Acquisition of tax credits to provide renewable energy, for approx. €131m.

The methodology adopted to identify risks is based on analysis of the KPIs provided for in the sustainable-linked loan contracts, and on analysis of the assets financed for the other green loans.

The analysis has shown that all the exposures provide incentives, directly or indirectly, for the counterparty to adopt a positive attitude towards:

- Reducing the physical risks attributable to climate change and environmental degradation in terms of atmospheric and water pollution;
- Alignment with the transition towards a more sustainable economy from a climate-related perspective.

More specifically, the in-scope exposures provide incentives for more efficient water and energy consumption, which generates a reduction in the GHG emissions produced by the counterparties.

As already mentioned, the data shown in the template will refer, once the phase-in period permitted by the regulations has ended, to all exposures considered to be green, even if they are not Taxonomy-aligned, and based on the analysis performed to date, such exposures should be relatively limited in size.

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

a	b	c	d	e	f
Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	—	—	—	—
	Non-financial corporations	—	—	—	—
	Of which Loans collateralised by commercial immovable property				
	Households	—	—	—	—
Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Of which Loans collateralised by residential immovable property	50,572	Yes	Yes	The amount refers to Sustainable-linked loans and vehicle loans. More details in the accompanying note.
	Of which building renovation loans	1,659,506	Yes	Yes	The amount refers to sustainable-linked loans, loans for vehicles, loans for the installation of photovoltaic systems and tax credits for the supply of renewable energy. More details in the accompanying note.
	Other counterparties	—	—	—	
	Financial corporations	616,687	Yes	Yes	The amount refers to loans for vehicles, loans for the installation of photovoltaic systems and green mortgages for residential properties. More details in the accompanying note.
	Non-financial corporations	571,072	Yes	Yes	The amount refers to green mortgages. More details in the accompanying note.
	Of which Loans collateralised by commercial immovable property	—	—	—	
	Households	5	Yes	Yes	The amount refers to loans to local administrations for the installation of photovoltaic systems. More details in the accompanying note.

Section 9 – Encumbered assets

Qualitative information

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

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

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

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

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

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

		Carrying amount of encumbered assets		Fair value of encumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA
		010	030	040	050
010	Assets of the reporting institution	30,289,985	5,176,957		
030	Equity instruments	441,759	235,089	441,759	235,089
040	Debt securities	8,130,861	4,739,852	8,000,377	4,674,046
050	of which: covered bonds	—	—	—	—
060	of which: asset-backed securities	417,506	2,773	412,410	2,772
070	of which: issued by general governments	6,089,572	4,728,452	5,966,476	4,662,645
080	of which: issued by financial corporations	2,099,489	2,773	2,075,950	2,771
090	of which: issued by non-financial corporations	227,355	6,676	227,210	6,676
120	Other assets	21,154,564	—		

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

		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which EHQLA and HQLA		of which EHQLA and HQLA
		060	080	090	100
010	Assets of the reporting institution	62,053,371	4,826,139		
030	Equity instruments	1,498,433	147,223	1,487,175	147,222
040	Debt securities	5,558,260	2,998,657	5,114,143	2,982,773
050	of which: covered bonds	55,479	55,479	55,701	55,701
060	of which: asset-backed securities	602,520	—	599,796	—
070	of which: issued by general governments	3,268,445	2,891,872	2,905,879	2,875,546
080	of which: issued by financial corporations	1,898,263	101,048	1,830,415	101,490
090	of which: issued by non-financial corporations	310,905	8,538	309,060	8,537
120	Other assets	54,538,509	3,968		

Template EU AE2 - Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
			of which notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	
					of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the disclosing institution	5,355,271	3,012,057	333,340	96,346
140	Loans on demand	—	—	—	—
150	Equity instruments	291,326	53,217	58,098	15,150
160	Debt securities	5,124,533	2,958,840	259,187	79,851
170	of which: covered bonds	—	—	—	—
180	of which: asset-backed securities	4,865	—	139,250	—
190	of which: issued by general governments	4,494,906	2,958,840	105,940	79,433
200	of which: issued by financial corporations	601,643	—	161,898	—
210	of which: issued by non-financial corporations	—	—	401	401
220	Loans and advances other than loans on demand	—	—	—	—
230	Other collateral received	—	—	—	—
240	Own debt securities issued other than own covered bonds or asset-backed securities	—	—	133,052	—
241	Own covered bonds and securitisation issued and not yet pledged			—	—
250	Total collateral received and own debt securities issued	35,534,478	8,121,025		

Template EU AE3 - Sources of encumbrance

		06/30/2023	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	Carrying amount of selected financial liabilities	27,339,849	33,490,724

The Group's Asset Encumbrance Ratio as at 30 June 2023 stood at 33.30%, much lower than last year (36.76%).

It should be noted that as this is a point-in-time ratio with no time structure – short-term activity (never more than three months and typically less than two) represents more than 3 of the 33.30 total percentage points; this short-term activity is carried out back-to-back by Group Treasury in order to optimize the Bank's use of its financial resources, and can be closed very swiftly and in any market conditions.

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

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

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

Section 10 – Counterparty risk

Qualitative information

Wrong-way risk management methodology

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

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

As at the balance-sheet date, there were no deals on the books with significant wrong-way risk.

Valuation adjustment (CVA-DVA)

For operations in derivatives, as provided by IFRS 13, the fair value incorporates the effects of the counterparty's credit risk and Mediobanca's proprietary credit risk, through the CVA and DVA components. The CVA is the fair value of the possible expected losses deriving from the exposure to the counterparty, and is based on Mediobanca's positive exposure to the counterparty concerned. Conversely, the DVA is determined on the basis of the Mediobanca's expected negative exposure to the counterparty, and represents the Bank's benefit (equal to the cost of replacing the derivative) in the event of its defaulting earlier than the counterparty. Both adjustments are calculated with reference to the future exposure profile of the aggregate of such contracts outstanding between the two counterparties, generated through simulations of the relevant risk factors, and taking into consideration any risk mitigation agreements as well as the level of both the Bank's own and the counterparty's credit risk. The fair value also reflects the effect of the funding value adjustment related to the costs of financing the future exposure profiles of the derivatives and the cost of liquidity.

Mediobanca downgrade effects

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

As for Credit Support Annexes to ISDA Master Agreements, there are three CSA containing provisions which could force Mediobanca to provide further collateral valued at €23.2m (data as at 30 June 2023).

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

10.1 Counterparty risk – Standardized approach

Qualitative information

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

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

Quantitative information

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

	a	b	c	d
	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value
EU-1 EU - Original Exposure Method (for derivatives)	—	158		1.4
EU-2 EU - Simplified SA-CCR (for derivatives)	5,350	3,030		1.4
1 SA-CCR (for derivatives)	502,273	622,469		1.4
2 IMM (for derivatives and SFTs)			—	—
2a of which securities financing transactions netting sets			—	
2b of which derivatives and long settlement transactions netting sets			—	
2c of which from contractual cross-product netting sets			—	
3 Financial collateral simple method (for SFTs)				
4 Financial collateral comprehensive method (for SFTs)				
5 VaR for SFTs				
6 Total as at 30 June 2023				
Total as at 30 June 2022				

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

		e	f	g	h
		Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	222	222	222	222
EU-2	EU - Simplified SA-CCR (for derivatives)	11,731	11,731	11,731	2,346
1	SA-CCR (for derivatives)	1,989,764	1,746,135	1,571,394	544,453
2	IMM (for derivatives and SFTs)	—	—	—	—
2a	<i>of which securities financing transactions netting sets</i>	—	—	—	—
2b	<i>of which derivatives and long settlement transactions netting sets</i>	—	—	—	—
2c	<i>of which from contractual cross-product netting sets</i>	—	—	—	—
3	Financial collateral simple method (for SFTs)	—	—	—	—
4	Financial collateral comprehensive method (for SFTs)	8,063,127	3,338,529	3,338,474	765,060
5	VaR for SFTs	—	—	—	—
6	Total as at 30 June 2023	10,064,843	5,096,617	4,921,822	1,312,081
	Total as at 30 June 2022	9,717,244	5,114,955	5,029,927	1,242,648

Template EU CCR2 - CVA capital charge

		06/30/2023		06/30/2022	
		a	b	a	b
		Exposure value	RWAs	Exposure value	RWAs
1	Total portfolios subject to the advanced method	—	—	—	—
2	(i) VaR component (including the 3× multiplier)		—		—
3	(ii) SVaR component (including the 3× multiplier)		—		—
4	All portfolios subject to the standardised method	1,235,127	400,347	1,808,624	373,402
EU-4	Based on the original exposure method	—	—	—	—
5	Total subject to the CVA capital charge	1,235,127	400,347	1,808,624	373,402

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

Exposure classes	Classes of credit worthiness (Weighting Factors)					
	a	b	c	d	e	f
	0%	2%	4%	10%	20%	50%
1 Central governments or central banks	—	—	—	—	—	—
2 Regional governments or local authorities	—	—	—	—	—	—
3 Public sector entities	—	—	—	—	—	—
4 Multilateral development banks	—	—	—	—	—	—
5 International organisations	—	—	—	—	—	—
6 Institutions	—	81,469	—	—	3,504,927	49,086
7 Corporates	—	—	—	—	683,918	232,838
8 Retail	—	—	—	—	—	—
9 Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
10 Other items	—	—	—	—	—	—
11 Total as at 30 June 2023	—	81,469	—	—	4,188,845	281,923
Total as at 30 June 2022	4,664	79,762	—	—	4,227,438	197,233

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

Exposure classes		Classes of credit worthiness (Weighting Factors)					
		g	h	i	j	k	l
		70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	—	—	—	—	—	—
2	Regional governments or local authorities	—	—	—	—	—	—
3	Public sector entities	—	—	65	—	—	65
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—
6	Institutions	—	—	4,904	—	—	3,640,385
7	Corporates	—	—	136,181	—	—	1,052,936
8	Retail	—	33	—	—	—	33
9	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
10	Other items	—	—	—	—	—	—
11	Total as at 30 June 2023	—	33	141,149	—	—	4,693,419
	Total as at 30 June 2022	—	118	73,655	—	—	4,582,870

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

As at 30 June 2023, Mediobanca uses the AIRB approach in counterparty risk only for the large corporate segment, in the "Exposures to corporates – Others" category. RWAs associated with counterparty risk amount to approx. 1.9% of the total RWAs for this regulatory segment.

		a	b	c	d	e	F	g
Corporates (A-IRB)	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
Class 01	0.00 to <0.15	61,924	0.0839 %	11	45.0000%	2	17,563	28.3623%
Class 02	0.15 to <0.25	18,835	0.1553 %	13	45.1599%	2	7,646	40.5950%
Class 03	0.25 to <0.50	159,230	0.4036 %	46	53.7566%	2	127,423	80.0245%
Class 04	0.50 to <0.75	—	—	—	—	—	—	—
Class 05	0.75 to <2.50	92,328	1.3276%	12	16.4381%	1	31,470	34.0848%
Class 06	2.50 to <10.00	11,040	2.8122%	6	45.0243%	2	14,771	133.8031%
Class 07	10.00 to <100.00	—	—	—	—	—	—	—
Class 08	100.00 (Default)	—	—	—	—	—	—	—
Total as at 30 June 2023		343,356	0.6582 %	90	41.3902%	2	198,873	57.9204%
Total as at 30 June 2022		569,819	0.45%	96	34.3%	2.3	253,173	44%

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

		a	b	c	d
		Collateral used in derivative transactions			
Collateral type		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	—	153,937	60,725	1,020,653
2	Cash – other currencies	—	347,540	4	103,904
3	Domestic sovereign debt	—	—	58,786	195,100
4	Other sovereign debt	76,910	25,537	91	—
5	Government agency debt	—	—	—	—
6	Corporate bonds	—	—	74,000	—
7	Equity securities	—	—	—	—
8	Other collateral	—	—	—	—
9	Total as at 30 June 2023	76,910	527,014	193,606	1,319,657
	Total as at 30 June 2022	33,549	722,926	318,454	1,218,236

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

		e	f	g	h
		Collateral used in SFTs			
Collateral type		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	—	—	—	—
2	Cash – other currencies	—	—	—	—
3	Domestic sovereign debt	—	509,686	—	1,757,308
4	Other sovereign debt	—	—	—	—
5	Government agency debt	—	—	—	—
6	Corporate bonds	—	—	—	2,561,642
7	Equity securities	—	383,267	—	408,316
8	Other collateral	—	—	—	2,245,027
9	Total as at 30 June 2023	—	892,954	—	6,972,293
	Total as at 30 June 2022	—	575,494	—	7,493,545

Template EU CCR6 – Credit derivatives exposures

	06/30/2023		06/30/2022	
	a	b	a	b
	Protection bought	Protection sold	Protection bought	Protection sold
NOTIONALS				
1 Single-name credit default swaps	849,398	2,205,940	794,459	1,590,173
2 Index credit default swaps	19,649,402	4,038,671	18,314,203	6,364,759
3 Total return swaps	—	—	—	—
4 Credit options	—	—	—	—
5 Other credit derivatives	3,991,060	24,660	6,686,942	13,160
6 Total notionals	24,489,861	6,269,271	25,795,603	7,968,092
FAIR VALUE				
7 Positive fair value (asset)	39,612	70,895	199,685	30,502
8 Negative fair value (liability)	(292,794)	(23,997)	(96,013)	(81,776)

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

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

Template EU CCR8 – Exposures to CCPs

		06/30/2023		06/30/2022	
		a	b	a	b
		Exposure value	RWEA	Exposure value	RWEA
1	Exposures to QCCPs (total)		11,340		4,623
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	114,953	8,326	79,919	1,627
3	(i) OTC derivatives	101,577	5,664	37,848	785
4	(ii) Exchange-traded derivatives	—	—	—	—
5	(iii) SFTs	13,377	2,662	42,072	841
6	(iv) Netting sets where cross-product netting has been approved	—	—	—	—
7	Segregated initial margin	162,902		237,928	
8	Non-segregated initial margin	—	—	—	—
9	Prefunded default fund contributions	119,673	3,014	126,596	2,996
10	Unfunded default fund contributions	—	—	—	—
11	Exposures to non-QCCPs (total)		—		—
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	—	—	—	—
13	(i) OTC derivatives	—	—	—	—
14	(ii) Exchange-traded derivatives	—	—	—	—
15	(iii) SFTs	—	—	—	—
16	(iv) Netting sets where cross-product netting has been approved	—	—	—	—
17	Segregated initial margin	—		—	
18	Non-segregated initial margin	—	—	—	—
19	Prefunded default fund contributions	—	—	—	—
20	Unfunded default fund contributions	—	—	—	—

Section 11 – Risk mitigation techniques

Qualitative information

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

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

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

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

Policies and processes for valuing and managing real guarantees

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

- Mortgage guarantees – the initial value of the property at the disbursement stage is based on a valuation made by independent experts. In order to ensure that the value of the collateral thus acquired is in line with the value of the underlying asset, a specific procedure has been drawn up which involves the fair value of the property being calculated and monitored on a regular basis based on market data supplied by an external information provider;

- Pledge guarantees – pledge guarantees are valued on the basis of their real value, in the sense of market value for financial instruments listed on a regulated market, or presumed realization value in other cases. This value is then revised to reflect prudential margins, which vary according to the financial instrument used as the collateral in accordance with the provisions of regulatory requirements.

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

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

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

As at 30 June 2023, 43% (or €5bn) of the guarantees received involved securities and cash in connection with securities financing transactions which are recorded among real financial guarantees. At 30 June 2022 the same ratio was 47% (or €5bn).

Template EU CR3 – CRM Techniques – Overview: disclosure on the use of credit risk mitigation techniques

		Unsecured carrying amount*	Secured carrying amount			
				of which secured by collateral	of which secured by financial guarantees	
						of which secured by credit derivatives
		a	b	c	D	e
1	Loans and advances	36,534,070	26,005,803	24,082,430	1,923,373	—
2	Debt securities	9,669,484	508,099	—	508,099	
3	Total as at 30 June 2023	46,203,554	26,513,902	24,082,430	2,431,472	—
4	of which non-performing exposures	260,051	114,339	113,929	410	—
EU-5	of which defaulted	260,051	114,339	113,929	410	—
Total as at 30 June 2022		49,137,868	23,528,832	22,008,133	1,520,699	—

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

Section 12 – Securitizations

The Group acts primarily as investor in third-party issues, in particular as sponsor in some securitizations, which results in a share of the securities being held for retention purposes (Belvedere SPV S.r.l. and Cartesian Residential Mortgages Blue S.A.); the deal originated last year in which the Group acted as co-arranger (Merlin) is still outstanding, and the entire senior tranche with state backing under the NPL securitization guarantee scheme promoted by the Italian Ministry for the Economy and Finance remains on the Group's books. The Risk Management unit and front office teams perform ongoing monitoring of reporting flows on the underlying portfolio based on the available up-to-date reporting.

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

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

Qualitative information

The Group has portfolio of securities deriving from securitizations by other issuers totalling €1,053m (€1,282.6m as at 30 June 2022), €788.8m of which held in the banking book and €264.3m in the trading book (versus €1,021.2m and €261.3m respectively). During the first half of 2023, the ABS market reversed the spread-widening trend in line with the general market tendency, which despite the inflation concerns responded resiliently to the rise in interest rates, helped by the narrowing BTP-Bund spread (for the domestic component).

The primary market has partially reopened for core Europe issuers of high standing (e.g. German and French automotive loans), whereas for Southern European issuers, the ECB's absence from the book-building means the investor base remains very limited. Following the TLTRO repayment in June (which resulted in the release of liquidity and collateral), issuers will continue to evaluate ABS issuance relative to the cheapness of other forms of financing.

Banking book exposures decreased from €1,021.2m to €788.8m, with a majority of senior securities with underlying NPLs (€486.3m, down €217.3m), and CLOs (€259.4m, stable during the period). Positions taken in mezzanine and junior tranches remain limited and basically unchanged, at €3.5m and €0.5m respectively. The difference between book value (amortized cost) and fair value (obtained from the market platforms) is €15.2m, principally due to the increase in interest rates.

The value of the holdings contained in the trading book stood at €264.3m (€261.3m): the senior share amounts to €149.3m (€143.3m), €100.5m of which in relation to the Transferable Custody Receipt,⁵⁹ €23.9m in Consumer Finance performing loans, and €24.8m in CLOs (€19.5m at end-June 2022). The mezzanine share stands at €115m (€115.3m), made up of €66.1m in negative basis strategy, €27.4m in CLOs, plus three Italian ABS Consumer Finance tranches. There are no exposures to junior securities.

Mediobanca also has exposures to:

- CLI Holdings and CLI Holdings II,⁶⁰ SPVs incorporated under English law, which have subscribed to the capital respectively of di Cairn Loan Investments and Cairn Loan Investments II, independent managers of the Polus-branded CLOs, which, in order to comply with the prudential regulations (Article 405 of Commission Regulation (EU) 585/2013), invest in the Junior tranches of the CLOs managed by them. As at 30 June 2023, CLI H I is recorded in the accounts with a book value of €12.5m, and CLI H II of €38.6m, both deducted from regulatory capital given the type of underlying investments (as evidenced in line 20c of EU table CC1);
- Italian Recovery Fund, a closed-end alternative investment fund incorporated under Italian law and managed by DeA Capital SGR S.p.A. which is currently invested in five deals (Valentine, Berenice, Cube, Este and Sunrise I) with NPLs originated by Italian banks as the underlying instrument; of the €30m commitment, a total of €29m has so far been used;
- Negentropy RAIF – Debt Select Fund, an alternative investment fund incorporated under Luxembourg law, managed by Negentropy Capital Partners Limited, for which Mediobanca acted as advisor; the fund has senior NPLs tranches and real estate loans as its underlying with a total NAV of €118.8m (Mediobanca's share €64.1m), lower than previously to reflect the uncertainty over recoveries and due to the rising interest rates.

In order to calculate the risk-weighted assets for this risk, as at 30 June 2023, the SEC-SA methodology is used for 58% of the portfolio of securities deriving from third-party securitizations held on the banking book (77% at end-June 2022), and the SEC-ERBA methodology for the other 42% (23%

⁵⁹ The Bank has subscribed to a note issued by the depositor bank with which three CLO positions (with European corporate loans as the underlying asset) acquired by Mediobanca and the financial guarantees over the CLOs themselves with which the Bank bought protection were deposited in the form of a trust; the TCR reflects the capital and interest of the underlying CLOs net of the financial guarantees' premium.

⁶⁰ CLI H I is reported in the disclosure on unconsolidated structured entities, whereas CLI H II is an investment consolidated by the equity method in accordance with IAS 28.

at end-June 2022). The SEC-ERBA approach is used for 75% of the trading book positions (63% at end-June 2022), while for the other 25% (37% at end-June 2022) the SEC-SA approach is used.

Quantitative information

Template EU-SEC1 - Securitisation exposures in the non-trading book

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic			Traditional				Traditional			
		STS		Non-STS		of which SRT	Sub-total		STS	Non-STS			Synthetic	Sub-total		
of which SRT		of which SRT														
1	Total exposures	—	—	45,587	—	—	—	45,587	4,822	7,898	—	12,720	—	296,207	—	296,207
2	Retail (total)	—	—	45,587	—	—	—	45,587	4,822	1,443	—	6,264	—	34,264	—	34,264
3	residential mortgage	—	—	—	—	—	—	—	4,822	1,443	—	6,264	—	—	—	—
4	credit card	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5	other retail exposures	—	—	45,587	—	—	—	45,587	—	—	—	—	—	34,264	—	—
6	re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Wholesale (total)	—	—	—	—	—	—	—	—	6,456	—	6,456	-	261,943	—	261,943
8	loans to corporates	—	—	—	—	—	—	—	—	—	—	—	—	261,943	—	261,943
9	commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	other wholesale	—	—	—	—	—	—	—	—	6,456	—	6,456	-	—	—	—
12	re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—



Template EU-SEC2 - Securitisation exposures in the trading book

	a	b	c	d	e	f	g	h	i	j	k	l
	Institution acts as Originator				Institution acts as Sponsor				Institution acts as Investor			
	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
	STS	Non-STS			STS	Non-STS			STS	Non-STS		
1 Total exposures	—	—	—	—	—	—	—	—	18,516	79,209	—	97,726
2 Retail (total)	—	—	—	—	—	—	—	—	18,516	26,958	—	45,474
3 residential mortgage	—	—	—	—	—	—	—	—	—	7,948	—	7,948
4 credit card	—	—	—	—	—	—	—	—	—	—	—	—
5 other retail exposures	—	—	—	—	—	—	—	—	18,516	19,010	—	37,527
6 re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—
7 Wholesale (total)	—	—	—	—	—	—	—	—	—	52,252	—	52,252
8 loans to corporates	—	—	—	—	—	—	—	—	—	52,252	—	52,252
9 commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—
10 lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—
11 other wholesale	—	—	—	—	—	—	—	—	—	—	—	—
12 re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—

Template EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor (1/2)

		a	b	c	d	e	f	g	h	i
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
		RW ≤20%	RW >20% to 50%	RW >50% to 100%	RW >100% to <1250%	RW 1250%/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%/deductions
1	Total exposures	5,044	45,587	—	7,521	156	—	12,047	46,260	—
2	Traditional transactions	5,044	45,587	—	7,521	156	—	12,047	46,260	—
3	Securitisation	5,044	45,587	—	7,521	156	—	12,047	46,260	—
4	Retail underlying	5,044	45,587	—	1,065	156	—	5,592	46,260	—
5	of which STS	4,822	—	—	—	—	—	4,822	-	—
6	Wholesale	—	—	—	6,456	—	—	6,456	-	—
7	of which STS	—	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—	—
10	Securitisation	—	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—	—
13	Re-securitisation	—	—	—	—	—	—	—	—	—

Template EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor (2/2)

		j	k	l	m	n	o	EU-p	EU-q
		RWEA (by regulatory approach)				Capital charge after cap			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%
1	Total exposures	—	16,188	15,066	—	—	1,295	1,205	—
2	Traditional transactions	—	16,188	15,066	—	—	1,295	1,205	—
3	Securitisation	—	16,188	15,066	—	—	1,295	1,205	—
4	Retail underlying	—	1,663	15,066	—	—	133	1,205	—
5	of which STS	—	482	—	—	—	39	—	—
6	Wholesale	—	14,525	—	—	—	1,162	—	—
7	of which STS	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—
10	Securitisation	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—
13	Re-securitisation	—	—	—	—	—	—	—	—

Template EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (1/2)

		a	b	c	d	e	f	g	h	i
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)			
		RW ≤20%	RW >20% to 50%	RW >50% to 100%	RW >100% to <1250%	RW 1250%/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%/deductions
1	Total exposures	129,024	164,676	—	2,507	—	—	126,810	169,397	—
2	Traditional transactions	129,024	164,676	—	2,507	—	—	126,810	169,397	—
3	Securitisation	129,024	164,676	—	2,507	—	—	126,810	169,397	—
4	Retail underlying	—	34,264	—	—	—	—	—	34,264	—
5	of which STS	—	—	—	—	—	—	—	—	—
6	Wholesale	129,024	130,412	—	2,507	—	—	126,810	135,133	—
7	of which STS	—	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—	—
10	Securitisation	—	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—	—
13	Re-securitisation	—	—	—	—	—	—	—	—	—

Template EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (2/2)

	j	k	l	m	n	o	EU-p	EU-q
	RWEA (by regulatory approach)				Capital charge after cap			
	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	RW 1250%
1 Total exposures	—	27,577	42,872	—	—	2,206	3,430	—
2 Traditional transactions	—	27,577	42,872	—	—	2,206	3,430	—
3 Securitisation	—	27,577	42,872	—	—	2,206	3,430	—
4 Retail underlying	—	—	11,102	—	—	—	888	—
5 of which STS	—	—	—	—	—	—	—	—
6 Wholesale	—	27,577	31,770	—	—	2,206	2,542	—
7 of which STS	—	—	—	—	—	—	—	—
8 Re-securitisation	—	—	—	—	—	—	—	—
9 Synthetic transactions	—	—	—	—	—	—	—	—
10 Securitisation	—	—	—	—	—	—	—	—
11 Retail underlying	—	—	—	—	—	—	—	—
12 Wholesale	—	—	—	—	—	—	—	—
13 Re-securitisation	—	—	—	—	—	—	—	—

Template EU SEC5 – Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

The Mediobanca Group has nothing to report for Template EU SEC5.

Section 13 – Operational risk

Qualitative information

In accordance with the Group Operational Risk Policy and based on the principle of proportionality, the processes for identifying operational risk are defined and implemented at Parent Company level and the main Group Legal Entities through, among other things, loss data collection and analysis, risk assessment and estimation, and identification and promotion of mitigation actions. The mitigation actions for the most significant operational risks are proposed, launched and monitored based on the evidence obtained.

The Group has launched a Non-Financial Risk Management project, with the aim of reinforcing and developing specific framework for each class of risks (such as IT & cyber risk, third party risk, fraud risk and reputational risk), while at the same time providing an overview of the risks themselves.

Quantitative information

To calculate the capital requirement for operational risk, Mediobanca has adopted the Basic Indicator Approach (BIA), applying a margin of 15% to the three-year average for the relevant indicator. Based on this method of calculation, the capital requirement as at 30 June 2023 was equal to €374.7m (30/6/22: €341.5m).

Template EU OR1: Operational risk own funds requirements and risk-weighted exposure amounts

Banking activities	a	b	c	d	e
	Relevant indicator			Own funds requirements	Risk exposure amount
	Year-3	Year-2	Last year		
1 Banking activities subject to basic indicator approach (BIA)	2,388,398	2,350,934	2,755,289	374,731	4,684,138
2 Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	—	—	—	—	—
3 Subject to TSA:	—	—	—		
4 Subject to ASA:	—	—	—		
5 Banking activities subject to advanced measurement approaches AMA	—	—	—	—	—

The operating losses recorded in the course of the financial year account for approx. 1.2% of the Group's total income.

As for the different classes of operational risk, the percentage composition of the Group's Basel II event types is shown in the table below.

Event type	% of total loss
External fraud	55%
Execution, delivery and process management	23%
Clients, products and business practices	19%
Employment practices and workplace safety	3%
Other	0%

The majority of operational losses during the year were attributable to the "External Fraud" category as a result of extraordinary events involving large sums of money, in particular the case of fraud committed against a client of Mediobanca Private Banking and Spafid in the area of payments made in connection with investments. As a result of these fraudulent events the measures and controls in place were strengthened, and recovery action was initiated which are expected to significantly reduce the gross losses incurred. The second largest category of losses, "Execution, delivery and process management", includes amounts set aside and expenses incurred for litigation with other banks, and losses due to process malfunction.

The “Clients, products and business practices” category includes provisions and costs for the management of disputes and/or litigation with Consumer and Retail Banking clients over financial terms and conditions or interest rates charged on financing products (those arising in connection with the “Lexitor” ruling are significant in this connection). These are followed by provisions for managing disputes with staff.

In terms of the business lines, losses from operational risks were highest in Wealth Management, in part due to the instances referred to above (“External fraud” in particular). The Consumer Finance business line ranked second in terms of losses incurred; whereas in CIB and the Holding Functions the losses were minor.

In terms of potential risks, the Wealth Management and CIB business lines continue to be exposed to low frequency and high severity events because they involve non-standard transactions of large sizes.

Furthermore, although it has not generated significant losses, an increase has been observed, both at industry and Group level, in certain instances or classes of operational risk, such as IT & cyber risk and outsourcing risk.

In view of this, the Group has launched a Non-Financial Risk Management project, with a view to enhancing and developing specific frameworks for each class of risk (namely IT & cyber risk, third party risk, fraud risk and reputational risk), and at the same time to providing an overview of the risks themselves.

IT & cyber risk in particular, a class which contains components that are developing rapidly, is potentially material for the Group’s financial position and business model in the medium term.

In FY 2022-23, the Mediobanca Group, in accordance with the requirements of Bank of Italy circular no. 285, fortieth update, has performed the activities necessary to set up a new second-level ICT & Security Risk team as part of the Non-Financial Risks unit in turn forming part of the Group Risk Management unit. The unit will be responsible for monitoring and controlling IT and security risks and for checking that IT operations adhere to the requirements of the IT and security risk management system.

Security risk (including cyber risk), is defined as the risk of incurring losses in terms of earnings, reputation and market share, due to:

- Any unauthorized access or attempted access to the Group’s IT system and the digital information or data stored in it;
- Any event (fraudulent or involuntary) facilitated or caused by the use of technology or otherwise related to it that has or could have an adverse impact on the integrity, availability, confidentiality

and/or authenticity of the company's data and information, or on the business continuity of the company's processes;

- Improper use and/or disclosure of data and information, including those not directly produced or managed by the Group.

IT risk, or technology risk, is defined as the risk of incurring losses at the level of earnings, reputation or market share, in connection with use of the company's information system or to malfunctioning in its hardware, software and networks.

Although these risks are not exactly new, a potentially significant exposure is likely to be expected, due to the increasing dependence on IT systems and the resulting increase in the number of users using online channel and connected devices, to the growth in the quantity of data managed that requires protection and in its quality, and to the increased use made of IT services provided by third parties.

Through the years, the Group has continued to enhance its security strategy for managing ICT and security risk, setting up a specific risk management team in line with the regulatory guidance in this area. This has enabled the Group to enhance and develop the system of principles and rules adopted to identify and measure the ICT and security risk to which the company assets are exposed, to evaluate the measures currently in place, and to identify the most appropriate methods of treating such risks.

Ongoing security checks and ICT and security risk analysis activities are performed to ensure that adequate control, organizational and technological measures are in place across the whole of the Group's scope of consolidation.

Section 14 – Exposures to equities: information on banking book position

Qualitative information

Investing in equities has traditionally been an integral part of the Bank's mission, as provided in its Articles of Association. Such activity has been considerably reduced in recent years, but is still distinguished by the Bank's selective approach to investing based on the principle of long-term profitability and risk minimization.

Mediobanca traditionally invests in companies that are leaders in their respective sectors and which are able, by leveraging on their competitive advantages, to offer significant potential for value creation over the medium/long term.

Equity investment portfolio management includes the stake held by the Group in Assicurazioni Generali. The Bank's own Articles of Association include specific provisions on changes in this stake and decisions regarding appointments to the investee company's governing bodies (cf. Article 18).

The portfolio of investments in non-financial companies consists of minority positions taken in listed and unlisted companies, and in any case can be unwound in the short term, including investments made through club deals as part of The Equity Club initiative. The geographical areas in which the Bank has invested show a clear majority of Italian companies, with which Mediobanca has been able to develop significant relations over time. On a much more minor scale but still in line with the mission referred to above, Mediobanca also operates in merchant banking, making investments in a limited number of medium-sized and small businesses to help grow the company and then sell the investment afterwards, including through the investee company being listed on the stock market.

Over a medium-term perspective, the Bank's strategy for its exposure to equity, in view *inter alia* of the market conditions, is geared towards progressively valorizing its investments, without prejudice to the requisites in terms of the Bank's profitability and risk profile approved by the Board of Directors in the Risk Appetite Framework.

In accordance with this strategy, the trading limits are set at an aggregate level in terms of overall exposure to the portfolio of holdings in non-financial companies, and by individual investment (in the same portfolio) at levels in terms of regulatory capital that are far lower than the current regulatory limits of 60% and 15%).

The investments in the portfolio managed by the Principal Investing division (i.e. apart from those

in non-financial undertakings and in Assicurazioni Generali) have seen growth in holdings in Undertakings in Collective Investments in Transferable Securities (UCITS) in recent years, and consist mostly of investments in seed capital to funds managed by Group companies (currently Polus and RAM) and investments in private equity and real estate funds.

The investments in seed capital have a twofold purpose:

- To generate a return consistent with their risk profile;
- To contribute to growth in the AUM subscribed to by third-party investors.

The Group has also always selectively invested in closed-end private equity funds, primarily Italian, with tickets in the €10-20m range.

Exposures to equities not accounted for in the trading book are recorded in the financial statements under Equity investments, Equity instruments recognized through other comprehensive income (FVOCI), and as shares in funds recognized at fair value through profit and loss (FVPL) in accordance with IAS 28 and IFRS 9.

For an illustration of the methods used to account for and value the investments, reference is made to Part A of the Consolidated Notes to the Accounts, containing the accounting policies applied by the Group to the individual items. For a description of the means by which the impairment testing is carried out on the investments, see Part B of the Notes to the Accounts. For the valuation methods used to determine fair value, please see the section of this document on market risks.

Quantitative information

Template 14.1 – Banking book: cash exposures in equities and UCITS

The table below shows the exposures to equity instruments by the books in which they are accounted for, with an indication, for the equity instruments, of the gains and losses deriving from measuring them at fair value as at the various reporting dates. These are recorded in the Statement of other comprehensive income under heading “120. Valuation reserves from equity-accounted investments”. In the event of disposal, the gains and losses accumulated on the investments are stated under heading “150. Reserves”. Long-term losses of value on equity instruments are not taken through profit and loss, in accordance with the provisions of IFRS 9. Only dividends received are taken through P&L, under heading “70. Dividends and similar income”.

With reference to the overall position in the accounts, compared to 30 June 2022, exposures to equities increased from €4bn to €4.4bn, €3.6bn of which in relation to IAS 28 investments valued using the equity method (Assicurazioni Generali, Istituto Europeo di Oncologia, CLI holding II, Finanziaria Gruppo Bisazza, and HeidiPay), €562.9m in investments in funds, and €241m in equities (listed and unlisted) for which changes in fair value are recognized through profit and loss.

Investments in funds reduced, from €627.7m to €562.9m; approx. €312.4m of these regard funds managed by the Group (seed capital), down approx. €91.9m, after downward adjustments to reflect reductions in fair value at the period-end totalling €13.6m, and fund liquidations totalling €78.3m; holdings in other funds (mostly private equity funds) totalled €250.5m, after investments of €38.8m and negative adjustments of €9.9m.

Finally, holdings in equities (which include equity-like instruments) decreased from €260.7m to €241m, following the redemption of the Burgo equity-like instrument (€54m), the exit of INV AG post-demerger (€12.1m), measurements of holdings to reflect fair value totalling €40m, €25.7m of which linked to the equity-like instruments (Tirreno Power and Burgo), and new investments totalling approx. €7.4m.

Items	Amount as at 06/30/2023				
	Book value		Fair value		Impairment
	Level 1	Level 2/3	Level 1	Level 2/3	
A. Equity stakes	3,472,192	91,472	3,395,137	91,472	—
B. Financial assets recognized at FVTOCI	116,736	124,263	116,736	124,263	—
C. Other financial assets mandatorily at fair value	155,988	406,923	155,988	406,923	—

Items	Amount as at 06/30/2023					
	Realized gain/losses and impairment		Gain/Loss not realized and recorded in Balance Sheet		Gain/Loss not realized included in Tier 1/ Tier 2 capital	
	Gains	Losses	Gains	Losses	Gains	Losses
A. Equity stakes	—	—	X	X	—	—
B. Financial assets recognized at FVTOCI	X	X	45,358	(5,350)	—	—
C. Other financial assets mandatorily at fair value	—	—	X	X	—	—

The comparative data as at 30 June 2022 is as follows:

Items	Amount as at 06/30/2022				
	Book value		Fair value		Impairment
	Level 1	Level 2/3	Level 1	Level 2/3	
A. Equity stakes	3,069,391	88,362	3,087,327	88,362	—
B. Financial assets recognized at FVTOCI	116,812	143,806	116,812	143,806	—
C. Other financial assets mandatorily at fair value	275,816	351,921	275,816	351,921	—

Items	Amount as at 06/30/2022					
	Realized gain/losses and impairment		Gain/Loss not realized and recorded in Balance Sheet		Gain/Loss not realized included in Tier 1/ Tier 2 capital	
	Gains	Losses	Gains	Losses	Gains	Losses
A. Equity stakes	—	—	X	X	—	—
B. Financial assets recognized at FVTOCI	X	X	55,132	(18,791)	—	—
C. Other financial assets mandatorily at fair value	—	—	X	X	—	—

Template 14.2 – Banking book: equity instruments

For purposes of calculating the capital requirements, the equities held as part of the banking book include financial and non-financial investments, to which a weighting factor of 100% is generally applied, as required by Article 133 of the CRR, except for those financial investments which, if they qualify as direct significant investments, are weighted at 250% under Articles 36 and 48 of the CRR (as described in section 2 of this document).

To measure the risk of exposures in Undertakings in Collective Investments in Transferable Securities (UCITS) and to determine the relevant capital requirement, alternative calculation methods are applied, to ensure greater transparency:

- Look-through approach, based on breaking down the investment into the individual underlying components in which the UCITS invests, and applying the respective weighting;
- Mandate-based approach, a method based on the fund's management terms and conditions and the notional exposure in which the UCITS can invest, applying the most penalizing weighting;
- Fall back approach (residual compared to the other two), which involves a weighting of 1,250%, in cases where entities are unable to apply either one or other of the two above methods.

Category	06/30/2023		06/30/2022	
	Weighted amount		Weighted amount	
	Standard method	IRB method	Standard method	IRB method
Funds exposures	1,393,411	—	1,393,620	—
<i>of which private equity</i>	350,620	—	311,799	—
Trading exposures	7,636,178	—	7,006,591	—
Other instruments	165,151	—	203,473	—
Total equity instruments*	9,194,740	—	8,603,684	—

* Does not include exposures to CLI I and CLI II which are deducted from regulatory capital in full.

With reference to the new prudential treatment, 65% of the exposures in the Mediobanca Group's UCITS funds have been treated based on the look-through approach (72% at end-June 2022), while the mandate-based approach has been applied to approx. 30% of the exposures in the portfolio (21% at end-June 2022); the fall-back approach has been applied to just 5% of the total portfolio (7% at end-June 2022).

As for analysis of the underlying instruments to which either of the different approaches provided by the regulations have been applied, against a total balance sheet exposure of €545m,⁶¹ the total CoRep exposure is equal to €568m:⁶² of these, €62m have equities as their underlying instrument, €37m (6% of the total) have underlying instruments weighted at 1,250%, and €258m (45% of the portfolio) are high-risk exposures. The remainder consists of credit exposures, in cash or derivatives (the latter equal to approximately 3% of the total portfolio, confirming the low risk of the leverage effect on exposures in UCITS).

The Group's total holdings in funds includes commitments to other funds in a total of €186m, weighted at 150%.

⁶¹ Does not include the investment in CLI I with a value of €12m.

⁶² The difference between the total CoRep exposures and the total balance-sheet exposures is due to the leverage effect, which is factored into the calculation when the prudential treatment is applied in order to determine the value of the fund to be weighted.

Section 15 – Interest rate risk on banking book positions

With reference to the Group's banking book positions at as at 30 June 2023, in the event of a parallel and instantaneous reduction ("parallel down"), net interest income would decrease by €142m, much worse than last year (down €57m), due to the sudden sharp rise in market interest rates and subsequent loss of the regulatory floor. Nonetheless, the expected NII is far below the same figure recorded at end-December 2022 when a €262m loss was calculated, which constituted a breach of the RAF limit that was subsequently recovered in the early months of 2023. With reference to the analysis of the discounted value of future cash flows on the Group's banking book, the shock that determines the highest change occurs in the event of the interest rate curve flattening ("Flattener"). In this scenario the reduction would be €76m, principally due to the impact of Mediobanca (€42m) and Compass (€35m) against increases for all the other Group Legal Entities. In the last half-year the highest change was €81m in the "Parallel Down" scenario.

Template 15.1 – Sensitivity analysis

The above data has been summarized in the following table:

Amounts in € mln	Data as at 06/30/2023					
	Limit Scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of interest income margin	<i>Parallel Down</i>	(142)	(66)	(14)	(18)	(44)
Sensitivity of Expected Cash Flows present value	<i>Flattener</i>	(76)	(42)	9	(35)	(8)

The data as at 31 December 2022 and 30 June 2022 are stated below for comparative purposes:

Amounts in € mln	Data as at 12/31/2022					
	Limit Scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of interest income margin	Short Down	(262)	(198)	(4)	4	(64)
Sensitivity of Expected Cash Flows present value	Parallel Down	(81)	(109)	49	15	(37)
Amounts in € mln	Data as at 06/30/2022					
	Limit Scenario	Group	Mediobanca S.p.A.	CheBanca!	Compass	Others
Sensitivity of interest income margin	Parallel Down	(57)	24	(9)	(28)	(44)
Sensitivity of Expected Cash Flows present value	Short Up	(201)	(84)	(102)	(30)	16

At Group level, the values obtained for net interest income sensitivity are lower than the Group RAF limit of 14.5% (net interest income sensitivity/estimated Group net interest income), while the economic value sensitivity is below the Group RAF limit set of 4.5% (economic value sensitivity/CET1).

Following the breach of the RAF limits recorded at end-December 2022, the sensitivity of net interest income has been reduced to within the limits as a result of the remediation actions taken in the following months, which include: management of the refixing risk by restructuring the hedging agreements in place, reducing the liquid assets deposited with the European Central Bank, and buying up fixed-rate government securities. The Supervisory Outlier Test (SOT) indicator is now 1.75% (NII sensitivity/Tier 1 Capital), far below the regulatory threshold of 5%.

The values obtained by applying the regulatory shocks provided in Article 98(5) of Directive 2013/36/EU are listed below.

Template EU IRRBB1: Interest rate risk on non-trading assets

Supervisory shock scenarios		Sensitivity of Expected Cash Flows present value		Sensitivity of interest income margin	
		06/30/2023	12/31/2022	06/30/2023	12/31/2022
1	Parallel up	20	127	145	252
2	Parallel down	35	(81)	(142)	(259)
3	Steeper	84	45		
4	Flattener	(76)	(18)		
5	Short rates up	(76)	11		
6	Short rates down	84	(7)		

Section 16 – Market risk

Quantitative information

Market risks for the trading book are checked on a daily basis to ensure that the operating limits set by the Group policies and Risk Appetite Framework are complied with at all times. The main metrics used for this purpose are VaR and sensitivities.

The financial year was characterized by persistent volatility in all asset classes, especially interest rates. The reason for this can be ascribed to the macroeconomic context, characterized by a high inflation rate in the main Western economies. Furthermore, in March, the default of Silicon Valley Bank and the forced takeover of Credit Suisse by UBS raised fears of the onset of a new banking crisis, which quickly subsided. Last but not least, the Russian-Ukrainian conflict contributed to a period of market instability

The inflationary push which began at the end of 2021 as an effect of the post-Covid recovery accelerated during 2022 also due to the war in Ukraine and the consequent tensions on the market of energy commodities. To deal with the increase in prices, the Central Banks (in particular the Fed and the ECB) resorted to restrictive monetary policies through repeated increases in the discount rates (+525 bps in the US and +400 bps in the Euro Area compared to 2020). Despite this, inflation in the United States and in the European Union remained well above monetary policy targets. This generated volatility on the markets due to uncertainties as to the end of such restrictive policies and due to the fear of a recession, given the high cost of money. A more marked decrease in the inflation rate in Europe and in the United States only occurred in the period May-June. In the context described above, the peak of volatility was recorded in March when news on the state of the accounts of Silicon Valley Bank (SVB) and its subsequent default raised fears about the stability of the banking sector both in the US and in Europe. In the following weeks, the sell-off panic moved to Credit Suisse, which was considered to be the most fragile global financial institution and whose shares fell as low as CHF1.86 (-75% YoY), until the Swiss authorities pushed for its acquisition by its rival UBS. During the same days, stock market movements were compounded by unprecedented fluctuations on the interest rates market, especially for US government securities - the short-term yield curve lost more than 80 bps in a single session; this situation occurred due to an erroneous forecast by market operators of a sudden change in monetary policy by the Fed, aimed at avoiding the contagion effect on other American banking institutes considered to be unsound.

The Trading aggregate Value-at-Risk fluctuated during the twelve months between a low of €4.5m in September 2022 and a high of €16.7m recorded in mid-March 2023. The average reading (€8.4m) was 35% higher than last year's average (€6.1m). Following this high, the VaR reading decreased gradually to €6.7m, comfortably below the average for the twelve months.

The risk factors that explain the VaR trend are mainly as follows: (i) short-term USD interest rates (futures on the 3-month forward curve, SOFR) underlying some call and put option positions brokered on listed markets; (ii) yields of Italian Government Bonds and of countries in the core Euro Area. The contribution of other risk factors, such as share prices or exchange rates, is marginal. With respect to these, the Bank's position is conservative or substantially neutral.

In line with the market tensions, some breaches of the VaR operating limit occurred during the twelve months.

In line with the trend in VaR, the expected shortfall – which measures an additional stress scenario based on the same historical series of VaR readings – showed an average reading that was higher than last year, at €12.8m (€8.2m).

Daily back-testing results (based on the comparison with the theoretical Profits and Losses) showed three cases of deviation from the VaR during the twelve-month observation period. Thresholds were exceeded at the time of the interest rate volatility peaks in March.

Template 16.1 - Value at Risk and Expected Shortfall: trading book

Risk factors	Financial year 2022 - 2023			
Data in thousands	06/30/2023	Min	Max	Average
Interest rate	5,044	1,697	15,354	7,071
Credit	2,571	1,483	3,641	2,548
Shares prices	2,359	815	8,852	3,609
Exchange rates	1,145	543	2,327	904
Inflation	47	43	1,586	365
Volatility	5,469	1,884	15,083	6,254
Diversification effect (*)	(9,919)	(20,768)	(6,663)	(12,369)
Total VaR	6,717	4,508	16,661	8,382
Expected Shortfall	11,048	5,581	27,851	12,846

* Due to the mismatch between risk factors.

The data as at 30 June 2022 is shown below for comparison purposes:

Risk factors	Financial year 2021 - 2022			
Data in thousands	06/30/2022	Min	Max	Average
Interest rate	7,006	948	10,359	2,735
Credit	3,115	850	3,558	1,532
Shares prices	6,935	181	8,198	3,817
Exchange rates	1,147	225	2,655	633
Inflation	94	25	314	140
Volatility	6,286	1,415	6,286	3,421
Diversification effect (*)	(15,894)	(1,569)	(15,894)	(617)
Total VaR	8,689	366	11,838	6,109
Expected Shortfall	12,383	4,176	27,194	8,190

Apart from the VaR limit on the trading positions, a more granular system of VaR limits is also in place for the individual desks involved. Each desk also has limits in terms of sensitivities to movements in the various risk factors which are monitored daily.

Compared to the previous year, there was an increase in the average delta of interest rates (from €83,000 to €218,000), consistent with the general change in rates. Please also note that the average equity vega decreased from €1.4m to €757,000 per percentage point. The average exposure to exchange rates also decrease from €427,000 to €142,000 per percentage point. The equity delta was essentially closed at the end of the financial year.

Template 16.2 - Overview of trends in main sensitivities for trading book

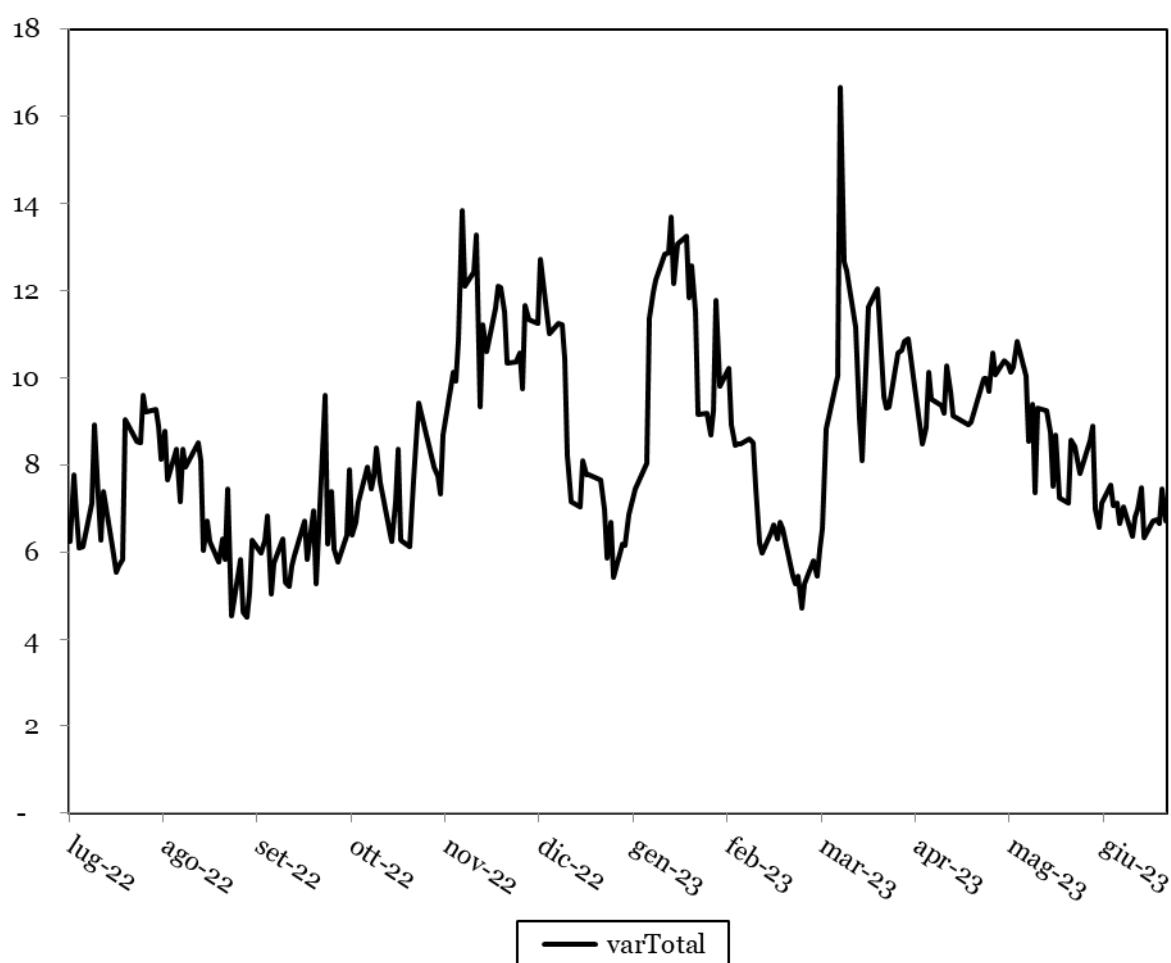
Risk factors	Financial year 2022 - 2023			
Data in euro	06/30/2023	Min	Max	Average
Equity delta (+1%)	(24,805)	(513,481)	6,330,451	418,680
Equity vega (+1%)	239,406	(461,445)	3,166,955	757,496
Interest rate delta (+1bp)	183,720	(173,610)	612,456	218,649
Inflation delta (+1bp)	3,705	(245)	42,311	13,079
Exchange rate delta (+1%)*	137,294	(3,739,534)	763,080	142,539
Credit delta (+1bp)	460,497	(4,356)	730,681	421,632

* Due to the Euro appreciating relative to other currencies.

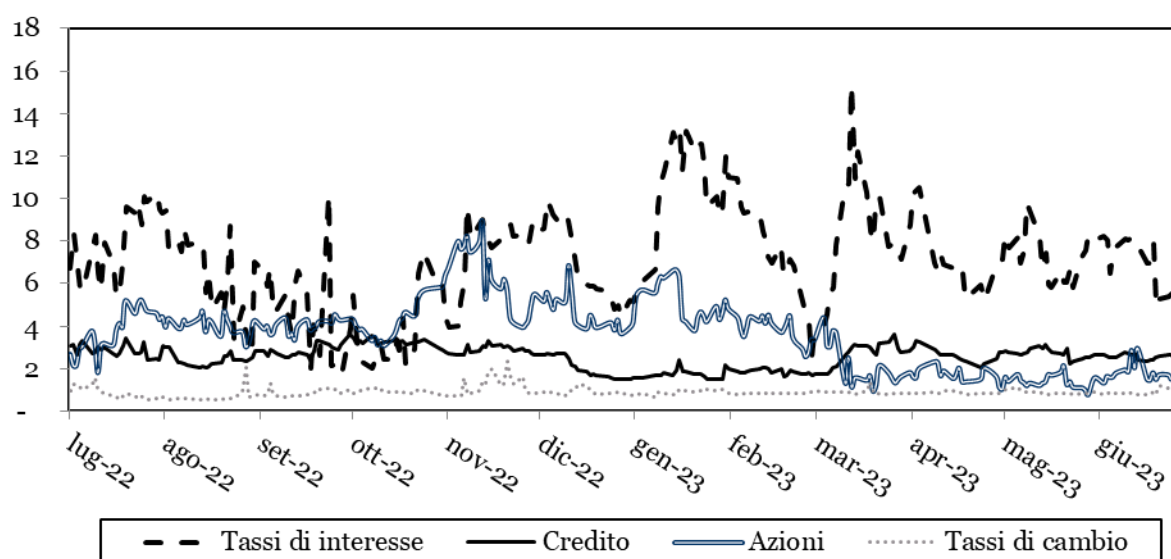
The data as at 30 June 2022 is shown below for comparison purposes:

Risk factors	Financial year 2021 - 2022			
Data in euro	06/30/2022	Min	Max	Average
Equity delta (+1%)	501,472	(750,743)	1,159,690	318,529
Equity vega (+1%)	1,980,544	89,417	2,926,993	1,438,665
Interest rate delta (+1bp)	185,385	(686,558)	491,604	82,913
Inflation delta (+1bp)	3,754	(9,961)	14,258	221
Exchange rate delta (+1%)*	555,891	97,865	1,180,243	427,898
Credit delta (+1bp)	497,696	(367,073)	1,029,787	514,646

Trading book VaR trend



VaR components trend (Trading)



Template EU MR1: Market risk based on standardized approach

	06/30/2023	06/30/2022
	α	α
	RWEAs	RWEAs
Outright products		
1 Interest rate risk (general and specific)	1,561,197	1,450,353
2 Equity risk (general and specific)	92,441	132,095
3 Foreign exchange risk	—	—
4 Commodity risk	—	—
Options		
5 Simplified approach	—	—
6 Delta-plus approach	369,961	772,504
7 Scenario approach	—	—
8 Securitisation (specific risk)	69,229	76,016
9 Total	2,092,828	2,430,969

Risk-weighted assets in view of market risks, according to the standard methodology shown in Section 1.1, reflect a decrease of approx. €340m.

The main changes in the twelve months involved:

- An increase in the requirement for credit risk RWAs in debt instruments (€270m) due to DVA risk management in relation to the issue of certificates held as part of the trading book;
- A reduction in the sensitivity to generic interest rate risk for ALM which entailed a reduction in RWAs of approx. €160m;
- Significant improvement in portfolio risk management through the use of options, the RWAs for which are determined using the “delta plus” methodology, which entailed an approx. €400m reduction in RWAs; the reduction regarded in particular the vega risk deriving from equities option trades executed by the equity trading desk to hedge and manage the risk underlying the certificates;
- A reduction in RWAs (approx. €50m) for generic and specific equity risk due to the reduction in outright positions in the proprietary portfolio.

The position in funds remains negligible, while the limited exchange rate risk position, which is below the regulatory threshold permitted, generates no capital requirement.

Template EU MR2-A: Market risk under the Internal Model Approach (IMA)

The Mediobanca Group has nothing to report for Template EU MR2-A.

Template EU MR2-B: RWEA flow statements of market risk exposures under the IMA

The Mediobanca Group has nothing to report for Template EU MR2-B.

Template EU MR3: IMA values for trading portfolios

The Mediobanca Group has nothing to report for Template EU MR3.

Template EU MR4: comparison of VaR estimates with gains/losses

The Mediobanca Group has nothing to report for Template EU MR4.

16.2 Projects carried out during the financial year

During the year under review, the activities related to realization of the fair value adjustment framework were completed following the On-Site Inspection on Valuation Risk (completed in 2020) for Fair Value Adjustment and Additional Valuation Adjustment, while those in relation to Fair Value Hierarchy and Day One Profit are in the process of being finalized, focusing specifically on three types of product that were analysed during a second inspection in March 2022.

These activities will not entail any significant impacts on earnings, as the majority of them were brought forward to the previous financial years.

16.3 Fair value

In accordance with the International Financial Reporting Standards, the fair value of financial instruments held on the Group's books is equal to the exit price, i.e. the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date, at the measurement date under current market conditions (exit price), regardless of whether such price is directly observable or estimated using another valuation technique (IFRS 13 §24).

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

An instrument's fair value hierarchy is therefore the direct consequence of the approach used to determine its fair value: in principle, a financial instrument is considered as quoted on an active market if the price represents its current trading value in normal, effective and regular market transactions.

If a market is not active, the fair value of the instrument is measured using market prices for similar instruments traded on active markets (the comparable approach), or alternatively, if similar instruments are not available, via a valuation technique using market and non-market information (observable/non-observable inputs).

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

These guidelines, set out in Policies approved by the Board of Directors and related implementation Directives approved by the competent committees, were defined in compliance with the main international regulations (IFRS 13⁶³ and CRR Article 105⁶⁴) and corroborated by a

⁶³ IFRS 13 establishes guidelines for identifying the exit price by using available prices, valuation models and any corrections (FVA) to consider elements of illiquidity/risk which, if not applied, would lead to overestimating the financial instrument, and for assessing the need to classify financial instruments according to the level of objectivity in the fair value computation (FVH).

⁶⁴ The guiding principles of the IPV and PVA processes are defined in the CRR Directive, Article 105.

benchmarking test. The main activities for calculating the exit price of the financial instruments in the portfolio are shown below.⁶⁵

Independent Price Verification (IPV)

Independent Price Verification (IPV) is the process by which market prices and data, used to determine fair value and measure prudent value, are subjected to a verification process according to specific accuracy standards defined internally by the Group. The Group Independent Price Verification Policy and Directive meet the requirements set by Article 105(8) of Regulation (EU) No. 575/2013, which requires financial institutions to carry out independent price verifications in addition to the daily mark-to-market or mark-to-model, and to institute and maintain sufficient systems and controls to provide valuation estimates.

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

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

IPV activity therefore involves carrying out data analysis in order to guarantee consistency relative to comparative data sources, to ensure that the risk positions of the Bank's and the individual trading desks' main P&L drivers are valued correctly. Any changes to the data impact not only on the balance sheet but also on the P&L reporting process for the portfolio involved. Moreover, the decision to change the valuation source for a given type of market data during the Independent Price Verification process, and also the means by which the verification itself is carried out, may lead to the instrument analysed being classified differently compared to its fair value hierarchy level.

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

⁶⁵ It should be emphasized that the accuracy and consistency of these guidelines are subject to rigorous supervision by the Group Audit unit, which verifies the effectiveness and adequacy thereof. Furthermore, a specific internal validation unit has been established, i.e. the Quantitative Risk Methodologies (QRM) unit, which focuses on the validation of the quantitative methods used.

documentation and/or regulations.

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

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

16.3.1 Fair Value Adjustment (FVA)

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

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

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

particularly in line with a reliable closing price.

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

The scope of fair value adjustments includes the following categories:

- Market price uncertainty (MPU): This consists in uncertainties in valuations based on market quotations;
- Closed-out cost (COC): This indicates uncertainties regarding the liquidity cost that the Group may incur in the event of a partial or total sale of an asset measured at fair value;
- Model risk (MR): adjustments aimed at mitigating the risk of discrepancy with respect to market practice in the valuation of a product in relation to the choice and implementation of the valuation model;
- Concentrated positions: This reflects uncertainties in the valuation of the exit price for positions classified as concentrated (i.e. positions whose disposal would significantly affect the market price);
- Additional investment and financing costs: Investment and financing costs may be incurred for own bond issues with an early redemption clause or in the event of early closure of positions in derivative instruments. These costs may vary depending on fluctuations in financing costs.

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

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

- Expected Positive (EPE) and Expected Negative (ENE) Exposure, derived from simulations, which reflect the positive and negative valuation exposures of derivatives;

- Probability of Default (PD), which may be derived from historical default probabilities or implied in the market prices of Credit Default Swaps or bonds;
- Loss given default (LGD) based on the estimated value of expected recovery in the event of bankruptcy of the counterparty, as defined by analyses conducted by the Group or by the recovery rates conventionally used for Credit Default Swap quotations.

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

Fair Value Hierarchy (FVH) – observability and materiality of input parameters

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

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

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

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

inventory of the items for which they make a market, but they know the prices bid and asked by the respective parties. Prices of completed transactions are sometimes available. Brokered markets include electronic communication networks, in which buy and sell orders are matched, and commercial and residential real estate markets;

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

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

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

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

Level 1 inputs:

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

Level 2 inputs:

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

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

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

- (i) Interest rates and yield curves observable at commonly quoted intervals.
- (ii) Implicit volatility.
- (iii) Credit spreads.

Market-corroborated inputs.

Level 2 inputs may require adjustments for example relating to:

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

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

Level 3 inputs:

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

case, the final classification of the instrument is defined by applying the materiality assessment.

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

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

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

16.3.2 Prudent Valuation Adjustment (PVA)

The Prudent Valuation Policy and Directive meet the regulatory requirements of Article 34 and Article 105, para. 2, of Regulation (EU) 575/2013, which, solely for prudential purposes and therefore without accounting impacts, requires a prudential valuation⁶⁶ to be performed by applying adjusted inputs in order to capture stressed events. The difference between Prudent Value and Fair Value (exit price used for recording the instruments in the Group's financial statements) is called Additional Valuation Adjustment (AVA). The aggregation of AVAs, called Prudent Value Adjustment (PVA), is deducted directly from Common Equity Tier 1 – CET1.

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

- Market Price Uncertainty (MPU): this refers to the uncertainty of a valuation based on market prices, calculated at the level of the exposure being measured;
- Close-out Costs (CoC): this consists in the uncertainty of the exit price, calculated at the level of the exposure being measured;
- Model Risk (MR): this refers to the valuation uncertainty arising from the uncertainty of the model

⁶⁶ Prudential valuation is understood as an exit price with a level of certainty equal to 90%.

used and/or of the calibration thereof used by various market participants;

- Unearned Credit Spreads (UCS): this consists in uncertainty in the measurement necessary to include the present value of expected losses in the event of counterparty default on derivative positions;
- Investing and Funding Costs (IFC): this is the uncertainty of the valuation of funding costs used in the valuation of the exit price in accordance with the applicable accounting framework;
- Concentrated Positions (CP): this is the uncertainty of the exit price for positions defined as concentrated;
- Future and Administrative Costs (FAC): this considers administrative costs and future hedging costs over the life of the exposures being measured to which a direct exit price has not been applied for CoC AVAs;
- Early Termination (ET): this considers contingent losses arising from non-contractual early closures of the clients' trading positions;
- Operational Risk (OR): this considers contingent losses that may be incurred as a result of the operational risks associated with the measurement processes.

Positions designated at Fair Value include various categories of financial assets and liabilities, as defined by International Financial Reporting Standards (IFRS); however, some positions are excluded from the AVA calculation if a change in the valuation of their amount does not affect capital resources. These exclusions include the AFS positions (FVOCI) to the degree to which the changes in valuation are subject to prudential filters, back-to-back positions, and positions subject to hedge accounting.

Table: List of instruments subject to prudent valuation

Type			Inclusion/ exclusion	Inclusion/ exclusion Trading book	Note
FVTPLT	Financial and credit derivatives	Back to back	Exclusion	Escluso	As required by the Delegated Regulation (EU) 2016/101
		Non back to back	Inclusion	Inclusion	
	Debt securities		Inclusion	Inclusion	
	Equities		Inclusion	Inclusion	
	UCITS		Inclusion	Inclusion	
	Loans		Inclusion	Inclusion	
	NPE		Inclusion	Inclusion	
FVOPT	Equities		Inclusion	Inclusion	
	UCITS		Inclusion	Inclusion	
	Loans		Inclusion	Inclusion	
	NPE		Inclusion	Inclusion	
FVOCI	Debt securities	EU government	Partial	Exclusion	An exception is foreseen with the exclusion until the entry into force of Regulation (EU) 2016/445 (01/10/2016) which rectifies the provisions of Regulation (EU) 2013/575
		Non-EU government	Partial	Exclusion	
		Non-government	Partial	Exclusion	The inclusion / exclusion percentages are variable and follow the regulatory provisions of Regulation (EU) 2013/575 and Circular 285 of the Bank of Italy
	Equities		Partial	Exclusion	
	UCITS		Partial	Exclusion	
	Loans		Partial	Exclusion	
	NPE		Inclusion	Exclusion	
FVTPLM/ FVTPLM_OICR	Debt securities		Inclusion	Exclusion	
	Equities		Inclusion	Exclusion	
	UCITS		Inclusion	Exclusion	
FVL	Debt securities		Inclusion	Exclusion	
Hedge accounting	Fair Value Hedge		Exclusion	Exclusion	As required by the Delegated Regulation (EU) 2016/101
	Cash Flow Hedge		Exclusion	Exclusion	The Cash Flow Hedge is subject to a prudential filter

The following table shows the calculation of the AVA indicator as at 30 June 2023, with a breakdown of the various categories:

Template EU PV1: Prudent valuation adjustments (PVA) (1/2)

		a	b	c	d	e
		Risk category				
Category level AVA		Equity	Interest Rates	Foreign exchange	Credit	Commodities
1	Market price uncertainty	18,569	8,943	349	14,964	—
3	Close-out cost	20,288	8,897	349	10,426	—
4	Concentrated positions	6,724	—	—	—	—
5	Early termination	77	38	4	22	—
6	Model risk	6,570	—	16	299	—
7	Operational risk	1,943	908	35	1,474	—
10	Future administrative costs	4	—	—	1	—
12	Total Additional Valuation Adjustments (AVAs) as at 30 June 2023					
	Total Additional Valuation Adjustments (AVAs) as at 30 June 2022					

Template EU PV1: Prudent valuation adjustments (PVA) (2/2)

		EU e1	EU e2	f	g	h
		Category level AVA - Valuation uncertainty		Total core approach		
Category level AVA		Unearned credit spreads AVA	Investment and funding costs AVA		of which: in the trading book	of which: in the banking book
1	Market price uncertainty	2,041	164	22,515	21,152	1,363
3	Close-out cost	2,041	164	21,082	21,019	63
4	Concentrated positions			6,724	—	6,724
5	Early termination			141	141	0
6	Model risk	1,455	28	4,184	4,184	0
7	Operational risk			4,360	4,217	143
10	Future administrative costs			5	—	5
12	Total Additional Valuation Adjustments (AVAs) as at 30 June 2023			59,011	50,713	8,297
	Total Additional Valuation Adjustments (AVAs) as at 30 June 2022			60,533	52,318	8,215

To ensure compliance with the CoRep requirements set by the regulations, each indicator is calculated both for the general scope, as defined in the relevant section, and for the narrower scope which includes only trading instruments.

The Additional Valuation Adjustment (AVA) named Market Price Uncertainty (MPU) represents the valuation uncertainty based on market prices calculated at the level of the exposure being valued. When the risk factors are represented by multiple market data, as in the case of a volatility surface, the regulations require the calculation to be made separately for each market data and then aggregated. However, the Bank is allowed to net exposures of opposite signs at different points, provided that this aggregation passes the Variance Ratio Test (VRT). VRT is a criterion used to ensure that the netting is appropriate and does not lead to the overall uncertainty being underestimated.

In other words, VRT checks whether the aggregation of different exposures of opposite signs is statistically justified and adequately represents the effective market uncertainty. In particular, with regard to equity volatility and correlation, the Bank has adopted a calculation methodology that takes different points and conditions into consideration, and at the same time checks that the result passes the VRT. This approach allows the AVA MPU calculation to be optimized, having regard to all the information available, and guaranteeing that the uncertainty deriving from the market prices is valued accurately.

Information on Day One Profit/Loss

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

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

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

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

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

- Contingent derivatives: deals subject to a positive outcome of a corporate action whose impacts on the income statement are entirely suspended pending the corporate event. As at

30 June 2023 there were no transactions in the Group's portfolio;

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

16.4 Hedging

With reference to the requirements of IFRS 9 on the new hedging model, the standard aims to simplify the accounting treatment by guaranteeing greater alignment between the accounting representation of the hedge and the underlying rationale behind it (risk management). In particular, the new model provides for an extension to the hedge accounting rules with reference to hedging instruments and related eligible risks. The standard provides for the possibility of continuing to use the hedging rules introduced by IAS 39; however, the Group has chosen to use the new criteria introduced for general hedging (opt-in), which has had no material impact.

Hedges are intended to neutralize possible losses that may be incurred on a given asset or liability, due to the volatility of a certain financial risk factor (interest rate, exchange rate, credit or some other risk parameter), through the gains that may be realized on a hedge instrument which allow the changes in fair value or cash flows to be offset. For fair value hedges in particular, the Group seeks to minimize the financial risk on interest rates by bringing the entire interest-bearing exposure in line with Euribor (generally Euribor 3 months).⁶⁷

Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate, price or credit risk for particular asset or liability positions, via derivative contracts entered into with leading counterparties with high credit standings. It is principally the fixed-rate, zero coupon and structured bond issues that are fair-value hedged. If structured bonds in particular do not show risks related to the main risk, the interest-rate component (hedge) is stripped out from the other risks represented in the trading book, and usually hedged by trades of the opposite sign.

Fair value hedges are used by Mediobanca S.p.A. to hedge fixed-rate transactions involving corporate loans and securities recognized at fair value through other comprehensive income or at amortized cost. Like-for-like books of fixed-rate mortgage loans granted by CheBanca! are also fair value-hedged, as is the stable component of demand deposits modelled at fixed rate.

⁶⁷ This target is maintained even in the presence of hedging contracts with market counterparties with netting agreements and CSAs (collateralized standard agreements) have been entered into, the valuation of which is made on the basis of Ester interest rates.

Cash flow hedges

These are used chiefly as part of certain Group companies' operations, in particular those operating in consumer credit and leasing. In these cases the numerous, generally fixed-rate and relatively small-sized transactions are hedged by floating-rate deposits for large amounts. The hedge is made in order to transform floating-rate deposits into fixed rate positions, correlating the relevant cash flows. Normally the Group uses the derivative to fix the expected cost of deposits over the reference period, to cover floating-rate loans outstanding and future transactions linked to systematic renewals of such loans upon their expiring.

Section 17 – Concentration risk and large exposures

For purposes of reporting the large exposures referred to in CRR II, the limit set is 10% of CET 1 capital (referring to the nominal value of the exposures), whereas the concentration limit is 25% again of CET1 capital (in this case, however, referring to the weighted value following application of the Credit Risk Mitigation based on the methodology applied by the Group, i.e. the comprehensive method for real financial guarantees, and transfers for personal guarantees).

No counterparty exceeded the concentration limit, with the exception of Assicurazioni Generali, and no particular difficulties in operations during the financial year were noted, thanks to the ongoing monitoring of the exposures.

Quantitative information

As at 30 June 2023, exposures (including market risk and equity investments) exceeding 10% of CET 1 concerned eight customer groups (one more than in the previous financial year) for a gross exposure of €9.4bn (€7.1bn taking into account guarantees and weightings), a slight increase compared to June 2022 (€8.9bn and €6.7bn, respectively). In detail, the eight positions concerned an industrial group, an insurance company and six banking groups.

Section 18 – Remuneration and incentivization systems and practices

Qualitative information

The Remuneration and Incentivization Policies are a fundamental instrument used to support the Group's medium- and long-term strategies. The policies serve to attract, motivate and retain staff, creating a sense of identity and developing a culture based on performance and merit.

For information on remuneration policies, see the Annual Report on the Group's remuneration and incentivization policy approved by shareholders in Annual General Meeting, and published in the "Governance: Remuneration" section of the www.mediobanca.com website.

The Mediobanca Group's remuneration policy is drawn up, including all information required by Article 450 of the CRR, paying constant attention to the Italian and EU regulations, including in the light of the new documents published by the supervisory authorities.

In FY2022-23, the governing bodies of Mediobanca have revised the Group's Remuneration Policy and Report, to align it further with the new regulations and best practices.

Compared to the previous version, the new Mediobanca Group policy:

- Provides substantial disclosure on the new Long-Term Incentive Plan 2023-26, which requires specific approval by shareholders in Annual General Meeting, and is linked to the new Strategic Plan approved by the Board of Directors on 23 May 2023, and accordingly, details on the closing results of the LTI Plan 2019 are provided in the section containing the Group Remuneration Report FY 2022-23;
- Provides further details on the description and assessment criteria of non-financial objectives, in particular ESG with a focus on climate change issues (with reference, *inter alia*, to ECB document "*Guide on climate-related and environmental risks: Supervisory expectations relating to risk management and disclosure*"), assigned as part of the LTI, annual scorecards, and the annual closing data for them;
- Outlines the characteristics of the 2023-26 Employee Share Ownership Plan subject to specific approval by shareholders in Annual General Meeting;
- Provides quantitative disclosure regarding the Group's positioning in terms of the Gender Pay Gap and Equal Pay Gap;
- Strengthens the disclosure to ensure increased transparency and clarity.

In line with the past, the policy:

- Highlights the link between remuneration policy, corporate sustainability and ESG objectives;
- Complies with the applicable regulations;
- Enables the areas of the Bank and Group which create value, including in corporate social responsibility terms, to be suitably rewarded based on objective measurement criteria;
- Allows the Group to attract and retain professionals with skills and capabilities appropriate to its needs;
- Is aligned with the policies adopted by other leading Italian and international operators.

A cap on variable remuneration continues to be adopted, set at 200% of fixed remuneration, with the exception of recipients working for companies subject to other sector regulations (such as asset management or investment companies), for whom different limits are set.

The Remunerations Committee consists of five non-executive members, all of whom qualify as independent. In FY 2022-23 the Committee met on eleven occasions, and the meetings on average lasted around one hour and 45 minutes. The Committee's duties include proposing compensation for staff whose remuneration is decided by the Board of Directors. It serves in an advisory capacity for decisions regarding the criteria to be used for compensation payable to all identified staff, with a focus on senior management and the heads of the principal business units in particular, along with the CEOs/General Managers of the main Group Legal Entities if they also qualify as Group Material Risk Takers; and monitors application of the rules governing the remuneration of the heads of the company's control units, working closely with the Statutory Audit Committee in this connection. It works together with the other internal committees, in particular the Risks and CSR Committees; and ensures that all relevant company units are involved in compiling and checking the remuneration and incentivization policies and practices. It gives its opinion on the results of the Material Risk-Takers identification process, including any exclusions, and on whether the performance objectives to which the incentivization schemes are linked have been reached. It establishes whether the other conditions precedent to payment of compensation have been met, on the basis *inter alia* of information received from the other company units; monitors the policy's gender neutrality; and provides feedback on the activities performed to the governing bodies.

The Remunerations Committee chose to retain an independent advisor in the performance of its duties for FY 2022-23, which contributes to the debate on the main items on the agenda, giving its opinion on the policies adopted and on certain aspects of process, including through the issue of

fairness opinion on specific topics. Deloitte Consulting was chosen as the advisor, and accordingly took part in the Remunerations Committee meetings.

The Mediobanca Group Policy, which forms part of the parent company's activities of direction and co-ordination of its own Group companies, ensures that the remuneration and incentivization systems operating within the Banking Group are consistent, while respecting the specific nature of their sectors of operation and applying the relevant sector regulations, organizational structures, regulations applicable according to type of business and geographical location. In particular, the parent company manages the process of defining Identified Staff, issues guidance to be adopted, and takes part in drafting documents relating to the remunerations policies to be compiled by the subsidiaries.

The Group's remuneration and incentivization policy seeks to generate sustainable value over the long term via:

- Pre-established governance mechanisms involving various different bodies, organizational units and parties, to guarantee that the processes followed are structured, controlled, and verifiable *ex post*;
- An overall remuneration package which reflects a balanced pay mix between fixed and variable components according to company role, and does not encourage or promote risky behaviour or conduct that is unduly geared to achieving short-term results;
- A fair level of remuneration reflecting the competences, abilities and professional experience of each staff member, ensuring that the principle of equal opportunities is applied in practice;
- A short- and long-term incentive structure based on risk-adjusted indicators and aligned to the Risk Appetite Framework with a view to achieving business continuity and sustainable results over the long term;
- Correlation of the incentivization system to the principles set out in the Group Sustainability Policy and the Group ESG Policy; inclusion of sustainability issues in the Group's strategies;
- Limits or cap on variable remuneration;
- Ongoing monitoring of the staff remuneration package's positioning relative to the reference market, and close scrutiny of the gender pay gap;
- Individual performances are evaluated clearly and transparently, based on merit and in accordance with the principle of equal opportunities;
- Deferral and payment of variable remuneration over a time horizon of several years, including in the form of equity instruments, in order to link incentives to the creation of value over the long term;

- Centrality of reputational issues, *ex ante* and *ex post*, in the form of malus and clawback mechanisms for the remuneration;
- Pre-established, transparent means of treatment for staff in the event of their employment with the Mediobanca Group ceasing, with pre-established caps in terms of the maximum number of monthly salaries that can be paid and the absolute value of the severance payable;
- Transparency in reporting.

The Group Remuneration Policy and Report is approved by shareholders in Annual General Meeting, after being approved first by the Board of Directors with the opinion of the Remunerations Committee. The Group HR, Planning, Accounting and Financial Reporting, Group Risk Management, Compliance and Group Audit Units all play an active part in the process, according to their respective areas of responsibility. The activities are suitably tracked and documented.

Material Risk-Takers, i.e. staff members whose professional activity may impact substantially on the Mediobanca Group's risk profile, are identified annually at the end of a formalized process involving Mediobanca S.p.A. and the other Group companies. The information collected is then sent to Mediobanca S.p.A. to be consolidated, whereas for the other, non-banking subsidiaries, the parent company carries out its own assessment.

For definition of its identified staff, Mediobanca adopts the regulatory technical standards provided in Commission Delegated Regulation (EU) No. 2021/923 of 25 March 2021, published in the Official Journal of the European Union on 9 June 2021. The criteria are:

- Qualitative: linked to role (including for non-executive directors) and to decision-making powers assigned and responsibilities taken within the Group structure, consistent with the nature, range and complexity of the activities performed. Factors considered include organizational position within the Group, materiality of the business unit (not just in terms of the capital allocated to them, but also of volumes and complexity), risk profile, including with reference to reputation, participation in internal Group committees, independence in terms of decision-making and operations, geographical location of the office at which they work (in view of the pay differences between different countries), and specific characteristics of the sectors concerned (e.g. asset management and the investment firms).
- Quantitative: based on the total overall remuneration received in the previous financial year.

The definition of Material Risk-Taker also includes financial and insurance brokers and financial advisors authorized to offer products door-to-door.

Subject to approval by shareholders in Annual General Meeting, in accordance with national and supranational regulations, the maximum limit set for the variable remuneration of all Mediobanca Group employees, and hence all identified staff, is 200% of their fixed remuneration. The

remuneration package for the Group's identified staff members who work for the control units (Group Audit, Compliance, Risk Management) is structured to comprise a fixed component representing the majority and a variable component awarded annually based on qualitative criteria and linked to the effectiveness and quality of control action. Their variable remuneration is capped at 33% of the fixed component, and that of the heads of these units is decided annually by the Board of Directors, based on the Remuneration Committee's proposal. Different limits apply to staff working in asset management and for the investment firms.

Variable remuneration and the correlation between risks and performance are determined via a process which aims to reward staff based on the Bank's and the Group's risk-adjusted performances, in line with the risk profile defined in the Risk Appetite Framework (RAF), with a view to achieving business continuity and sustainable results over the long term. Distribution of the variable remuneration earmarked for the remuneration of the "identified staff" in each Group organizational division only takes place if the following indicators or "gateways" are met:

- Capital adequacy and liquidity requirements at levels which are higher than those stated in the Risk Appetite Framework approved by the Board of Directors, which are the primary indicators taken into consideration in the ICAAP. These are: CET 1 ratio, Leverage ratio, AFR/ECAP, Liquidity Coverage Ratio, and Net Stable Funding Ratio.
- Positive operating profit delivered at Group level.

The annual variable remuneration payable to the Group's divisions and business units, including the share attributable to identified staff, is calculated based on the risk-adjusted earnings performances of the respective divisional areas (Economic Profit and/or ROAC and/or other risk-adjusted metrics) and on other secondary quantitative and qualitative objectives. The individual incentive system and the allocation of variable remuneration to individual beneficiaries are determined through an annual performance evaluation process based on merit and professional quality, with particular attention to reputational issues.

The Board of Directors, at the Chief Executive Officer's proposal and with the Remunerations and Related Parties' Committees in favour, may approve payment of variable remuneration in favour of Identified Staff in order to safeguard the most critical professional capabilities, even if the gateways have not been met. The possibility of paying variable remuneration for retention purposes is assessed in the light of the causes for the individual gateways not being met, and the impact of the individual indicator on the Group's capital adequacy, liquidity and profitability, including through assessment of the causal link with the Group's various divisions. Furthermore, if the gateways are met but an Economic Profit or other divisional indicator is delivered which is negative or small, the Chief Executive Officer may also propose a variable remuneration floor pool for identified staff, agreeing the

rationale for distributing the proceeds with the governing bodies based on the individual contributions of the business activities to the company's results.

For staff employed in the control, staff and support units the variable component, which is usually small, is not related to earnings performance or the Group's results but to individual qualitative performance (value of staff, quality of performance, retention strategies) and to the role's positioning relative to the reference market. For staff employed in the internal control units (i.e. Group Audit, Compliance and Risk Management), assessment is made of the continuous monitoring and control of the Bank's processes and operations carried out by them, independently and autonomously, to prevent risk situations developing and ensure irregular behaviour or events is picked up swiftly. Also evaluated is these units' continuous assessment of compliance with the regulations in the form of appropriate audit plans, updates to internal guidance, training of internal units; correct development of models, methodologies and metrics with which to measure market, credit and operational risks, producing adequate reporting for monitoring processes; and accurate analysis of new products and their risk profiles.

The Mediobanca Group has adopted a New Joiner Policy, which provides for the allocation of buyout, sign on and entry bonuses for particularly important profiles, exclusively at the recruitment stage, and for the first year of their employment by the company. The New Joiner Policy also provides for the possibility of an amount being paid at recruitment to compensate for any loss in earnings from previous jobs, in accordance with consolidated sector practice. Such amounts are decided and paid in accordance with the policy and regulations in force. Application of the other constituents of the Policy (such as deferral, payment in cash and equity, payment being subject to malus and clawback provisions) ensures that the compensation structure is aligned with risks at all times and with the objective of achieving sustainability over the long term.

As provided by the regulations and the Articles of Association, the shareholders in ordinary general meeting are responsible for determining the compensation to be awarded in cases where beneficiaries leave office or the employment arrangement is terminated early, including the limits set on such compensation in terms of the annual fixed salary and the maximum amount deriving from applying them.

A substantial proportion of the variable component is deferred in time and distributed in the form of equity instruments, in order to link incentives to the objective of value creation in the long term, and to allow the continuity of the company's positive results to be verified. Payments are made through annual pro rata instalments and depends on the beneficiary's role and the variable remuneration payable to them.

For directors with executive duties and senior management the deferral period is always five years. The deferred component is:

- 60% (55% in equities and 45% in cash), for variable remuneration equal to or higher than €424,000;
- 50% (56% in equities and 44% in cash) for variable remuneration of less than €424,000.

For other Identified Staff, deferral is over a four-year time horizon, made up as follows:

- 60% (50% in equities and 50% in cash), for variable remuneration equal to or higher than €424,000;
- 40%, (50% in equities and 50% in cash), for variable remuneration of less than €424,000.

For the Material Risk-Takers, the upfront component is paid half in cash and half in Mediobanca shares. For Identified Staff, the deferral mechanism does not apply if their annual variable remuneration does not exceed the materiality threshold of €50,000 and does not represent more than one-third of their total compensation.

After the vesting period, the shares are subject to a further retention holding period of one year.

Variable remuneration components may only be assigned, when awarded and when deferred payment takes place, if the beneficiary has not committed any of the instances contemplated in the Group Directive on Compliance Breaches (i.e. has not been subject to disciplinary proceedings based *inter alia* on the provisions of the Code of Ethics, Organizational Model instituted pursuant to Italian Legislative Decree 231/01, or violations of the Business Conduct policy and/or the other internal guidelines issued by Mediobanca), and if no losses are attributable to their actions. The deferred variable remuneration component is paid, after the performance evaluation process has been completed over the relevant timeframe, i.e. annual (short-term incentive) or long-term (long-term incentive), provided that:

- The beneficiary is still a Group employee and not serving a period of notice for resignation or dismissal;
- In each of the financial years, the performance conditions (i.e. the gateways) are met;
- The beneficiaries' business units post a positive risk-adjusted result net of extraordinary items and the effects of strategic decisions, as validated by the Risk Management unit.

Mediobanca reserves the right to take all measures necessary to claim back variable remuneration already paid (the "clawback" mechanism) in the event of damages emerging to the integrity of its capital, profitability and earnings/financial or reputational situation, which are attributable to the conduct of individual staff members even without fraud and/or wilful misconduct being established.

Clawback clauses can be applied to Identified Staff up to the fifth year following payment of variable remuneration, upfront or deferred, and up to one year for other staff. The Chief Executive Officer is required to hold a number of Mediobanca shares equal in value to twice the amount of his fixed salary (including the emolument payable for holding such office, as measured at the end of the financial year and based on the average Mediobanca stock market price recorded in the same

financial year), and the Group General Manager one time the amount of his fixed salary, even after the shares deriving from the award of the variable component have actually been assigned, until the respective vesting/holding periods expire. The equivalent amount of shares, to be delivered in a timespan of five years from the date of their first award, must be held throughout the duration of their terms of office, to ensure their interests are aligned with those of the shareholders (the “stock ownership requirement”).

The total remuneration for each member of the management body or senior management is stated in the “Tables of analytical quantitative data” contained in the Report on Remuneration and Compensation Paid.

The Mediobanca Group benefits from the exemption provided for under Article 94(3)(b) of the CRD. A total of 16 staff members benefit from this exemption, with an aggregate total compensation of €4,374,000, of which €3,841,000 fixed and €533,000 variable. For the quantitative information on the collective compensation paid to the Board of Directors, see the “Tables of analytical quantitative data” contained in the Report on Remuneration and Compensation Paid.

Quantitative information

Template EU REM1 - Remuneration awarded for the financial year

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Number of identified staff	13	2	10	91
2	Total fixed remuneration	3,172,932	4,318,025	8,712,809	39,505,992
3	of which: cash-based	3,169,192	3,500,000	8,030,001	38,154,567
EU-4a	Fixed remuneration				
5					
EU-5x	of which: other instruments	3,740	818,025	682,808	1,351,425
7	of which: other forms				
9	Number of identified staff		2	10	75
10	Total variable remuneration		9,499,000	11,219,000	21,767,114
11	of which: cash-based		4,464,530	5,501,890	11,726,186
12	of which: deferred		2,564,730	2,897,490	5,580,166
EU-13a	of which: shares or equivalent ownership interests		5,034,470	5,717,110	9,790,928
EU-14a	Variable remuneration		3,134,670	3,544,710	5,100,622
EU-13b					
EU-14b					
EU-14x	of which: other instruments				250,000
EU-14y	of which: deferred				150,000
15	of which: other forms				
16	of which: deferred				
17	Total remuneration (2 + 10)	3.172.932	13,817,025	19,931,809	61,273,106

Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	a	b	c	d
	MB Supervisory function	MB Management function	Other senior managem ent	Other identified staff
Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff			
2	Guaranteed variable remuneration awards -Total amount			
3	of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap			
Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff		1	1
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount		191,424	114,157
Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff			1
7	Severance payments awarded during the financial year - Total amount			916,260
8	of which paid during the financial year			183,252
9	of which deferred			733,008
10	of which severance payments paid during the financial year, that are not taken into account in the bonus cap			183,252
11	of which highest payment that has been awarded to a single person			916,260

Template EU REM3 - Deferred remuneration (1/2)

Deferred and retained remuneration	a	b	c	d
	Total amount of deferred remuneration awarded for previous performance periods	of which due to vest in the financial year	of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year
1 MB Supervisory function				
2 Cash-based				
3 Shares or equivalent ownership interests				
4 Share-linked instruments or equivalent non-cash instruments				
5 Other instruments				
6 Other forms				
7 MB Management function	11,236,516	2,292,163	8,944,353	
8 Cash-based	4,874,400	1,123,710	3,750,690	
9 Shares or equivalent ownership interests	6,362,116	1,168,453	5,193,663	
10 Share-linked instruments or equivalent non-cash instruments				
11 Other instruments				
12 Other forms				
13 Other senior management	17,583,580	2,962,028	14,621,552	
14 Cash-based	7,921,600	1,342,000	6,579,600	
15 Shares or equivalent ownership interests	9,661,980	1,620,028	8,041,952	
16 Share-linked instruments or equivalent non-cash instruments				
17 Other instruments				
18 Other forms				
19 Other identified staff	29,704,869	9,123,837	20,581,033	
20 Cash-based	15,554,089	3,650,430	11,903,659	
21 Shares or equivalent ownership interests	13,766,780	5,305,407	8,461,374	
22 Share-linked instruments or equivalent non-cash instruments				
23 Other instruments	384,000	168,000	216,000	
24 Other forms				
25 Total amount	58,524,965	14,378,028	44,146,938	

Template EU REM3 - Deferred remuneration (2/2)

Deferred and retained remuneration	e	f	EU-g	EU-h
	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1 MB Supervisory function				
2 Cash-based				
3 Shares or equivalent ownership interests				
4 Share-linked instruments or equivalent non-cash instruments				
5 Other instruments				
6 Other forms				
7 MB Management function		414,728	2,292,163	1,168,453
8 Cash-based			1,123,710	
9 Shares or equivalent ownership interests		414,728	1,168,453	1,168,453
10 Share-linked instruments or equivalent non-cash instruments				
11 Other instruments				
12 Other forms				
13 Other senior management		790,324	2,962,028	1,620,028
14 Cash-based			1,342,000	
15 Shares or equivalent ownership interests		790,324	1,620,028	1,620,028
16 Share-linked instruments or equivalent non-cash instruments				
17 Other instruments				
18 Other forms				
19 Other identified staff		848,626	9,123,837	5,473,407
20 Cash-based			3,650,430	
21 Shares or equivalent ownership interests		848,626	5,305,407	5,305,407
22 Share-linked instruments or equivalent non-cash instruments				
23 Other instruments			168,000	168,000
24 Other forms				
25 Total amount		2,053,678	14,378,028	8,261,888

Template EU REM4 - Remuneration of 1 million EUR or more per year

EUR		a
		Identified staff that are high earners as set out in Article 450(I) CRR
1	1 000 000 to below 1 500 000	10
2	1 500 000 to below 2 000 000	5
3	2 000 000 to below 2 500 000	5
4	2 500 000 to below 3 000 000	1
5	3 000 000 to below 3 500 000	1
6	3 500 000 to below 4 000 000	1
7	4 000 000 to below 4 500 000	
8	4 500 000 to below 5 000 000	
9	5 000 000 to below 6 000 000	
10	6 000 000 to below 7 000 000	1
11	7 000 000 to below 8 000 000	1
x	To be extended, as appropriate, if additional ranges of payment.	

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (1/2)

	a	b	c	d	e
	Management body remuneration			Business areas	
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking
1 Total number of identified staff					
2 of which: members of the MB	13	2	15		
3 of which: other senior management				6	3
4 of which: other identified staff				34	23
5 Total remuneration of identified staff	3,172,932	13,817,025		46,528,602	22,998,873
6 of which: variable remuneration		9,499,000		20,742,260	8,547,709
7 of which: fixed remuneration	3,172,932	4,318,025		25,786,342	14,451,164

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (2/2)

	f	g	h	i	j
	Business areas				Total
	Asset management	Corporate functions	Independent internal control functions	All other	
1 Total number of identified staff					116
2 of which: members of the MB					
3 of which: other senior management	1				
4 of which: other identified staff	1	13	20		
5 Total remuneration of identified staff	874,500	6,031,026	4,771,914		
6 of which: variable remuneration	500,000	2,164,000	1,032,145		
7 of which: fixed remuneration	374,500	3,867,026	3,739,769		

Declaration by Head of Company Financial Reporting

As required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98 the undersigned hereby declares that the financial information contained in this document corresponds to that contained in the company's documents, account books and ledger entries.

Milan, xx xxxxxxxx xxxx

Head of Company Financial Reporting

Emanuele Flappini

Annexes

Annex 1: List of the world's top 20 most polluting companies

1) Climate Accountability Institute - [CAI PressRelease Dec20 \(climateaccountability.org\)](https://climateaccountability.org/)

	Entity	MtCO ₂ e	% of global 1965 -
1	Saudi Aramco, Saudi Arabia	61,143	4.33%
2	Gazprom, Russia	44,757	3.17%
3	Chevron, USA	43,787	3.10%
4	ExxonMobil, USA	42,484	3.01%
5	National Iranian Oil Co.	36,924	2.62%
6	BP, UK	34,564	2.45%
7	Royal Dutch Shell, The Netherlands	32,498	2.30%
8	Coal India, India	24,341	1.73%
9	Pemex, Mexico	23,025	1.63%
10	PetroChina/China Natl Petroleum	16,515	1.17%
11	Petroleos de Venezuela (PDVSA)	16,029	1.14%
12	Peabody Energy, USA	15,783	1.12%
13	ConocoPhillips, USA	15,422	1.09%
14	Abu Dhabi, United Arab Emirates	14,532	1.03%
15	Kuwait Petroleum, Kuwait	13,923	0.99%
16	Iraq National Oil Co., Iraq	13,162	0.93%
17	Total SA, France	12,755	0.90%
18	Sonatrach, Algeria	12,700	0.90%
19	BHP, Australia	10,068	0.71%
20	Petrobras, Brazil	9,061	0.64%
	Top Twenty	493,473	34.98%
	Global (1965-2018)	1,410,737	100.00%

1) Carbon Majors Database - Carbon-Majors-Report-2017.pdf (cdp.net)

Rank	Company	Allocated ownership status ^a	Scope 1+3 emissions 1988-2015, GtCO ₂ e	Of sector emissions 1988-2015	Of global industrial emissions 1988-2015
1	Saudi Arabian Oil Company (Aramco)	State	40.0	8.6%	4.8%
2	Gazprom OAO	Mixed	35.3	7.6%	4.2%
3	National Iranian Oil Co	State	19.4	4.2%	2.3%
4	ExxonMobil Corp	Investor	17.3	3.7%	2.1%
5	Petroleos Mexicanos (Pemex)	State	17.0	3.7%	2.0%
6	Royal Dutch Shell PLC	Investor	15.0	3.2%	1.8%
7	BP PLC	Investor	13.8	3.0%	1.7%
8	China National Petroleum Corp (PetroChina)	State	13.6	2.9%	1.6%
9	Chevron Corp	Investor	11.9	2.6%	1.4%
10	Petroleos de Venezuela SA (PDVSA)	State	10.6	2.3%	1.3%
11	Abu Dhabi National Oil Co	State	10.3	2.2%	1.2%
12	Kuwait Petroleum Corp	State	8.7	1.9%	1.0%
13	Total SA	Investor	8.6	1.9%	1.0%
14	Sonatrach SPA	State	8.4	1.8%	1.0%
15	ConocoPhillips	Investor	8.4	1.8%	1.0%
16	Petroleo Brasileiro SA (Petrobras)	Mixed	7.0	1.5%	0.8%
17	Nigerian National Petroleum Corp	State	6.2	1.3%	0.7%
18	Petroliaam Nasional Berhad (Petronas)	State	5.7	1.2%	0.7%
19	Rosneft OAO	Mixed	5.7	1.2%	0.7%
20	Lukoil OAO	Mixed	5.7	1.2%	0.7%
21	Eni SPA	Mixed	5.4	1.2%	0.6%
22	Iraq National Oil Co	State	5.2	1.1%	0.6%
23	Statoil ASA	Mixed	4.8	1.0%	0.6%
24	Qatar Petroleum Corp	State	4.7	1.0%	0.6%
25	PT Pertamina	State	4.6	1.0%	0.6%
-	Other 25 companies	-	50	10.7%	6.0%
-	Total	-	343	74%	41%
-	Of which are State owned	-	227	49%	27%
-	Of which are Investor owned	-	116	25%	14%

Audit firm report on Basel III Pillar III disclosure